



**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 -  
TT 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 - TT DOLLAR INCOME FUND FOR THE YEAR ENDED 31 DECEMBER, 2016**

**OPINION**

The financial statements of the Trinidad and Tobago Unit Trust Corporation – TT Dollar Income Fund (the Fund) for the year ended 31 December, 2016 have been audited. The statements as set out on pages 1 to 28 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 TT 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.

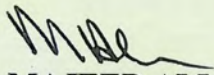


- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If the 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.

15<sup>th</sup> MARCH, 2017  
PORT OF SPAIN



  
MAJEED ALI  
AUDITOR GENERAL

SS  
20170315

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

**Financial Statements**  
(Expressed in Trinidad and Tobago Dollars)

**31 December 2016**

# Trinidad and Tobago Unit Trust Corporation

## TT Dollar Income Fund

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

As at 31 December, 2016

Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-16 \$'000	31-Dec-15 \$'000
<b>ASSETS</b>			
Cash and Cash Equivalents	4	949,544	398,455
Receivables	5	583,168	415,802
Investment Securities	6	9,696,316	10,082,326
<b>Total Assets</b>		<b>11,229,028</b>	<b>10,896,583</b>
<b>LIABILITIES</b>			
Payables	7	38,961	18,799
Other Liabilities	7	352,176	220,648
<b>Total Liabilities</b>		<b>391,137</b>	<b>239,447</b>
<b>EQUITY</b>			
Unitholders' Capital		10,659,115	10,538,319
Fund Reserves		51,735	48,445
Retained Earning/(Loss)		37,924	(18,656)
Fair Value Reserve		89,117	89,028
<b>Total Equity</b>		<b>10,837,891</b>	<b>10,657,136</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,229,028</b>	<b>10,896,583</b>

  
Chairman



  
Executive Director



**Trinidad and Tobago Unit Trust Corporation**  
**TT DOLLAR INCOME FUND**  
**STATEMENT OF PROFIT OR LOSS**  
For the year ended 31 December, 2016  
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-16 \$'000	31-Dec-15 \$'000
<b>INCOME</b>			
Interest Income	8	330,105	282,398
Realised Capital Gains/(Loss)		6,383	(1,820)
Foreign Exchange Gains		43,700	957
Other Income	9	3,525	1,588
<b>Total Income</b>		<b>383,713</b>	<b>283,123</b>
<b>EXPENSES</b>			
Management Charge	12	(200,414)	(171,742)
Impairment		(854)	(40,411)
Commissions		(8,766)	(8,902)
Other Expenses		(673)	(468)
Bank Charges		(15)	(15)
<b>Total Expenses</b>		<b>(210,722)</b>	<b>(221,538)</b>
<b>Net Income</b>		<b>172,991</b>	<b>61,585</b>
Allocation to Primary Reserve		(2,800)	(2,800)
<b>Net Income for the year</b>		<b>170,191</b>	<b>58,785</b>



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

	31-Dec-16 \$'000	31-Dec-15 \$'000
<b>Net Income for the year</b>	<b>170,191</b>	<b>58,785</b>
<b>Other Comprehensive Income:</b>		
<i>Amounts that may be transferred to Profit or Loss in the future:</i>		
Fair value gain arising during the year	41,111	120,510
Fair value (gain)/loss transferred to income	(41,876)	1,764
Impairment losses transferred to income	854	(40,411)
<b>Other Comprehensive Income for the year</b>	<b>89</b>	<b>81,863</b>
<b>Total Comprehensive Income for the year</b>	<b>170,280</b>	<b>140,648</b>

**Trinidad and Tobago Unit Trust Corporation**  
**TT DOLLAR INCOME FUND**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December, 2016**  
**Expressed in Trinidad and Tobago Dollars**

	Unitholders' Capital \$'000	Retained Earnings \$'000	Fair Value Reserve \$'000	Fund Reserve \$'000	Total \$'000
<b>Balance as at 1 January, 2016</b>	<b>10,538,319</b>	<b>(18,656)</b>	<b>89,028</b>	<b>48,445</b>	<b>10,657,136</b>
Net Income Available for Distribution	-	172,991	-	-	172,991
Subscriptions from Unitholders	1,740,788	-	-	-	1,740,788
Redemptions by Unitholders	(1,619,992)	-	-	-	(1,619,992)
Distributions to Unitholders	-	(113,611)	-	-	(113,611)
Net Allocation to Reserves	-	(2,800)	-	3,290	490
Other Comprehensive Income for the year	-	-	89	-	89
<b>Balance as at 31 December, 2016</b>	<b>10,659,115</b>	<b>37,924</b>	<b>89,117</b>	<b>51,735</b>	<b>10,837,891</b>
<b>Balance as at 1 January, 2015</b>	<b>10,412,115</b>	<b>-</b>	<b>7,165</b>	<b>45,283</b>	<b>10,464,563</b>
Net Income Available for Distribution	-	61,585	-	-	61,585
Subscriptions from Unitholders	1,398,080	-	-	-	1,398,080
Redemptions by Unitholders	(1,271,876)	-	-	-	(1,271,876)
Distributions to Unitholders	-	(87,359)	-	-	(87,359)
Net Allocation to Reserves	-	(2,800)	-	3,162	362
Transfer from Capital Reserves	-	9,918	-	-	9,918
Other Comprehensive Income for the year	-	-	81,863	-	81,863
<b>Balance as at 31 December, 2015</b>	<b>10,538,319</b>	<b>(18,656)</b>	<b>89,028</b>	<b>48,445</b>	<b>10,657,136</b>

**Trinidad and Tobago Unit Trust Corporation**  
**TT DOLLAR INCOME FUND**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December, 2016**  
**Expressed in Trinidad and Tobago Dollars**

	31-Dec-16 \$'000	31-Dec-15 \$'000
<b>OPERATING ACTIVITIES</b>		
Net Income	172,991	61,585
<i>Adjustments to reconcile Net Investment Income to Net Cash Flow From Operating Activities:</i>		
Impairment	853	40,411
Movement in Reserve	490	362
	<u>174,334</u>	<u>102,358</u>
<i>Movements in Net Current Assests</i>		
Increase in Receivables	(167,366)	(67,585)
Increase in Payables	151,690	58,240
	<u>158,658</u>	<u>93,013</u>
<b>Net Cash Flow From Operating Activities</b>		
<b>INVESTING ACTIVITIES</b>		
Purchase of Investment Securities	(8,019,145)	(7,472,757)
Disposal of Investment Securities	8,404,391	6,710,310
	<u>385,246</u>	<u>(762,447)</u>
<b>Net Cash Flow From/(Used In) Investing Activities</b>		
<b>FINANCING ACTIVITIES</b>		
Subscriptions from Unitholders	1,740,788	1,398,080
Redemptions by Unitholders	(1,619,992)	(1,271,876)
Distribution to Unitholders	(113,611)	(87,359)
	<u>7,184</u>	<u>38,845</u>
<b>Net Cash Flow From Financing Activities</b>		
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	551,089	(630,589)
Cash and Cash Equivalents at beginning of the year	398,455	1,029,044
<b>Cash and Cash Equivalents at the end of the year</b>	<u>949,544</u>	<u>398,455</u>

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

# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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#### 1 General Information

The TT Dollar Income Fund is a fixed income fund that was established in accordance with the Trinidad and Tobago Unit Trust Corporation Act No. 26 in 1981. The fund was launched on 1 September 1989. The Fund is denominated in Trinidad and Tobago (TT) dollars. The custodian of the Fund is the Central Bank of Trinidad and Tobago. The Trinidad and Tobago Unit Trust Corporation (TTUTC) whose registered office is located at UTC Financial Centre, 82 Independence Square, Port of Spain is the manager and administrator of the Fund. The TT Dollar Income Fund investments is guided by the investment guidelines and policies approved by the Board of Directors or delegated to a sub-committee. The Fund 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 TT\$100. The price per unit is TT\$20.

#### Redemptions

Units can be redeemed on every business day at a price per unit of TT\$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 TT dollars.

#### Reinvestments

Distribution is compounded daily and credited to a Unitholders' accounts on a quarterly basis, (28 February, 31 May, 31 August and 30 November). 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 TT 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

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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## 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 TT 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.

### 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 & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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

##### (ii) *Held to maturity*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has the positive intention and ability to hold to maturity, other than those that the Fund designates as available for sale and those that meet the definition of loans and receivables.

Interests on held-to-maturity investments are included in the statement of profit or loss and are reported as 'interest and similar income'. In the case of an impairment, it has been 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.

# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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## 2 Summary of Significant Accounting Policies (Continued)

### 2.3 Financial assets (Continued)

#### (a) Classification (Continued)

##### (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 AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of profit or loss as gains and losses from investment securities. 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 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.

# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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## 2 Summary of Significant Accounting Policies (Continued)

### 2.3 Financial assets (Continued)

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

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

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

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

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

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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



# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.4 Offsetting financial instruments

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

##### 2.5 Cash and cash equivalents

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

##### 2.6 Accrued expenses/ accounts payable

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

##### 2.7 Accounts receivable

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

##### 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 TT\$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.

Redeemable units are issued and redeemed at the holder's option at a price of TT\$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 held to maturity securities, cash and cash equivalents 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.

# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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#### 2 Summary of Significant Accounting Policies (Continued)

##### 2.10 Distribution payable to holders of redeemable units

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

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

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

##### 2.12 Expenses

Expenses are accounted for on the accrual basis.

##### 2.13 Taxation

Under the current laws of Trinidad and Tobago, there is no income tax or any other tax that is levied on the Corporation for the TT Dollar Income Fund from any income or dividend distributed to a Unitholder who is a resident of Trinidad and Tobago. Therefore there is no provision for income taxes in these 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.

(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 judgment. In making this judgment, 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 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 \$106.2 million (2015: \$97.3 million).

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

**Notes To The Financial Statements (Continued)**

**31 December 2016**

(Expressed in Trinidad and Tobago Dollars)

**3 Critical Accounting Estimates And Assumptions (Continued)**

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

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

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:

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>\$000</b>	<b>\$'000</b>
Cash at bank	949,544	398,455
<b>Total</b>	<u>949,544</u>	<u>398,455</u>

**5 Interest And Other Receivables**

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>\$000</b>	<b>\$000</b>
Interest receivables	70,080	90,713
Other receivables	513,088	325,089
<b>Total</b>	<u>583,168</u>	<u>415,802</u>

**6 Investment Securities**

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>\$000</b>	<b>\$'000</b>
<b>Available for sale securities</b>		
- Government securities	3,012,693	3,159,360
- Corporate securities	2,474,878	3,304,875
- Short term securities	4,208,745	3,618,091
<b>Total available for sale securities</b>	<u>9,696,316</u>	<u>10,082,326</u>

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

**Notes To The Financial Statements (Continued)**

**31 December 2016**

(Expressed in Trinidad and Tobago Dollars)

**7 Accounts Payable And Other Liabilities**

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>\$000</b>	<b>\$000</b>
Amount due to the Trinidad and Tobago Unit Trust Corporation	28,689	10,621
Distribution payable	10,272	8,178
Other liabilities	352,176	220,648
<b>Total</b>	<u>391,137</u>	<u>239,447</u>

**8 Interest Income**

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>\$000</b>	<b>\$000</b>
Income from debt securities	310,516	290,120
Amortisation of premium/discounts	19,589	(7,722)
<b>Total</b>	<u>330,105</u>	<u>282,398</u>

**9 Other Income**

	<b>31-Dec-16</b>	<b>\$000</b>
	<b>\$000</b>	<b>\$000</b>
Miscellaneous income	3,525	1,588
<b>Total</b>	<u>3,525</u>	<u>1,588</u>

**10 Distribution To Unitholders**

The distributions for the year ended 31 December 2016 and 31 December 2015 amounted to \$113,610,668 and \$87,359,035 respectively and are presented as finance cost

**11 Redeemable Units**

This represents units issued by the TT Dollar Income Fund. The unit 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.



# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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#### 12 Related Party Transaction (Continued)

The TT Dollar Income Fund is managed by the Trinidad and Tobago Unit Trust Corporation (The Investment Manager), an investment management entity incorporated in Trinidad and Tobago. Under the terms of management agreement 1 September 1989, 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 realised 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 \$200,414,334 (December 2015: \$171,742,012). The outstanding accrued management fees due to the Unit Trust Corporation as at the year-end amounted to \$25,043,580 (December 2015: \$7,014,360).

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 on-going 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.

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.

# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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#### 13 Fair Value Estimate (Continued)

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 Group 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.

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.

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

**Notes To The Financial Statements (Continued)**

**31 December 2016**

(Expressed in Trinidad and Tobago Dollars)

**13 Fair Value Estimate (Continued)**

Management's estimates of the fair value of the Fund's Level 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 +/-
<b>Available for sale investments carried at fair value:</b>	<b>\$'000</b>				
Debt securities	5,487,571	Average of broker and *valuation model	Not applicable	Not applicable	Not applicable
<b>Total</b>	<b>5,487,571</b>				

	Level 3 Fair Value	As at 31 December 2015 Valuation Technique Used	Significant unobservable inputs	Possible shifts in inputs +/-	Change in valuation +/-
<b>Available for sale investments carried at fair value:</b>	<b>\$'000</b>				
Debt securities	6,464,235	Average of broker and *external valuers	Not applicable	Not applicable	Not applicable
<b>Total</b>	<b>6,464,235</b>				

The following table analyses within fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2016: All fair value measurements disclosed are recurring fair value measurements.

Financial Assets	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets available for sale:				
Debt securities	-	-	5,487,571	5,487,571
Short term securities	4,208,745	-	-	4,208,745
<b>Balance As At 31 December 2016</b>	<b>4,208,745</b>	<b>-</b>	<b>5,487,571</b>	<b>9,696,316</b>

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

**Notes To The Financial Statements (Continued)**

**31 December 2016**

(Expressed in Trinidad and Tobago Dollars)

**13 Fair Value Estimate (Continued)**

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets</b>				
Financial assets available for sale:				
Debt securities	-	-	6,464,235	6,464,235
Short term securities	3,618,091	-	-	3,618,091
<b>Balance As At 31 December 2015</b>	<u>3,618,091</u>	<u>-</u>	<u>6,464,235</u>	<u>10,082,326</u>

Reconciliation of movement in level 3:

	31-Dec-16 \$'000	31-Dec-15 \$'000
Balance at start of year	6,464,235	1,503,544
Additions	1,985,637	9,156,842
Disposals	(2,962,890)	(4,277,048)
Unrealised fair value loss	589	80,897
Balance at end of year	<u>5,487,571</u>	<u>6,464,235</u>

There were no transfers of investments between the levels for the current nor prior year.

**14 Financial Risk Factors**

**14.1 Financial risk factors**

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

The 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 Management Risk Committee is supported in its deliberations by the Risk Management Department led by the Vice President - Risk. 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.



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

**Notes To The Financial Statements (Continued)**

**31 December 2016**

(Expressed in Trinidad and Tobago Dollars)

**14 Financial Risk Factors (Continued)**

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

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

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

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

	<b>31-Dec-16</b>	<b>31-Dec-15</b>
	<b>\$000</b>	<b>\$000</b>
Investment Securities		
- Debt securities	5,487,571	6,464,235
- Short term securities	4,208,745	3,618,091
Accounts receivables	583,168	415,802
Cash and Cash Equivalents	949,544	398,455
	<u>11,229,028</u>	<u>10,896,583</u>

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

**Notes To The Financial Statements (Continued)**

**31 December 2016**

(Expressed in Trinidad and Tobago Dollars)

**14 Financial Risk Factors (Continued)**

**14.2 Credit risk (Continued)**

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

	<b>31 December 2016</b>		
	<b>Available For Sale Financial Assets \$'000</b>	<b>Accounts Receivables \$'000</b>	<b>Cash and Cash Equivalent \$'000</b>
Neither past due nor impaired	9,694,106	583,168	949,544
Individually impaired	2,210	-	-
<b>Gross</b>	<b>9,696,316</b>	<b>538,168</b>	<b>949,544</b>
Less: Allowance for impairment	-	-	-
<b>Total</b>	<b>9,696,316</b>	<b>538,168</b>	<b>949,544</b>

	<b>31 December 2015</b>		
	<b>Available For Sale Financial Assets \$'000</b>	<b>Accounts Receivables \$'000</b>	<b>Cash and Cash Equivalent \$'000</b>
Neither past due nor impaired	9,103,530	403,078	398,455
Past due and not impaired	623,985	12,724	--
Individually impaired	354,811	-	-
<b>Gross</b>	<b>10,082,326</b>	<b>415,802</b>	<b>398,455</b>
Less: Allowance for impairment	--	--	-
<b>Total</b>	<b>10,082,326</b>	<b>415,802</b>	<b>398,455</b>

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

The Fund does not hold any collateral for these assets that are exposed to credit risk. The aging analysis of amounts past due but not impaired is as follows:

<b>Days past due as at</b>	<b>1 - 30 days \$'000</b>	<b>31 - 90 days \$'000</b>	<b>91 - 180 days \$'000</b>	<b>Over 180 days \$'000</b>
31 December 2016	-	-	-	-
31 December 2015	-	623,985	-	-

# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

#### 14 Financial Risk Factors (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	
	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB	B+	B		B-
S&P	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB	B+	B	B-	CCC+ and below
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1 and below
Fitch	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB	B+	B	B-	CCC and below
CariCris	AAA	AA+	AA	AA	A+	A	A	BBB+	BBB	BBB-	BB+	BB	BB	B+	B	B	C+ and below

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

	High \$'000	Moderate \$'000	Low \$'000	Unrated \$'000	Total \$'000
<b>At 31 December 2016</b>					
Cash and cash equivalents	949,544	-	-	-	949,544
Interest and other receivables	583,168	-	-	-	583,168
Debt Instruments-traded	9,291,485	352,338	11,617	40,876	9,696,316
<b>TOTAL</b>	<b>10,824,197</b>	<b>352,338</b>	<b>11,617</b>	<b>40,876</b>	<b>11,229,028</b>

	High \$'000	Moderate \$'000	Low \$'000	Unrated \$'000	Total \$'000
<b>At 31 December 2015</b>					
Cash and cash equivalents	398,455	--	--	--	398,455
Interest and other receivables	415,802	--	--	--	415,802
Debt Instruments – traded	8,268,888	--	39,353	1,774,085	10,082,326
<b>TOTAL</b>	<b>9,083,145</b>	<b>--</b>	<b>39,353</b>	<b>1,774,085</b>	<b>10,896,583</b>

(f) *Impaired assets*

Impairment charges are computed in accordance with IAS 39 and the Fund accounting policies. In summary an assets 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

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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#### 14 Financial Risk Factors (Continued)

##### 14.2 Credit risk (Continued)

###### (f) Impaired assets (Continued)

For the year ended 31 December 2016 and 31 December 2014, the impairment charges recognised are summarised as below:

	31-Dec-16	31-Dec-15
	\$000	\$000
Impairment loss recognised	854	40,411

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

##### 14.3 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes 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

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

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

The table below summarises the Fund's asset and liabilities, monetary and non-monetary, which are denominated in a currency other than the TT\$.



# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

#### 14 Financial Risk Factors (Continued)

##### 14.3 Market risk (Continued)

##### 14.3.1 Foreign exchange risk (Continued)

Foreign currency exposure for financial assets, financial liabilities and off balance sheet items

As at 31 December 2016	TT\$ \$'000	US\$ \$'000 (TT\$ Equivalent)	TOTAL \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	776,780	172,764	949,544
Financial assets:			
- Available for sale	8,023,818	1,672,498	9,696,316
Interest and other receivables	583,168	-	583,168
<b>Total Financial Assets</b>	<b>9,383,766</b>	<b>1,845,262</b>	<b>11,229,028</b>
<b>Financial Liabilities</b>	<b>10,837,891</b>	<b>-</b>	<b>10,837,891</b>
Amounts due to the holders of redeemable units			
Accounts payable and other liabilities	391,137	-	391,137
<b>Total Financial Liabilities</b>	<b>11,229,028</b>	<b>-</b>	<b>11,229,028</b>
<b>As at 31 December 2015</b>	<b>TT\$ \$'000</b>	<b>US\$ \$'000 (TT\$ Equivalent)</b>	<b>TOTAL \$'000</b>
<b>Financial Assets</b>			
Cash and cash equivalents	385,514	12,941	398,455
Financial assets:			
- Available for sale	8,371,524	1,710,802	10,082,326
Interest and other receivables	415,802	-	415,802
<b>Total Financial Assets</b>	<b>9,172,840</b>	<b>1,732,743</b>	<b>10,896,583</b>
<b>Financial Liabilities</b>	<b>10,657,136</b>	<b>-</b>	<b>10,657,136</b>
Amounts due to the holders of redeemable units			
Accounts payable and other liabilities	239,447	-	239,447
<b>Total Financial Liabilities</b>	<b>10,896,583</b>	<b>-</b>	<b>10,896,583</b>

If the US\$ appreciates by 5% against the TT\$, the profit would decrease by \$92 million (2015: \$87 million). Five percent was considered a reasonable possible shift since the US\$ rate has changed by 5% during the last year.

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

# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

#### 14 Financial Risk Factors (Continued)

##### 14.3 Market risk (Continued)

###### 14.3.2 Cash flow and fair value interest rate risk

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

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

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

	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
<b>At 31 December 2016</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	949,544	-	-	-	-	949,544
Investment securities	5,743,537	1,948,143	2,547,370	-	(542,734)	9,696,316
Accounts receivable	-	-	-	583,168	-	583,168
<b>Total financial assets</b>	<b>6,693,081</b>	<b>1,948,143</b>	<b>2,547,370</b>	<b>583,168</b>	<b>(542,734)</b>	<b>11,229,028</b>
<b>Financial Liabilities</b>						
Accounts payables and other liabilities	391,137	-	-	-	-	391,137
Amounts due to holders of redeemable units	10,837,891	-	-	-	-	10,837,891
<b>Total financial liabilities</b>	<b>11,229,028</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,229,028</b>
Interest Sensitivity Gap	(4,535,947)	1,948,143	2,547,370			

**Trinidad & Tobago Unit Trust Corporation**  
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**Notes To The Financial Statements (Continued)**  
**31 December 2016**  
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14 **Financial Risk Factors (Continued)**

14.3 **Market risk (Continued)**

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

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non - Interest Bearing \$'000	Premiums and Discounts \$'000	Total \$'000
<b>At 31 December 2015</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	398,455	-	-	-	-	398,455
Investment securities	5,150,684	2,720,147	1,979,818	-	231,677	10,082,326
Accounts receivable	-	-	-	415,802	-	415,802
<b>Total Financial Assets</b>	<b>5,549,139</b>	<b>2,720,147</b>	<b>1,979,818</b>	<b>415,802</b>	<b>231,677</b>	<b>10,896,583</b>
<b>Financial Liabilities</b>						
Accounts payables and other liabilities	239,447	-	-	-	-	239,447
Amounts due to holders of redeemable units	10,657,136	-	-	-	-	10,657,136
<b>Total Financial Liabilities</b>	<b>10,896,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,896,583</b>
<b>Interest Sensitivity Gap</b>	<b>(5,347,444)</b>	<b>2,720,147</b>	<b>1,979,818</b>			

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	<u>4 million</u>	<u>10 million</u>

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

**14.4 Liquidity risk**

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

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**Notes To The Financial Statements (Continued)**

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**14 Financial Risk Factors (Continued)**

**14.4 Liquidity risk (Continued)**

The Funds mitigate the risk by maintaining adequate portfolio liquidity through appropriate cash, near cash and other short term investments. Given the tradable nature of a substantial proportion of the Fund portfolios, this risk is not deemed significant.

Net Assets Attributable to Holders of redeemable units is adequate to allow redemption of the fixed amount of \$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
<b>At 31 December 2016</b>				
Financial assets	6,963,468	2,656,213	3,092,853	12,712,534
Total Financial Assets	<u>6,963,468</u>	<u>2,656,213</u>	<u>3,092,853</u>	<u>12,712,534</u>
Financial liabilities				
Accounts payable and other liabilities	391,137	-	-	391,137
Amounts due to holders of redeemable units	10,837,891	-	-	10,837,891
Contractual cash out flows (excluding derivatives)	<u>11,229,028</u>	<u>-</u>	<u>-</u>	<u>11,229,028</u>
Liquidity gap	<u>(4,265,560)</u>	<u>2,656,213</u>	<u>3,092,853</u>	<u>1,483,506</u>

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total
<b>At 31 December 2015</b>				
Financial assets	6,239,877	3,576,358	2,401,822	12,218,057
Total Financial Assets	<u>6,239,877</u>	<u>3,576,358</u>	<u>2,401,822</u>	<u>12,218,057</u>
Financial liabilities				
Accounts payable and other liabilities	239,447	-	-	239,447
Amounts due to holders of redeemable units	10,657,136	-	-	10,657,136
Contractual cash out flows (excluding derivatives)	<u>10,896,583</u>	<u>-</u>	<u>-</u>	<u>10,896,583</u>
Liquidity gap	<u>(4,656,706)</u>	<u>3,576,358</u>	<u>2,401,822</u>	<u>1,321,474</u>



# Trinidad & Tobago Unit Trust Corporation

## TT Dollar Income Fund

### Notes To The Financial Statements (Continued)

31 December 2016

(Expressed in Trinidad and Tobago Dollars)

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#### 14 Financial Risk Factors (Continued)

##### 14.4 Liquidity risk (Continued)

###### *Assets held for managing liquidity risk*

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

- Cash and 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.

#### 15 Capital Risk Management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The amount of net assets attributable to holders of redeemable units can change significantly on a 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.

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**Notes To The Financial Statements (Continued)**

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**16 Financial Instruments by Category**

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

	Financial Liabilities at amortised cost \$'000	Total \$'000
<b>Financial Liabilities</b>		
-Accounts payable and other liabilities	391,137	391,137
-Net assets attributable to holders of redeemable units	10,837,891	10,837,891
	<u>11,229,028</u>	<u>11,229,028</u>

As at 31 December 2015	Loans and Receivables \$'000	Available for Sale \$'000	Total \$'000
<b>Financial Assets</b>			
-Cash and cash equivalents	398,455	-	398,455
-Interest and other receivables	415,802	-	415,802
-Investment securities	-	10,082,326	10,082,326
	<u>814,257</u>	<u>10,082,326</u>	<u>10,896,583</u>

	Financial Liabilities at amortised cost \$'000	Total \$'000
<b>Financial Liabilities</b>		
-Accounts payable and other liabilities	239,447	239,447
-Net assets attributable to holders of redeemable units	10,657,136	10,657,136
	<u>10,896,583</u>	<u>10,896,583</u>