



**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 CONSOLIDATED FINANCIAL STATEMENTS
OF THE TRINIDAD AND TOBAGO
UNIT TRUST CORPORATION**

FOR THE YEAR ENDED

31 December, 2019



**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 CONSOLIDATED FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO UNIT TRUST CORPORATION FOR THE YEAR ENDED 31 DECEMBER, 2019

OPINION

The consolidated financial statements of the Trinidad and Tobago Unit Trust Corporation (the Corporation) for the year ended 31 December, 2019 have been audited. The statements as set out on pages 1 to 67 comprise a Consolidated Statement of Financial Position as at 31 December, 2019, a Consolidated Statement of Profit or Loss, a Consolidated Statement of Comprehensive Income, a Consolidated Statement of Changes in Equity and a Consolidated Statement of Cash Flows for the year then ended, and Notes to the Consolidated Financial Statements numbered 1 to 31, including a summary of significant accounting policies.

2. In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Trinidad and Tobago Unit Trust Corporation as at 31 December, 2019 and of its consolidated financial performance and its consolidated 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 Corporation 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 Corporation is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

5. In preparing the consolidated financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

6. Those charged with governance are responsible for overseeing the Corporation'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 consolidated 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 Corporation.
- 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 Corporation 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 Corporation 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.
- Obtains sufficient appropriate audit evidence regarding, the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. The Auditor General is responsible for the direction, supervision and performance of the audit of the Corporation. The Auditor General remains solely responsible for his audit opinion.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. The Unit Trust Corporation Chap. 83:03 paragraph 12(1) states that:

“The Board shall meet not less than six times a year and at least once every two months and shall observe such rules of procedure in the transaction of business at its meetings as may be made by the Board.”

11.1 During the financial period, the Board of Directors did not meet at least six times a year and at least once every two months as required by the Unit Trust Corporation Act Chap. 83:03 because of the non-appointment of a Chairman on expiration of the office holder's term of office. A Chairman of the Board of Directors was appointed in March 2020.



**27TH MARCH, 2020
PORT OF SPAIN**

L. Pujadas
**LORELLY PUJADAS
AUDITOR GENERAL**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

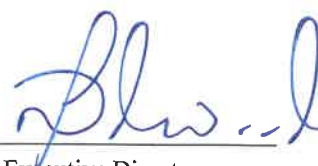
As at 31 December, 2019

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-19 \$ '000	31-Dec-18 \$ '000
ASSETS			
Cash and Cash Equivalents	3	3,269,272	2,090,800
Receivables		194,183	150,104
Prepayments and Other Assets		20,453	17,179
Investment Securities	4	19,178,368	19,565,672
Property, Plant and Equipment	5	149,826	157,305
Right-of-Use Assets	6	15,732	-
Intangible Assets	7	207	490
TOTAL ASSETS		22,828,041	21,981,550
LIABILITIES			
Accounts Payable and Short-term Liabilities		70,566	70,045
Lease Liability		16,405	-
Distribution Payable		38,829	51,291
Pension and Other Post-retirement Liabilities	8	18,161	13,983
Price Guarantee Provision	9	3,024	25,857
Net Assets Attributable to Unitholders	10	21,201,609	20,438,710
Other Liabilities		4,532	2,110
TOTAL LIABILITIES		21,353,126	20,601,996
EQUITY			
Statutory Reserves	11	5,700	5,700
Revaluation Reserve	12	(20,709)	(16,720)
Retained Earnings		1,489,924	1,390,574
		1,474,915	1,379,554
TOTAL LIABILITIES AND EQUITY		22,828,041	21,981,550



Chairman

Executive Director

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December, 2019

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-19 \$'000	31-Dec-18 \$'000
CONTINUING OPERATIONS			
INCOME			
Investment Income	13 a	683,722	661,068
Initial Charge		11,900	11,847
Fee Income	14	4,561	5,283
Other Income		4,328	10,592
Net Change in Fair Value on Investment Securities	13 b	639,628	(373,123)
Total Income		1,344,139	315,667
EXPENSES			
Commissions		(16,177)	(16,545)
Administrative	15	(253,586)	(266,909)
Depreciation and Amortisation	5, 6, 7	(17,093)	(13,215)
Total Expenses		(286,856)	(296,669)
Net Income before Guarantee Adjustment		1,057,283	18,998
Price Guarantee Credit/(Charge)	9	22,360	(13,873)
Net Income after Guarantee Adjustment		1,079,643	5,125
Distributions to Unitholders	19	(265,389)	(249,333)
Allocation by Funds to Reserves	28, 30	(2,731)	(15,163)
(Income)/Loss Capitalized		(32,591)	5,037
Net (Income)/Loss Attributable to Unitholders		(672,628)	259,944
Net Income from continuing operations before Finance Charges		106,304	5,610
Finance Charges	6a	(1,555)	-
Net Income before Taxation		104,749	5,610
Taxation	20	(5,399)	(6,394)
Net Income/(Loss) from continuing operations after taxation		99,350	(784)
DISCONTINUED OPERATIONS			
Net Loss on Liquidation	33	-	(34,653)
Net Income/(Loss) for the period		99,350	(35,437)

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2019

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-19 \$'000	31-Dec-18 \$ '000
Net Income/(Loss) for the period		99,350	(35,437)
Other Comprehensive Income:			
<i>Amounts that may be transferred to Profit or Loss in the future:</i>			
Exchange Translation differences		(121)	760
<i>Amounts that will not be transferred to Profit or Loss in the future:</i>			
Re-measurements of Pension and Other Post-retirement Liabilities		(3,868)	1,590
Other Comprehensive (Loss)/Income for the period		(3,989)	2,350
Total Comprehensive Income/(Loss) for the period		95,361	(33,087)

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2019

Expressed in Trinidad and Tobago dollars

	<i>Statutory Reserves \$'000</i>	<i>Revaluation Reserve \$'000</i>	<i>Retained Income \$'000</i>	<i>Total \$'000</i>
Balance as at 1 January, 2019	5,700	(16,720)	1,390,574	1,379,554
Total Comprehensive Income for the period	-	(3,989)	99,350	95,361
Balance as at 31 December, 2019	<u>5,700</u>	<u>(20,709)</u>	<u>1,489,924</u>	<u>1,474,915</u>
Balance as at 1 January, 2018	5,700	(19,070)	1,426,011	1,412,641
Total Comprehensive Loss for the year	-	2,350	(35,437)	(33,087)
Balance as at 31 December, 2018	<u>5,700</u>	<u>(16,720)</u>	<u>1,390,574</u>	<u>1,379,554</u>

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, 2019

Expressed in Trinidad and Tobago dollars

	31-Dec-19 \$'000	31-Dec-18 \$ '000
OPERATING ACTIVITIES		
Net Income before taxation	104,749	5,610
<i>Adjustment to reconcile net income to net cash and cash equivalents from operating activities:</i>		
Net Income/(Loss) Attributable to Unitholders	973,339	(485)
Depreciation and Amortisation	17,093	13,215
Loss on sale of Property, Plant and Equipment	(1)	-
(Decrease)/Increase Price Guarantee Provision	(22,834)	13,873
Revaluation of Fund Reserve Assets	(178)	251
Interest on Fund Reserve Assets	1,902	1,535
Net Change in Fair value on Investment Securities	(658,470)	456,101
Interest portion of lease payments	1,555	
	417,155	490,100
<i>Movements in Net Current Assets</i>		
(Increase)/Decrease in Receivables	(44,079)	11,648
(Decrease)/Increase in Prepayments and Other Assets	(3,273)	20,175
Decrease/(Increase) in Accounts Payable and Liabilities	2,943	(5,361)
(Increase)/Decrease in Distribution Liability	(12,462)	3,386
Increase in Pension and Other Post-retirement Liabilities	310	400
	360,594	520,348
Taxation paid	(5,399)	(6,394)
Net Cash Flow From Operating Activities	355,195	513,954
INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(3,982)	(7,570)
Disposal of Property, Plant and Equipment	51	1
Purchase of Investment Securities	(20,835,813)	(10,383,654)
Disposal of Investment Securities	21,862,746	8,401,912
Net Cash Flow From/(Used In) Investing Activities	1,023,002	(1,989,311)
FINANCING ACTIVITIES		
Subscriptions from Unitholders	2,814,593	2,866,702
Redemptions by Unitholders	(2,741,298)	(2,475,838)
Distribution Payments to Unitholders	(265,389)	(249,333)
Guarantee Reserve Payment	(469)	(871)
Principal portion of lease payments	(4,726)	-
Interest portion of lease payments	(1,555)	
Net Cash (Used In)/Flow From Financing Activities	(198,844)	140,660
Net (Loss)/Gain on Foreign Exchange	(881)	1,845
Net Increase/(Decrease) In Cash and Cash Equivalents	1,178,472	(1,332,852)
Cash and Cash Equivalents at beginning of period	2,090,800	3,423,652
Cash and Cash Equivalents at end of period	3,269,272	2,090,800

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

1) Incorporation and Principal Activities

The Trinidad and Tobago Unit Trust Corporation (the “Corporation”) was established by the Unit Trust Corporation of Trinidad and Tobago Act (the “Act”), Chapter 83:03 of the Laws of the Republic of Trinidad and Tobago to provide, inter alia, facilities for members of the public to invest in shares and securities approved by the Board of the Corporation.

The Corporation’s principal place of business is UTC Financial Centre, 82 Independence Square, Port of Spain.

The Finance Act of 1997 permitted expansion of the Corporation’s scope of business to include other financial services, such as merchant banking, trustee and card services.

The Consolidated Financial Statements of the Corporation and its subsidiaries, which include its controlled entities, (collectively “the Group”) for the year ended 31 December 2019 were authorized for issue by the Board of Directors on 24 February, 2020.

2) Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these Consolidated Financial Statements (the “Financial Statements”) are set out below. These policies have been consistently applied to all years presented, except as described in Note 2 (b)(i).

a) Basis of Preparation

- i. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
- ii. The Financial Statements were prepared under the historical cost convention as modified by financial assets measured at fair value through profit or loss (FVPL). The methods used to fair value the Group’s financial assets are provided at Note 2(f).
- iii. The Financial Statements are presented in Trinidad and Tobago dollars (TTD), which is the functional currency of the Corporation.
- iv. The preparation of Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities in future periods.

In the process of applying the Group’s accounting policies, management has made the following judgements, which can have a significant effect on the amounts recognized in the Financial Statements:

- The Group’s decision to consolidate the entities for which it is the investment manager, trustee and sponsor (see Note 2c); and
- The Group’s decisions with respect to the business models of the investment portfolios of the Growth and Income Fund, the TT Dollar Income Fund, the Universal Retirement Fund, and the US Dollar Income Fund.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

- v. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next year are described below:
- the quantum of the liability under the price guarantee offered to unitholders of the Growth and Income Fund at the reporting date (see Note 9);
 - the fair value of financial assets categorized as Level 3. When the fair value of financial assets cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments (see Notes 2(f), 4(c) and 21);
 - The cost of the defined benefit plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. The key assumptions in the actuarial valuation include: the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually (see Note 8); and
 - The Group cannot determine the interest rate implicit in the leases which it holds as lessee nor can it easily arrive at an incremental borrowing rate to measure its lease liabilities. The Group has used the Central Bank prime lending rate as a proxy for its incremental borrowing rate and used that rate to measure its lease liabilities. The current Central Bank prime lending Rate is 9.25% (see Note 6).

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) (i) New published standards applicable to the Group

> IFRS 16 - Leases

IFRS 16 is mandatory from 1 January 2019. It sets out principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17 - *Leases*, IFRIC 4 - *Determining whether an Arrangement contains a Lease*, SIC 15 - *Operating Leases* and SIC - 27 - *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 16 introduced new or amended requirements with respect to lease accounting. It introduced significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of right-of-use assets, and a lease liability at commencement, for all leases except short-term leases and leases of low value assets when such recognition exemptions are adopted. Lessees must also now recognize depreciation on right-of-use assets and interest expense on the related lease liability in the statement of income.

Lessor accounting is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Impact of the new definition of a lease

In preparation for the first-time application of IFRS 16, the Group carried out an implementation project, which determined that the new definition in IFRS 16 will not significantly change the scope of contract that meets the definition of a lease for the Group.

The Group has applied IFRS 16 using the modified retrospective/the cumulative catch-up approach with the date of initial application as 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

The Group has made use of the practical expedient available on transition to IFRS 16, that is, not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered into or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of identified assets for a period of time in exchange for consideration. This is in contrast to the focus on 'risk and rewards' in IAS 17 and IFRIC 4.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or lessee in the lease contract).

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) (i) New published standards applicable to the Group (continued)

➤ **IFRS 16 – Leases (continued)**

Impact on Lessee accounting - former operating leases

IFRS 16 changed how the Group accounts for leases previously classified as operating leases under IAS 17. Such leases were not included in the statement of financial position prior to 1 January 2019. In applying IFRS 16 to all leases, the Group:

- i. recognized right-of-use assets and lease liabilities in the consolidated statement of financial position in respect of contracts formerly classified as operating leases under IAS 17, as separate line items;
- ii. initially measured the right-of-use assets and lease liabilities at the present value of the future lease payments. In the case of leases entered into or modified after 1 January 2019, the right-of-use asset is adjusted by the amount of any prepaid accrued lease payments. In the case of leases in effect on 1 January 2019, it has used the expedient allowed by IFRS 16 whereby it may exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application (see the IFRS 16 expedients used listed later in this note);
- iii. did not group right-of use assets with any other class of assets;
- iv. recognized depreciation on the right-of-use assets recognized and interest on related lease liabilities in profit or loss; and
- v. separated the total amount of cash paid on operating leases into a principal portion (presented within financial activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent-free periods) are recognized as part of the measurement of the right-of-use assets and lease liabilities for leases entered into or modified after 1 January 2019, whereas under IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expense generally on a straight-line basis. The Group had no leases with lease incentives at the reporting date.

Under IFRS 16, the right-of-use assets are tested for impairment in accordance with IAS 36 – *Impairment of Assets*.

As permitted by IFRS 16, the Group has opted to recognize as lease expenses on a straight-line basis, short-term leases (leases with terms of 12 months or less) and leases of low value assets. The expense is presented within Administrative Expenses in the consolidated statement of profit or loss.

The Group used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases under IAS 17. The Group has:

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) (i) New published standards applicable to the Group (continued)

➤ **IFRS 16 – Leases (continued)**

Impact on Lessee accounting - former operating leases (continued)

- i. applied a single discount rate to its portfolio of leases;
- ii. relied on its assessment of whether leases were onerous immediately before the date of initial application, applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative to undertaking an impairment review under IAS 36 – *Impairment of Assets*;
- iii. elected not to recognize right-of-use assets and lease liabilities in respect of leases where the lease term ended within 12 months of the initial application date;
- iv. excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- v. used hindsight when determining the lease term when contracts contain options to extend or terminate the lease.

Impact on Lessee accounting – former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognizes as part of the lease liability the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

The Group had no leases classified as finance leases under IAS 17 and changes introduced by IFRS 16 had no impact on these Financial Statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and accounts for those two types of leases differently.

IFRS 16 has however changed and expanded the disclosures required, in particular regarding how a lessor manages the risk arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The changes to lessor accounting introduced by IFRS 16 had no impact on these Financial Statements.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) (i) New published standards applicable to the Group (continued)

➤ **IFRS 16 – Leases**

Financial impact of the initial application of IFRS 16

The incremental borrowing rate applied to the lease liabilities recognized in the statement of financial position on 1 January 2019 was 9.25%.

The table below shows the operating lease commitments at 31 December 2018 applying IAS 17, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

Impact on Retained Earnings as at 1 January 2019	\$'000
Operating lease commitments at 31 December 2018	22,676
Effect of discounting the above amounts	<u>(4,032)</u>
Lease liabilities recognized at 1 January 2019	<u>18,644</u>
Right-of-use assets recognized at 1 January 2019	<u>18,644</u>

The Group recognized \$18.6 million of right-of-use assets and \$18.6 million of lease liabilities upon transition to IFRS 16. The transition to IFRS 16 had no impact on the Group's Retained Earnings (see the Statement of Changes in Equity).

Impact on the Consolidated Statement of Cash Flows

The application of IFRS 16 has impacted the Group's consolidated statement of cash flows. In particular:

- i. Short-term lease payments and payments for leases of low-value assets are reported as part of operating activities;
- ii. Cash paid for the interest portion of a lease liability has been reported as operating activities; and
- iii. Cash paid for the principal portion of a lease liability has been reported as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has increased by \$6.4 million, and net cash used in finance activities has increased by the same amount.

The adoption of IFRS 16 did not have an impact on net cash flows.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) (i) New published standards applicable to the Group (continued)

➤ **Amendments to IFRS**

In the current year, the Group applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for annual periods that begin on or after 1 January 2019. Their adoption has not had a material impact on the disclosures or on the amounts reported in these Financial Statements. The amendments are listed below:

- *Amendments to IFRS 9 – Prepayment features with Negative Compensation*
- *Amendments to IAS 28 – Long-term interests in associates and joint ventures*
- *Amendments to IAS 19 – Plan amendment, Curtailment or Settlement*
- *Amendments to IFRIC 23 Uncertainty over Income tax Treatments*
- *Annual improvements to IFRS 2015-2017 which included amendments to*
 - *IAS 12 Income Taxes*
 - *IAS 23 Borrowing Costs*
 - *IFRS 3 Business Combinations*
 - *IFRS 11 Joint Arrangements*

(ii) New published standards not yet effective and not early adopted:

The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

➤ *Amendments to IAS 1 and IAS 8 Definition of material*

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020 with earlier application permitted.

➤ *IFRS 17 Insurance Contracts*

IFRS 17 establishes the principles for recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The standard is effective for annual periods beginning on or after 1 January 2022 with early application permitted. It is not expected that adoption of the standard will have any impact on the these Financial Statements in the foreseeable future.

➤ *Amendments to IFRS 3 Definition of a business*

The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) New published standards applicable to the Group (continued)

(ii) New published standards applicable to the Group but not yet effective and not early adopted (continued)

➤ *IFRS 10 and IAS 28 (amendments) Sale or contribution of assets between an investor and its Associate or joint venture*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

The effective date of the amendments has yet to be set by the IASB. Early application is permitted.

➤ *Amendments to references to the Conceptual Framework in IFRS Standards*

The IASB has issued Amendments to References to the Conceptual Framework in IFRS Standards. The amendments, where they are actually updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

c) Basis of Consolidation

The Financial Statements incorporate the separate financial statements of the Corporation, the financial statements of the locally domiciled Funds (see Note 26) and the financial statements of its incorporated subsidiaries (see Note 22). The Corporation and the consolidated entities are referred to as the “Group” in these Financial Statements.

Management concluded that for purposes of IFRS 10, its relationship with the locally domiciled Funds was that of a principal rather than that of an agent hence their consolidation in these Financial Statements. Management’s conclusion was based primarily on its exposure to significant variability of returns due to the Corporation’s commitment to support the locally domiciled Funds.

The Corporation reassesses at each reporting period whether or not it controls the entities with which it is involved using the control criteria established in IFRS 10. In particular, it concludes that it controls an entity if, and only if, after considering all the circumstances, it forms the view that:

- i. it has power over the entity;
- ii. it is exposed, or has rights, to variable returns from its involvement with the entity; and
- iii. it has the ability to use its power to affect its returns from the entity.

Assets, liabilities, income and expenses of an entity acquired or disposed of during the year are included in the Financial Statements from the date the Group gains control until the date the Group ceases to control the entity.

The line item in the Consolidated Statement of Financial Position - ‘Net Assets Attributable to Unitholders’ - represents the portion of the profit and net assets of consolidated collective investment schemes not owned, directly or indirectly, by either the Corporation or an entity which the Corporation controls. The balance is recognized as a liability in the Consolidated Statement of Financial Position, as the units/shares represent Group obligations to deliver cash on presentation of such units/shares for redemption.

All material intra-group transactions and balances have been eliminated in preparing these Financial Statements.

The financial year end of each entity consolidated is 31 December. The accounting policies of each entity consolidated are consistent with those of the Group.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

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2) Significant Accounting Policies (continued)

d) Financial Assets

The Group's financial assets consist of:

- i. Investment securities;
- ii. Cash and cash equivalents; and
- iii. Receivables

The Group recognizes a financial asset when it becomes party to the contractual rights of the financial asset.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or where the Group has transferred substantially all the risks and rewards of ownership of the financial asset to another party.

Classification and subsequent measurement of financial assets

The Group classifies its financial assets based on the business model of the portfolio within which the financial asset is managed and the contractual cash flow characteristics of the financial asset.

In assessing the objective of a portfolio's business model, the Group considers:

- i. The way in which the assets within the portfolio are managed and information provided to management;
- ii. The stated policies and objectives of the portfolio;
- iii. The operation of the portfolio's stated policies in practice;
- iv. The method of evaluating the performance of the portfolio; and
- v. The risks that affect the performance of the portfolio and how those risks are managed.

The Group's investment securities are held in portfolios which are managed and evaluated on a fair value basis. The receipt of contractual cash flows or, the receipt of contractual cash flows and the purchase and sale of financial assets in the portfolio, are incidental to the objectives of the portfolios. Accordingly, the assets in the Group's portfolios have been classified and measured at FVPL – mandatory.

e) Financial Liabilities

The Group recognizes a financial liability when it becomes party to the contractual obligations of the financial instrument. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

f) Fair Value Estimation – Investment Securities

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

Valuation framework

The Group has established a control framework for the measurement of fair values. The framework includes a valuation team that is independent of front office management. The valuation team reports to a Valuation Committee comprising the Vice Presidents of the Finance and Risk departments. Valuations are reviewed by the Audit Committee on a quarterly basis.

Fair value hierarchy

Fair value measurements of securities are categorized into three levels based on the degree to which the fair value measurement inputs are observable. The three levels are:

- **Level 1.** Level 1 valuation inputs are unadjusted quoted prices for identical assets and liabilities in active markets that the entity can access at the measurement date.
- **Level 2.** Level 2 valuation inputs exclude Level 1 inputs but are inputs that are observable for the asset or liability either directly or indirectly. There were no assets classified as Level 2 during the years 2018 and 2019.
- **Level 3.** Level 3 uses significant inputs that are unobservable in the valuation of the asset.

The level within the fair value hierarchy to which fair value measurements are assigned is determined by the lowest level input that is significant to the fair value measurement in its entirety. Thus, where a fair value measurement requires significant judgment with respect to an input, it is classified as Level 3.

The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

f) Fair Value Estimation – Investment Securities (continued)

Equities traded in active markets

An active market is a market in which transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of equities traded in active markets is based on unadjusted quoted prices at the close of trading on the reporting date and categorized as Level 1.

Equities not traded in an active market – unquoted equities

The fair value of significant holdings of unquoted equities is estimated by professional valuers and categorized as Level 3.

Insignificant holdings of unquoted equities are held by the Corporation for strategic purposes. The cost of such holdings is presumed to approximate its fair value.

Private Equity

The fair value of the Group's private equity holdings is provided by the General Partners of the private entity and are categorized as Level 3.

Traded local and foreign Bonds

Traded bonds are valued using indicative quotations at the reporting date from a reputable pricing service. The quotations do not necessarily reflect the price at which a broker would be willing to execute a transaction and the valuations have been categorized as Level 3. Where the Group is in receipt of prices at which bonds can be traded, the bonds are categorized as Level 1.

Unquoted Local Bonds

The Group uses an internally developed model to value its unquoted local bonds. Management reviews the model regularly to incorporate enhancements in line with established best practice. Effective 1 January 2019, the Group's Valuation Committee approved the following improvements to the model.

- Application of bootstrapping methodology to construct a zero-coupon yield curve; previously the Group used par yield curves.
- Use of an extrapolation function to estimate the short end of the yield curve.
- Incorporation of industry specific spreads and credit ratings. The Group now uses the Global Industry Classification Standard (GICS) to estimate the spread desirable for each bond.

The output of any valuation model is an estimate of a value that cannot be determined with certainty. As such the valuation may vary significantly from the value that would be realized in an actual transaction. Valuations based on the model are categorized as Level 3.

Categorization of Short-term Investments

The Group's short-term investments are assumed to be encashable/tradeable at their carrying value and are categorized as Level 1.

Receivables, payables and short-term liabilities

The carrying value of receivables and payables, which are of a short-term nature, are assumed to approximate their fair values.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

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2) Significant Accounting Policies (continued)

g) Fair Value Estimation – Property

Land and buildings are valued by independent professional valuers every three years.

h) Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs for repairs and maintenance are charged to the Consolidated Statement of Profit or Loss during the financial period in which such costs are incurred.

Where the carrying amount of Property, Plant and Equipment is greater than its estimated recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount.

Gains and losses on disposal of Property, Plant and Equipment are determined by comparing the disposal proceeds with the carrying amounts. The resulting gains or losses are recognized in the Consolidated Statement of Profit or Loss.

Freehold land is capitalized but not depreciated. Leasehold land is capitalized and amortized over the term of the lease.

Depreciation on Property, Plant and Equipment, with the exception of motor vehicles, is calculated using the straight-line method to allocate their cost over their estimated useful lives. Depreciation on Motor Vehicles is calculated on a reducing balance basis.

The estimated useful life of the various categories of the Group's Property, Plant and Equipment are as follows:

Property, Plant and Equipment Category	Estimated Useful Life
Building	50 years
Office Improvement	3-15 years
Computer Equipment	2-8 years
Office Equipment	3-13 years
Office Furniture & Fixtures	3-10 years
Motor Vehicles	4 years

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

i) Leases

The Group has applied IFRS 16 using the modified retrospective/the cumulative catch-up approach and therefore comparative information has not been restated. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

(a) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes right-of-use assets and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For short-term and low value lease arrangements, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time patterns in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments less any lease incentives receivable;
- variable lease payments that depend on an index or rate, internally measured using the index or rate at the commencement rate;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchased options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

i) Leases (continued)

Policies applicable from 1 January 2019 (continued)

(a) The Group as lessee (continued)

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to a change in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payment using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site at which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in Administrative expenses in the consolidated statement of profit or loss.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

i) Leases (continued)

Policies applicable from 1 January 2019 (continued)

(a) The Group as lessee (continued)

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) The Group as Lessor

The Group enters into lease agreements as a lessor with respect to some of its properties. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Group's leases as lessor are all classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

(a) The Group as a lessee

Assets under finance leases are recognized as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

i) Leases (continued)

Policies applicable prior to 1 January 2019 (continued)

(a) The Group as lessee (continued)

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time patterns in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognized as expenses in the periods in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

No Group entity was party to a finance lease as a lessee during 2018.

(b) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

No Group entity was party to a finance lease as a lessor during 2018.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

j) Intangible Assets

Acquired computer software and software licenses are the only intangible assets recognized by the Group in these Financial Statements. Computer software and software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into operation. The costs are recognized as an intangible asset if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

The cost of intangible assets is amortized on a straight-line basis over the estimated useful life of the asset (between three (3) to five (5) years) or the life of the license whichever is shorter. No software was capitalized during 2019 (2018: nil) (see Note 7).

Costs associated with maintaining computer software are expensed as incurred.

k) Impairment of Non-Financial Assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or, at a minimum, at least annually. An impairment loss is the amount by which an asset's carrying amount exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Profit or Loss.

l) Foreign Currency Translation

The Group's functional and presentation currency is Trinidad and Tobago dollars. Foreign currency transactions are translated into the functional currency using the mid-rate for the currency, quoted by the Central Bank of Trinidad and Tobago, on the day prior to the transaction. 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 recognized in the Consolidated Statement of Profit or Loss.

The results and financial position of all Group entities that have a functional currency other than the presentation currency are translated into the presentation currency using the closing rate. All resulting exchange differences are recognized in the Consolidated Statement of Comprehensive Income.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

m) Employee Benefits

i. Short-term benefits

Short-term employee benefits such as salaries and vacation entitlements are recognized in the accounting period during which the short-term benefits are earned.

ii. Pension obligations

Group contributions to retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefits constitute a small portion of the Group's pension plan benefits (see Note 8). The Group's defined benefit obligations are calculated by estimating the value of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of the plan assets are deducted. The discount rate approximates either high quality corporate bonds or the long-term bond rate for government bonds with a duration similar to the duration of the defined benefit obligations.

The defined benefit obligation calculations are performed annually by an actuary using the projected unit credit method. Should the calculation result in a surplus, the surplus is not recognized as an asset since the Group is not entitled to reduce its contributions to the plan.

iii. Other post-retirement obligations

The Group provides post-retirement medical and insurance benefits to its retirees, the cost of which is recognized as an expense. Entitlement to these benefits is dependent on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that used to compute the defined benefit pension obligations. An independent qualified actuary conducts a valuation of these obligations annually.

n) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, cash balances at brokers, and other short-term instruments with original maturities of ninety days or less.

o) Provisions

Provisions are recognized when:

- i. the Group has a present or constructive obligation as a result of past events;
- ii. it is probable that an outflow of resources will be required to settle the obligation; and
- iii. the amount of the obligation can be reliably estimated.

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Notes to the Consolidated Financial Statements (continued)
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2) Significant Accounting Policies (continued)

p) Revenue Recognition

Interest income is recognized in the Consolidated Statement of Profit or Loss using the effective interest method.

Dividend income is recognized only when:

- i. the right to receive a dividend payment is established;
- ii. it is probable that the economic benefits associated with the dividend will flow to the Group; and
- iii. the amount of the dividend can be reliably measured.

Realized and unrealized investment gains and losses are recognized as income in the Consolidated Statement of Profit or Loss.

q) Segment Reporting

The Group consists of one segment as all of the Group's activities are incidental to its main activity of collective investment scheme management.

r) Separate Funds Under Management

The assets and liabilities pertaining to funds which are managed on behalf of third parties by the Group in accordance with specific Investment Management Agreements are not included in the Consolidated Statement of Financial Position of the Corporation. The market value of these portfolios as at 31 December is \$936 million (2018: \$798 million).

s) Taxation

The Corporation is exempt from corporation tax. However, it is subject to Green Fund Levy. Corporation tax is payable on profits realized by the corporate subsidiaries, based on the laws applicable in their tax jurisdiction. Withholding tax is payable on dividends and interest earned in foreign jurisdictions based on the jurisdiction's tax laws and double taxation treaties where applicable.

Taxes are recognized as an expense in the period in which they arise.

t) Comparative Information

In addition to the changes from the initial application of IFRS 16 - Leases (see Note 2 (b)), certain changes have been made in these Financial Statements to conform with presentation in the current year. These were as follows:

1. Net Changes in Fair Value of Investment Securities of (\$456 million) previously reported within Expenses is now reported under Total Income;
2. Realized gains of \$83 million previously reported in Investment Income has been amalgamated with the Net Change in Fair Value of Investment Securities within Total Income; and
3. As a consequence, total Investment Income of \$744 million in 2018 is now shown as \$661 million and the Net Changes in Fair Value of Investment Securities of (\$456 million) is now shown as (\$373 million) in 2018.

These changes had no effect on the operating results, net income after tax, or equity of the Group.

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Notes to the Consolidated Financial Statements (continued)
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3) Cash and Cash Equivalents

Cash and cash equivalents are analyzed below:

	2019 \$'000	2018 \$'000
Corporation	1,187,978	651,715
Locally Domiciled Funds	2,043,460	1,401,797
Foreign Funds	2,957	2,431
Other Group Entities	34,877	34,857
	<u>3,269,272</u>	<u>2,090,800</u>

Cash and cash equivalents held by Funds form part of the net assets of the said Funds. In compliance with legislation, regulatory restrictions and best practice, all the assets of each Fund, including cash and cash equivalents, are ring-fenced and are not available for use by other entities within the Group. Restricted cash at 31 December was \$2.142 billion (2018: \$1.487 billion) (see Note 16).

4) Investment Securities

Summaries of the Investment Securities held by the Group are provided by investment type and classification below.

	2019 \$'000	2018 \$'000
Investment Securities carried at fair value		
Bonds	8,870,960	9,442,189
Equity	2,342,013	2,285,817
Treasury Bills	1,845,507	1,844,180
Fixed-term Deposits	1,574,233	2,053,028
Short-term Investments	1,504,971	1,158,391
Commercial Paper	1,500,892	1,221,337
Exchange Traded Funds (ETFs)	996,823	852,722
Structured Bonds	526,872	602,383
Private Equity	10,933	98,306
Mutual Funds	5,164	5,006
Other	-	2,313
Total Investment Securities	<u>19,178,368</u>	<u>19,565,672</u>
	2019 \$'000	2018 \$'000
Investment Securities summarized by classification		
At fair value through profit or loss – mandatory (FVPL – M)	<u>19,178,368</u>	<u>19,565,672</u>
	<u>19,178,368</u>	<u>19,565,672</u>

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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4) Investment Securities (continued)

a) The Fair Value Hierarchy for Investment Securities (continued)

The Group uses a valuation hierarchy to rank the fair value of its Investments (see Note 2 (f) Fair Value Hierarchy). The Group's Investments at 31 December 2019 are analyzed by their fair valuation categorization below:

Fair Value Hierarchy for Investment Securities 31 December 2019

Recurring fair value measurements	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment securities carried at fair value through profit or loss - mandatory				
Bonds	455,545	-	8,415,415	8,870,960
Equity	2,015,004	-	327,009	2,342,013
Treasury Bills	1,845,507	-	-	1,845,507
Fixed-term Deposits	1,574,233	-	-	1,574,233
Short-term Investments	1,504,971	-	-	1,504,971
Commercial Paper	1,500,892	-	-	1,500,892
Exchange Traded Funds (ETFs)	996,823	-	-	996,823
Structured Bonds	0	-	526,872	526,872
Private Equity	0	-	10,933	10,933
Mutual Funds	5,164	-	-	5,164
Total Investment Securities	9,898,139	-	9,280,229	19,178,368

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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Expressed in Trinidad and Tobago Dollars

(4) Investments Assets (continued)

a) The Fair Value Hierarchy for Investment Securities (continued)

The Group's Investments at 31 December 2018 are analyzed by the fair valuation hierarchy below:

Fair Value Hierarchy for Investment Securities December 2018

Recurring fair value measurements	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Investment securities carried at fair value through profit or loss - mandatory				
Bonds	463,796	-	8,978,393	9,442,189
Equity	1,958,164	-	327,653	2,285,817
Treasury Bills	1,844,180	-	-	1,844,180
Fixed-term Deposits	2,053,028	-	-	2,053,028
Short-term Investments	1,158,391	-	-	1,158,391
Commercial Paper	1,221,337	-	-	1,221,337
Exchange Traded Funds (ETFs)	852,722	-	-	852,722
Structured Bonds	-	-	602,383	602,383
Private Equity	-	-	98,306	98,306
Mutual Funds	5,006	-	-	5,006
Other	-	-	2,313	2,313
Total Investment Securities	9,556,624	-	10,009,048	19,565,672

There were no transfers between the Fair Value Hierarchy Levels during either 2019 or 2018.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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4) Investment Securities (continued)

(b) Valuation Techniques used to derive Level 3 Fair Values

The valuation techniques used by the Group to arrive at the fair value of Level 3 investments are set out in Note 2 (f). The tables below summarize the valuation techniques used in estimating the fair value of Level 3 securities, the significant unobservable inputs, the relationship of the unobservable inputs to fair value and the impact that an increase or decrease in the unobservable inputs would have had on the valuation results.

Values in the following four (4) tables are expressed in millions of dollars.

Summary of Techniques used to value Level 3 Financial Assets in 2019

Investment securities carried at fair value through profit or loss - mandatory	Level 3 fair value 2019 \$'M	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/- \$'M
Bonds	8,415	Valuation model, Trading prices	Interest rates, spreads	1%	120
Structured Bonds	527	Broker quotations	Interest rates, spreads	1%	-
Equity	327	Professional/management valuations	Not applicable	Not applicable	Not applicable
Private Equity	11	General partner's valuation	Not applicable	Not applicable	Not applicable
Other	-	Cost	Not applicable	Not applicable	Not applicable
TOTAL	9,280				120

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2019 \$'M	Purchases/ Capitalized Interest \$'M	Sales/ Repayments/Maturities \$'M	Net Gains/ (Losses) recognized in Profit or Loss \$'M	Unrealized Gains/ Losses recognized in OCI \$'M	Carrying Values Level 3 Securities 31/12/2019 \$'M	Fair Values \$'M
Bonds	8,978	4,637	(4,729)	(471)	-	8,415	8,415
Structured bonds	603	-	(82)	6	-	527	527
Equity	328	-	-	(1)	-	327	327
Private Equity	98	-	(104)	17	-	11	11
Other	2	-	(2)	-	-	-	-
TOTAL	10,009	4,637	(4,917)	(449)	-	9,280	9,280

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

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4) Investment Securities (continued)

c) Valuation Techniques used to derive Level 3 Fair Values (continued)

Summary of Techniques used to value Level 3 Financial Assets in 2018

Investment securities carried at fair value through profit or loss - mandatory	Level 3 fair value 2018 \$'M	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/- \$'M
Bonds	8,978	Valuation model, Trading prices	Interest rates, spreads	1%	125
Structured Bonds	603	Broker quotations	Interest rates, spreads	1%	-
Equity	328	Professional/management valuations	Not applicable	Not applicable	Not applicable
Private Equity	98	General partner's valuation	Not applicable	Not applicable	Not applicable
Other	2	Cost	Not applicable	Not applicable	Not applicable
TOTAL	10,009				125

Fair value through profit or loss - mandatory	Carrying Value Level 3 Securities 1/1/2018 \$'M	Purchases/ Capitalized Interest \$'M	Sales/ Repayments/Maturities \$'M	Net Gains/ (Losses) recognized in Profit or Loss \$'M	Unrealized Gains/ Losses recognized in OCI \$'M	Carrying Values Level 3 Securities 31/12/2018 \$'M	Fair Values \$'M
Bonds	9,478	10,075	(8,626)	(1,949)	-	8,978	8,978
Structured bonds	608	-	-	(5)	-	603	603
Equity	320	-	-	8	-	328	328
Private Equity	100	-	-	(2)	-	98	98
Other	2	-	-	-	-	2	2
TOTAL	10,508	10,075	(8,626)	(1,948)	-	10,009	10,009

(d) The Group's exposure to market, credit and liquidity risk on its investments is provided at Note 21.

Trinidad and Tobago Unit Trust Corporation
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5) Property, Plant and Equipment

	Land	Building	Office Improvement	Office & Computer Equipment	Office Furniture & Motor Vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 Dec, 2019						
Opening Net Book Value	16,008	94,520	15,483	26,624	4,670	157,305
Acquisitions	-	-	242	3,323	417	3,982
Disposals	-	-	-	(17)	(33)	(50)
Depreciation/Amortisation	(21)	(2,409)	(1,730)	(6,480)	(771)	(11,411)
Closing Net Book Value	<u>15,987</u>	<u>92,111</u>	<u>13,995</u>	<u>23,450</u>	<u>4,283</u>	<u>149,826</u>
As at 31 Dec, 2019						
Cost	16,569	124,269	50,864	102,900	26,214	320,816
Accumulated Depreciation/ Amortisation	(582)	(32,158)	(36,869)	(79,450)	(21,931)	(170,990)
Net Book Value	<u>15,987</u>	<u>92,111</u>	<u>13,995</u>	<u>23,450</u>	<u>4,283</u>	<u>149,826</u>
Year ended 31 Dec, 2018						
Opening Net Book Value	16,030	96,933	16,703	28,341	4,582	162,589
Acquisitions	-	-	1,434	5,194	942	7,570
Disposals	-	-	-	-	(1)	(1)
Depreciation/Amortisation	(22)	(2,413)	(2,654)	(6,911)	(853)	(12,853)
Closing Net Book Value	<u>16,008</u>	<u>94,520</u>	<u>15,483</u>	<u>26,624</u>	<u>4,670</u>	<u>157,305</u>
As at 31 Dec, 2018						
Cost	16,569	124,269	61,890	102,966	26,207	331,901
Accumulated Depreciation/ Amortisation	(561)	(29,749)	(46,407)	(76,342)	(21,537)	(174,596)
Net Book Value	<u>16,008</u>	<u>94,520</u>	<u>15,483</u>	<u>26,624</u>	<u>4,670</u>	<u>157,305</u>

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5) Property, Plant and Equipment (continued)

Land

Land includes leasehold land of \$2.2 million (2018: \$2.2 million) and freehold land of \$14.4 million (2018: \$14.4 million).

Fair Value Land and Buildings

The fair value of land and buildings was estimated at \$206.5 million at 31 December (2018: \$207.0 million). Information related to the fair value of land and buildings at 31 December is provided in the table below in millions of dollars:

Property	Cost \$'M	Independent Valuation \$'M	Date of last valuation	Fair value 31 Dec 2019 \$'M	Valuation Level
Leasehold Land	2.2	10.8	24 Jan 2019	10.8	Level 2
Freehold Land	14.4	26.5	24 Jan 2019	26.5	Level 2
Building	139.4	169.7	24 Jan 2019	169.2	Level 2
Total	156.0	207.0		206.5	

Valuation Technique used to derive Level 2 fair valuation Land and Buildings

Management estimated the fair value of Level 2 land and buildings by reference to independent valuator reports and its recent experience in the market.

6) Leases

a) Group as Lessee reporting under IFRS 16 - 2019

Right-of-use Assets	Property \$'000	Motor Vehicles \$'000	Equipment \$'000	Total \$'000
Cost				
At 1 January 2019	17,379	-	1,265	18,644
Additions	898	754	835	2,487
At 31 December 2019	18,277	754	2,100	21,131
Accumulated Depreciation				
At 1 January 2019	-	-	-	-
Depreciation	(4,448)	(108)	(843)	(5,399)
At 31 December 2019	(4,448)	(108)	(843)	(5,399)
Carrying Amount				
At 31 December 2019	13,829	646	1,257	15,732

The Group leases buildings, motor vehicles and office equipment. The average term is 3.10 years. The Group's obligations are secured by the lessors' title to the leased assets.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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6) Leases (continued)

a) Group as Lessee reporting under IFRS 16 – 2019 (continued)

Approximately 12% of the leases for property and equipment expired in the current financial year. The expired contracts were replaced by new leases for identical underlying assets. The maturity analysis of lease liabilities is presented in the table below.

Maturity analysis of lease liabilities at 31.12.2019	\$'000
Less than one year	4,872
Between one and five years	10,376
More than five years	<u>1,157</u>
TOTAL	<u>16,405</u>

The amounts recognized in the consolidated statement of profit or loss in respect of operating leases is provided below.

	\$'000
Depreciation expense on right-of-use assets	5,399
Interest expense on right-of-use assets	1,555
Expense related to short-term leases	199

At 31 December 2019, the Group had no short-term lease commitments. The total cash outflow for leases amounted to \$6.5 million.

b) Group as Lessor reporting under IFRS 16 - 2019

Operating leases, in which the Group is lessor, relate to excess office space within buildings owned by the Group and leased for terms of between 1 to 3 years, with options to renew. The lessees do not have an option to purchase at the expiry of the lease periods.

Maturity analysis of operating lease payments

Maturity analysis of operating lease contracts with tenants at 31.12.2019	\$'000
Year 1	1,380
Year 2	-
Year 3	<u>-</u>
Total	<u>1,380</u>

Rental income reported in the consolidated statement of profit or loss for 2019 was \$3.03 million (2018: \$3.03 million).

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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6) Leases (continued)

c) Group as Lessee reporting under IAS 17 – 2018

	\$'000
Lease payments under operating leases recognized as an expense in 2018	6,332
At 31 December 2018, the Group had outstanding undiscounted commitments for future lease payments under non-cancellable operating leases as follows:	

	\$'000
Within one year	5,880
Between two and five years	14,699
More than five years	2,097
Total	22,676

Operating leases represent rental payable by the Group for equipment and office space. Leases for equipment are negotiated for an average term of 3 years. Leases for office space are negotiated for an average term of 3.1 years at fixed rentals.

d) Group as Lessor reporting under IAS 17 – 2018

At 31 December 2018 the Group had contracted with tenants for the following future minimum lease payments.

Maturity analysis of operating lease contracts at 31.12.2019	\$'000
Year 1	2,968
Year 2	1,380
Year 3	-
Total	4,348

Rental income reported in profit or loss for 2018 was \$3.03 million.

7) Intangible Assets

	2019	2018
	\$'000	\$'000
Year ended 31 December		
Opening Net Book Value	490	852
Acquisitions	-	-
Amortisation	(283)	(362)
Closing Net Book Value	207	490
As at 31 December		
Cost	2,726	53,054
Accumulated Amortisation	(2,519)	(52,564)
Net Book Value	207	490

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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8) Pension and Other Post-retirement Liabilities

A summary of the Group's Pension and Other Post-retirement Liabilities is summarized below.

	2019 \$'000	2018 \$'000
Net Defined Benefit Liability (see Note 8 (a))	-	-
Group Life Liability (see Note 8 (b))	2,471	2,012
Medical Benefit Liability (see Note 8 (c))	15,690	11,971
	<u>18,161</u>	<u>13,983</u>

a) Pension benefits

i. Net Liability in Consolidated Statement of Financial Position

	2019 \$'000	2018 \$'000
Present Value of Defined Benefit Obligation	229,013	208,222
Fair Value of Plan Assets	(235,405)	(212,000)
(Surplus)/Benefit	(6,392)	(3,778)
Effect of Asset Ceiling	6,392	3,778
Net Defined Benefit Liability/(Asset)	<u>-</u>	<u>-</u>

ii. Movement in the Present Value of the Defined Benefit Obligations

	2019 \$'000	2018 \$'000
Opening present value of defined benefit obligation	208,222	199,739
Current service costs	10,745	10,031
Plan participant contributions	4,127	3,916
Interest cost	10,652	211
Actuarial gains on obligation	402	(174)
Benefit and expenses paid	(5,135)	(5,501)
Closing present value of defined benefit obligation	<u>229,013</u>	<u>208,222</u>

ii (b). The defined benefit obligation is allocated between the Plan's members as follows:

Active members	68%
Deferred members	12%
Pensioners	20%

96% of the benefits for active members are vested.

28% of the total defined benefit obligation is defined benefit in nature, of which 3% is conditional on active members' future salary increases. The weighted average duration of the defined benefit liability component of the obligation is 15.7 years.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December, 2019

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8) Pension and Other Post-retirement Liabilities (continued)

a) Pension benefits (continued)

iii. Changes in the fair value of Plan assets are as follows:

	2019 \$'000	2018 \$'000
Opening fair value of Plan assets	212,000	203,795
Expected return on Plan assets	10,859	211
Actuarial loss on Plan assets	2,067	(1,373)
Employer contributions for current service	11,487	10,952
Plan participant contributions for current service	4,127	3,916
Benefits and expenses paid	(5,135)	(5,501)
Closing fair value of Plan assets	235,405	212,000
Actual return on Plan assets	12,926	(1,162)

iii (b) Asset allocation

	2019 \$'000	2018 \$'000
Universal Retirement Fund	172,980	152,965
TT\$ Income Fund	30,742	38,253
TT\$ National Insurance bonds	13,708	13,858
TT\$ Government bonds	10,158	-
Cash and cash equivalents	7,817	6,924
	235,405	212,000

The Plan's assets are invested in a strategy agreed with the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad and Tobago and no more than 50% in equities) and the availability of suitable investments.

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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8) Pension and Other Post-retirement Liabilities (continued)

a) Pension benefits (continued)

iv. Expense Recognised in Consolidated Statement of Profit or Loss

	2019	2018
	\$'000	\$'000
Current service costs	10,745	10,031
Total recognized in Staff Costs	10,745	10,031

v. Re-measurements recognized in Other Comprehensive Income

	2019	2018
	\$'000	\$'000
Actuarial (gains)/losses	(1,665)	1,199
Effect of Asset Ceiling	2,407	(278)
	742	921

vi. Summary of Principal Assumptions as at 31 December

	2019	2018
	\$'000	\$'000
Discount rate	5.00%	5.00%
Average individual salary increases	4.00%	5.00%
Future pension increases	0.00%	0.00%

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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8) Pension and Other Post Retirement Benefits (continued)

b) Group Life Benefits

i. The Net Liability in the Consolidated Statement of Financial Position:

	2019 \$'000	2018 \$'000
Present value of the obligation	2,471	2,012
Fair Value of Assets	-	-
(Surplus)/Deficit	2,471	2,012
Effect of Asset Ceiling	-	-
Recognized in the Consolidated Statement of Financial Position	2,471	2,012

ii. Movement in Present Value of Defined Benefit Obligation:

	2019 \$'000	2018 \$'000
Defined Benefit Obligation at start of year	2,012	1,896
Current service costs	175	101
Interest costs	99	98
Experience adjustments	700	10
Actuarial loss/(gain) on obligations	(466)	-
Benefits paid	(49)	(93)
Closing present value of obligations	2,471	2,012

iii. Expense recognised in the Consolidated Statement of Profit or Loss

	2019 \$'000	2018 \$'000
Current service costs	175	101
Net interest costs	99	98
Past Service Cost/(Credit)	-	-
Expense recognized in the Consolidated Statement of Profit or Loss	274	199

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Notes to the Consolidated Financial Statements (continued)
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8) Pension and Other Post Retirement Benefits (continued)

c) Medical Benefits

i. The Net Liability in the Consolidated Statement of Financial Position:

	2019 \$'000	2018 \$'000
Present value of the obligation	15,690	11,971
Fair Value of Assets	-	-
(Surplus)/Deficit	15,690	11,971
Effect of Asset Ceiling	-	-
Recognized in the Consolidated Statement of Financial Position	15,690	11,971

ii. Movement in Present Value of Defined Benefit Obligation:

	2019 \$'000	2018 \$'000
Present value of the obligations of the Medical Benefit Scheme		
Opening present value of the obligation	11,971	13,277
Current service costs	449	778
Interest costs	592	677
Experience adjustments	(2,606)	(2,523)
Actuarial losses	5,541	-
Benefits paid	(257)	(238)
Closing present value of the obligation	15,690	11,971

iii. Expense recognised in the Consolidated Statement of Profit or Loss

	2019 \$'000	2018 \$'000
Current service costs	449	778
Net interest costs	592	677
Past Service Cost/(Credit)	-	-
Expense recognized in the Consolidated Statement of Profit or Loss	1,041	1,455

vi. Summary of Principal Assumptions as at 31 December

	2019 \$'000	2018 \$'000
Discount rate	5.00%	5.00%
Average individual salary increases	4.00%	2.00%

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9) Guarantee Pricing Liability

In January 1985, the Board of Directors of the Corporation, pursuant to section 13(1)(d) of the Act, formulated a guarantee pricing plan with respect to units issued under the First Unit Scheme - now the Growth and Income Fund (G&IF). Under the Guarantee Pricing Plan, each unitholder that holds units in the G&IF for at least three years from the date of purchase, may redeem those units at a price no less than the purchase price of the units. Subsequently, the Corporation established the Guarantee Reserve Fund under section 26 (1) of the Act to meet claims under the Guarantee Pricing Plan.

There is significant uncertainty with regard to the timing and value of the claims made under the Guarantee Pricing Plan. Factors that appear to influence the timing of guarantee claims include:

- i. The prevailing price of the Growth and Income Fund units. Generally, the price of the G&IF units and the total Guarantee Pricing Liability are inversely related. Increases in the price of G&IF units generally result in a decrease in the total Guarantee Pricing Liability as the number of units 'in the money' tends to contract. Conversely a decrease in the price of the units generally increases the total Guarantee Pricing Liability as more units are 'in the money'; and
- ii. General public sentiment with regard to the future performance of the local and global economy.

The Corporation has historically funded shortfalls in the Guarantee Reserve Fund and is committed to doing so in the future. The liability recognized at 31 December was \$3.0 million (2018: \$25.9 million).

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10) Net Assets Attributable to Unitholders

This represents the amounts payable on demand to unitholders in the Growth and Income Fund, the TT\$ Income Fund, the Universal Retirement Fund, the US\$ Income Fund and to participating shareholders of UTC (Cayman) SPC Ltd. The units/shares issued by each of the foregoing Funds may be redeemed by unit/shareholders of the Funds at any time. Each Fund is responsible for redemption of its units/shares out of its assets.

An analysis by Fund of the net assets attributable to unitholders is provided below.

ANALYSIS OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS BY FUND	2019	2018
	\$'000	\$'000
Initial Capital Growth and Income Fund	4,766	4,766
Unit Capital Growth and Income Fund	5,348,738	4,877,332
Unit Capital TT\$ Income Fund	11,553,551	11,176,653
Unit Capital Universal Retirement Fund	346,512	297,291
Unit Capital US\$ Income Fund	3,939,498	4,082,668
Participating Shares UTC (Cayman) SPC Ltd.	8,544	-
Net Assets Attributable to Unitholders	21,201,609	20,438,710

Initial Capital in line one of the analysis above, represents the capital subscribed by the Initial Contributors in accordance with Section 17 of the Act. The subscriptions were invested in the Growth and Income Fund. Initial Capital at 31 December was \$4.8 million (2018: \$4.8 million)

Unit Capital in the analysis above, represents the Net Asset Value of the four (4) Investment Funds domiciled in Trinidad and Tobago at the reporting date. In respect of the Growth and Income Fund, this excludes the acquisition cost of the units issued in respect of Initial Capital.

Participating shares represent the participating shares of the three (3) segregated portfolios of UTC (Cayman) SPC Ltd. not held by the Corporation or other Group entities.

Financial information is provided for the locally domiciled entities above in Notes 27-30. Financial information for UTC (Cayman) SPC Ltd. is provided in Note 31.

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11) Statutory Reserves

In accordance with Section 51(1) of the Securities Act, Chapter 83:02 and Section 27(1)(a)(ii) of the Securities Industry By-Laws, Chapter 83:02, a reserve of \$5 million was established to satisfy the capital requirements for registration as a Broker Dealer and \$50,000 for registration as an Investment Adviser.

In accordance with Section 5 of the Exchange Control Act, a reserve of \$650,000 was established to meet the requirements for operation of the Group's Bureau de Change.

12) Revaluation Reserve

The revaluation reserve reflects foreign currency translation differences related to financial instruments and revaluations related to the Pension and other post retirement plans. The revaluation of the investments held by the Investment Funds is reflected in the line item Net Assets Attributable to Non-group Interests and is not included in this revaluation reserve.

13a) Investment Income – Investment Funds

The Group's Investment Income is analysed by major entity and type of Income below:

Entity	2019	2018
	\$'000	\$'000
Growth & Income Fund	182,017	181,596
TT\$ Income Fund	344,893	326,661
Universal Retirement Fund	10,791	10,273
US\$ Income Fund	110,300	117,851
UTC Cayman (SPC) Ltd. Corporation	606	-
	35,115	24,687
	683,722	661,068
	<hr/>	<hr/>
Type of income	2019	2018
	\$'000	\$'000
Interest Income	553,354	523,113
Dividend Income	126,635	133,086
Other Income	3,733	4,869
	683,722	661,068
	<hr/>	<hr/>

Trinidad and Tobago Unit Trust Corporation
Notes to the Consolidated Financial Statements (continued)
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13b) Net Change in Fair Value on Investment Securities

The Group's Net Change in Fair Value on Investment Securities is analysed by major entity below:

Entity	2019	2018
	\$'000	\$'000
Growth & Income Fund	401,459	(95,788)
TT\$ Income Fund	101,046	(69,935)
Universal Retirement Fund	28,807	(8,805)
US\$ Income Fund	111,519	(101,095)
UTC Cayman (SPC) Ltd. Corporation	1,147	-
	<u>(4,350)</u>	<u>(97,500)</u>
	<u>639,628</u>	<u>(373,123)</u>

The fair value on Investment Securities is determined in accordance with the Significant Accounting Policies outlined at Note 2(f).

14) Fee income

	2019	2018
	\$'000	\$'000
Management charge – third parties	4,526	5,245
Trustee fees	20	20
Paying agent fees	15	18
Total	<u>4,561</u>	<u>5,283</u>

15) Administrative Expenses

	2019	2018
	\$'000	\$'000
Audit fees	362	330
Directors' fees	3,000	3,459
General administration	109,311	115,645
Staff costs (Note 18)	140,913	147,475
Total	<u>253,586</u>	<u>266,909</u>

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16) Restricted Assets

The Group, in keeping with best practice and legislation, has no access to the investment securities, cash holdings, cash flows or other assets of the Funds it manages. The Funds are by nature Collective Investment Schemes and as such the assets, including cash, are ring-fenced and used exclusively for the benefit of the unitholders/shareholders. The tables below analyze the significant line items in the Consolidated Statement of Financial Position which include assets that are not available to the Group.

Particulars	2019 \$'000	2018 \$'000
Cash and Cash Equivalents (see Note 3)	3,066,168	2,090,800
Restricted Cash and Cash Equivalents	(2,144,531)	(1,486,716)
Available to Group without restriction	921,637	604,084

Particulars	2019 \$'000	2018 \$'000
Receivables	194,183	150,104
Restricted Receivables	(185,342)	(128,579)
Available to Group without restriction	8,841	21,525

Particulars	2019 \$'000	2018 \$'000
Investment Securities (see Note 4)	19,178,368	19,565,672
Restricted Investment Securities	(18,888,458)	(18,861,483)
Available to Group without restriction	289,910	704,189

17) Foreign Exchange Gains / (Losses)

The exchange differences credited to the Consolidated Statement of Profit or Loss are included in other income as follows:

	2019 \$'000	2018 \$'000
Foreign exchange (loss)/gain	(1,350)	2,912
	(1,350)	2,912

18) Staff Costs

	2019 \$'000	2018 \$'000
Salaries and Benefits	123,900	131,249
Pension Costs (see Note 8 (a)(iv))	10,745	10,031
National Insurance	6,268	6,195
Total	140,913	147,475
Number of employees	527	528

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19) Distributions

	2019	2018
	\$'000	\$'000
Growth and Income Fund	71,704	78,718
TT\$ Income Fund	155,053	135,961
US\$ Income Fund	38,632	34,654
Total	265,389	249,333

a) Growth and Income Fund

The Growth and Income Fund paid \$71.7 million to its unitholders in respect of its June 2019 and December 2019 distributions (2018: \$78.7 million). Included in the \$71.7 million referred to are distributions to Initial Capital Contributors of \$0.3 million (2018: \$0.3 million).

b) TT\$ Income Fund

The TT\$ Income Fund makes quarterly distributions at the end of February, May, August and November. Income accrued at 31 December for distribution in the quarter ending 28 February 2020 amounted to \$13.9 million (2018: \$11.6 million).

c) US\$ Income Fund

Distributions in the US\$ Income Fund are paid by calendar quarters.

20) Taxation

The local subsidiary companies are subject to Trinidad and Tobago Corporation Tax while the foreign subsidiaries are subject to taxation in their country of domicile.

	2019	2018
	\$'000	\$'000
Net Income before taxation	104,642	5,610
Less: Income taxed at 0%	(104,636)	(5,586)
Net Income subject to tax	6	24
(Corporation Tax Refund)/Corporation tax for foreign subsidiaries	(107)	473
Withholding Tax on interest and dividends received	4,426	4,752
Green Fund Levy payments	1,080	1,169
Tax charge	5,399	6,394

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21) Financial Risk Management

The financial assets and liabilities of the Group are summarized below:

Financial Assets	2019	2018
	\$'000	\$'000
Cash and Bank Balances (see Note 3)	3,269,272	2,090,800
Receivables	194,183	150,104
Other Assets	7,617	11,640
Investment Securities (see Note 4)	19,178,368	19,565,672
Financial Liabilities		
Accounts Payable and Short-term Liabilities	70,566	70,045
Lease Liability	16,405	-
Distribution Payable	38,829	51,291
Other Liabilities	4,532	2,110
Net Assets Attributable to Unitholders (see Note 10)	21,201,609	(20,438,710)

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21) Financial Risk Management (continued)

Financial Risk Management Framework

The Collective Investment Schemes managed by the Corporation and the Corporation's investment activities expose the Group to a variety of financial risks. The Board of Directors has established policies, procedures, an Audit Committee and a Strategic Risk Committee to minimize the potential loss that may arise from such financial risks.

The Strategic Risk Committee is responsible for oversight of the strategic risks which the Group faces. During 2019 the Audit Committee and the Strategic Risk Committees met at least once per quarter to:

- i. monitor compliance with the risk management policies and procedures established by the Board;
- ii. ensure that the overall risk profile and policy environment of the Group was appropriate and consistent with the Group's strategic objectives; and
- iii. consider reports and recommendations submitted by the Risk Management and the Internal Audit departments.

Financial Risk Exposures

The primary financial risks to which the Group is exposed are:

- i. market risk – which comprises:
 - equity, exchange traded funds (ETF) and traded bonds price risk
 - interest rate risk
 - currency risk
- ii. credit risk; and
- iii. liquidity risk

Market Risk

Market risk is the risk that changes in market prices e.g. equity and ETF price risk, bond price risk, foreign exchange rates, and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing returns.

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21) Financial Risk Management (continued)

Equity and ETF Price Risk

Equity and ETF price risk is the risk that the fair value of equities/ETFs decreases as a result of changes in the market prices for these securities.

Two (2) of the Funds within the Group have significant holdings of equities and ETFs all of which are traded on either the local or North American stock exchanges. Negative equity price movements in the local and foreign equity markets can subject the portfolios to decreases in their Net Asset Values. This risk is managed by:

- i. careful asset allocation and security selection;
- ii. daily monitoring of security prices; and
- iii. monitoring and measurement of each portfolio's price risk exposure.

The equity price risk exposure is monitored and measured with reference to the beta of equity instruments. Beta is a measure of the stock's price sensitivity to the stock market e.g. stocks that have a beta of 1 would change by approximately 1% for every 1% move in the overall stock market.

A stock with a beta less than 0.9 is considered to have a low equity price risk relative to the overall market. A stock with a beta above 1.1 is considered to have a high equity price risk vis-à-vis the market. A stock with a beta between 0.9 and 1.1 is regarded as having equity price risk comparable to the market.

The Group's equity and ETF holdings are categorized below, both in dollars and as a percentage of total equity holdings into three (3) categories to reflect the Group's exposure to movements in equity prices.

	Lower than market \$'000	Comparable to market \$'000	Higher than market \$'000
At 31 December 2019	1,844,028 <i>61.2%</i>	1,029,980 <i>34.2%</i>	137,937 <i>4.6%</i>
At 31 December 2018	1,694,775 <i>60.3%</i>	592,569 <i>21.1%</i>	523,541 <i>18.6%</i>

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21) Financial Risk Management (continued)

Equity and ETF Price Risk (continued)

The following table presents the approximate sensitivity of the net asset value of the Group to a 5% change in the TTSE Composite Index and the S&P 500 Composite Index respectively as at 31 December with all other variables held constant.

	31 December, 2019	31 December, 2018
TTSE Composite Index	39.7 million	\$33.7 million
S&P 500 Composite Index	47.0 million	\$41.8 million

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group holds a significant portion of fixed rate debt securities, which exposes it to fair value interest rate risk and to cash flow interest rate risk. The exposure arises primarily on the debt securities held by its two Income Funds – the TT Dollar Income Fund and the US Dollar Income Fund. The debt securities held by the Growth and Income Fund, the Universal Retirement Fund and the Corporation also expose the Group to interest rate risk.

The Group manages the overall interest rate risk by making judicious adjustments of the overall weighted average term to maturity (duration) of its portfolios.

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21) Financial Risk Management (continued)

Interest Rate Risk (continued)

The Group's exposure to interest rate risk as at 31 December 2019 is summarized below. The Group's assets and liabilities are included at their carrying amount and categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
At 31 December, 2019				
Assets				
Cash & Cash Equivalents	3,269,272			3,269,272
Treasury Bills	1,845,507			1,845,507
Fixed-term Deposits	1,574,233			1,574,233
Short-term Investments	1,504,971			1,504,971
Commercial Paper	1,500,892			1,500,892
Bonds (FVPL)	1,447,694	4,802,097	2,621,169	8,870,960
Structured Bonds (FVPL)	526,872			526,872
Liabilities				
Lease Liability (see Note 6)	(4,872)	(10,376)	(1,157)	(16,405)
Rate Re-pricing Position	11,664,569	4,792,003	2,620,012	19,076,302

The Group's exposure to interest rate risk as at 31 December 2018 is summarized below.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
At 31 December, 2018				
Assets				
Cash & Cash Equivalents	2,090,800			2,090,800
Treasury Bills	1,844,180			1,844,180
Fixed-term Deposits	2,053,028			2,053,028
Short-term Investments	1,158,391			1,158,391
Commercial Paper	1,221,337			1,221,337
Bonds	7,996,527	394,229	1,051,433	9,442,189
Structured Bonds	602,383			602,383
Liabilities				
	-	-	-	-
Rate Re-pricing Position	16,966,646	394,229	1,051,433	18,412,308

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21) Financial Risk Management (continued)

Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Since the TT\$ denominated portfolios contain investments denominated in US\$, these portfolios can be negatively impacted by movements in the US\$/TT\$ exchange rate.

The foreign currency assets and liabilities of the Group at 31 December are summarized below.

	At 31 December, 2019		At 31 December, 2018	
	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000
Assets				
Cash & Cash Equivalents	1,001,199	7	881,118	534
Prepayments and Other Assets	7,353	-	6,378	-
Treasury Bills	1,061,411	-		
Fixed-term Deposits	57,310	-		
Short-term Investments	240,289	-		
Commercial Paper	1,467,093	-		
Bonds measured at fair value through profit or loss	2,957,387	-	4,242,569	-
Structured Bonds measured at fair value through profit or loss	526,872	-	602,383	-
Equities, ETFs, Private Equity & Mutual Funds	1,271,283	-	1,216,038	-
	8,590,197			
Liabilities				
Net Assets Attributable to Unitholders (see Note 10)	(3,939,498)	-	(4,082,668)	-
Total	4,650,699	7	4,246,472	534

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21) Financial Risk Management (continued)

Currency Risk (continued)

The following analysis shows the effect a 1% change in the TT dollar relative to the US dollar would have changed the net assets of the Group at 31 December with all other variables held constant.

	2019	2018
	TT\$'000	TT\$'000
Approximate change in US\$ holdings	<u>46,567</u>	<u>42,465</u>

Concentration of foreign currency exposure

% of total financial assets	2019	2018
US dollars	38%	38%

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21) Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will default on its financial obligations, that is, it fails to make full and timely payments of scheduled interest and/or principal sums due.

The Group is exposed to credit risk primarily on debt securities, short-term investments and bank balances. The carrying value of these assets represents the Group's maximum exposure to credit risk on the respective reporting dates. Hence no separate maximum exposure to credit risk disclosure is provided for these instruments.

Credit risk is managed by:

- i. subjecting counterparties to robust credit risk assessments prior to initial acquisition;
- ii. limiting the acquisition or retention of debt instruments to certain credit ratings; and
- iii. regular review, measurement and monitoring of counterparties' credit ratings.

The credit quality of the Group's debt securities, Short-term investments and bank balances is analyzed in the table below into high, moderate and low using ratings primarily from international rating agencies and local rating agencies for either the instrument, the issuer, the sponsor in the case of Bond ETFs or the sovereign in the case of State-owned entities. In those few instances where instruments were rated internally, the ratings were mapped to the international credit quality grades used by Standard and Poor's.

	2019 \$'M	2018 \$'M
Securities rated by S&P as AAA to BBB-, are considered high credit quality instruments		
- Debt securities	7,490	8,937
- Structured bonds	526	602
- Treasury Bills	1,846	1,844
- Fixed-term Deposits	1,574	2,053
- Short-term Investments	1,505	1,159
- Commercial Paper	1,501	1,221
- Bank balances	3,269	2,091
	17,711	17,907
Securities rated by S&P as BB+ to B-, are considered medium credit quality instruments		
- Debt securities	855	468
Securities rated by S&P as CCC+ and below, are considered low quality instruments		
- Debt securities	1,053	37
Total	19,619	18,412

Trinidad and Tobago Unit Trust Corporation
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21) Financial Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset as they become due.

The units of the Growth and Income Fund, the TT\$ Income Fund and the US\$ Income Fund are redeemable on demand. The participating shares of the segregated portfolios of UTC (Cayman) SPC Ltd. are also redeemable on demand. The risk is mitigated in each portfolio by holding adequate cash, cash equivalents and short-term investments. In addition, substantial portions of the investments held by the portfolios are tradable.

The financial liabilities of the Group are summarized by their due dates and shown below. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one year \$'000	Greater than one year \$'000
At 31 December, 2019		
Accounts Payable and Short-term Liabilities	70,566	-
Lease Liability	5,631	10,774
Distribution Payable	38,829	-
Other Liabilities	4,532	-
Net Assets Attributable to Unitholders	21,201,609	-
Total	21,321,167	10,774
	Less than one year \$'000	Greater than one year \$'000
At 31 December, 2018		
Accounts payable and short-term liabilities	70,045	-
Distribution Payable	51,291	-
Other Liabilities	2,110	-
Net Assets Attributable to Unitholders	20,438,710	-
Total	20,562,156	-

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21) Financial Risk Management (continued)

Capital Management

The Group's capital consists of Reserves and Retained Earnings. The Group's objectives when managing capital are:

- i. to comply with the capital requirements stipulated by the regulators of the markets where the Group operates;
- ii. to safeguard the Group's ability to continue as a going concern; and
- iii. to provide attractive risk adjusted returns.

22) Interests in Corporate Entities

a) Local Corporate Entities

The Corporation has two (2) wholly-owned local subsidiary companies incorporated under the Companies Act 81:01 of the Laws of the Republic of Trinidad and Tobago, namely:

Company	Interest	Principal Place of Business	Date of Incorporation
UTC Financial Services Limited	100%	82, Independence Square, Port of Spain, Trinidad	23 March, 1999
UTC Trust Services Limited	100%	82, Independence Square, Port of Spain, Trinidad	2 June, 1999

All the Directors of the foregoing two companies are Directors of the Corporation. UTC Financial Services Limited carries on the business of a registrar and paying agent, while UTC Trust Services Limited is the registered Trustee for certain bonds.

The assets, liabilities and results of these subsidiaries have been fully incorporated in these Financial Statements.

The auditor for UTC Financial Services Limited and UTC Trust Services Limited is the Auditor General's Department of the Republic of Trinidad and Tobago.

b) Foreign Corporate Entities

The Corporation has three (3) foreign subsidiaries which were consolidated. These are:

Company	Interest	Date of Incorporation	Country of Incorporation
UTC Fund Services, Inc.	100%	8 December, 1997	Delaware, USA
UTC Financial Services USA, Inc.	100%	8 June, 1999	Rhode Island, USA
UTC (Cayman) SPC Ltd.	69%	4 th September, 2015	Cayman Islands

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22) Interests in Corporate Entities (continued)

b) Foreign Corporate Entities (continued)

UTC Fund Services Inc. and UTC Financial Services USA, Inc. have been dormant since closure of the North American Fund in 2018.

UTC (Cayman) SPC Ltd. is incorporated in the Cayman Islands as an exempted segregated portfolio company with limited liability. It operates three (3) open-ended mutual funds namely:

- i. UTC Global Investor Select ETF Fund Segregated Portfolio – Conservative
- ii. UTC Global Investor Select ETF Fund Segregated Portfolio – Moderate
- iii. UTC Global Investor Select ETF Fund Segregated Portfolio - Aggressive

Auditors Foreign Subsidiaries

UTC Fund Services Inc. does not require auditors for any statutory or regulatory purpose. The auditors for the UTC Financial Services USA, Inc. and UTC (Cayman) SPC Ltd. are as follows:

<u>Company</u>	<u>Auditors</u>
UTC Financial Services USA, Inc.	Accell Audit & Compliance, PA, Tampa, Florida
UTC (Cayman) SPC Ltd.	PricewaterhouseCoopers, Cayman Islands

23) Related-party Transactions

Related parties are individuals or entities that are related to the Group. An individual is related to the Group when that individual or a close member of that individual’s family either:

- i. has significant influence over the Corporation or one of its subsidiaries; or
- ii. is a Director or key member of the management of the Corporation or one of its subsidiaries.

An entity is related to the Corporation if the entity is:

- i. a subsidiary of the Corporation;
- ii. an associate of the Corporation;
- iii. in a joint venture with the Corporation; or
- iv. a post-employment benefit plan of either the Corporation or one of its related entities.

Related party transactions and balances, not disclosed elsewhere in these Financial Statements, are disclosed below.

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23) Related-party Transactions (continued)

	2019	2018
	\$'000	\$'000
Key Management transactions - loans		
Loan balances	<u>104</u>	<u>334</u>
Represented by:		
Balance at beginning of year	334	930
Loans advanced during year		-
Loan repayments received during year	(230)	(596)
Interest income during year	10	26
Interest received during year	<u>(10)</u>	<u>(26)</u>
Balance at end of year	<u>104</u>	<u>334</u>
	2019	2018
Key Management - compensation	\$'000	\$'000
Salaries	19,336	20,432
Post-employment benefits	5,861	7,813
Termination benefits	<u>-</u>	<u>3,657</u>
	<u>25,197</u>	<u>31,902</u>
	2019	2018
Key Management - balances in Funds managed by the Corporation	\$'000	\$'000
Units held by key management	<u>1,568</u>	<u>1,505</u>
	2019	2018
	\$'000	\$'000
Other related party transactions - directors remuneration		
Directors' fees (see Note 15)	<u>3,000</u>	<u>3,459</u>
	2019	2018
Other related party balances - directors balances in Funds under management	\$'000	\$'000
Units in Funds under management	<u>1,754</u>	<u>2,425</u>

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23) Related-party Transactions (continued)

All transactions with related parties were undertaken on commercial terms and on an arms-length basis. No expense was recognized in the current or prior year for bad or doubtful debts for amounts owed by any related party.

There were no balances outstanding for related parties except for the loans to key management noted above.

There were no commitments to related parties during the year and no commitments outstanding at the year end.

24) Commitments

At 31 December, the Group had contractual obligations for capital contributions in the amounts of approximately \$20.13 million (2018: \$20.24 million).

25) Contingent Liabilities

At 31 December 2019, there were two matters before the Courts. The contingent liability in relation to the two matters is estimated at \$2.8 million.

26) Locally domiciled funds

The four (4) locally domiciled Funds controlled by the Corporation are considered subsidiaries for the purposes of IFRS 10. The Total Assets of the locally domiciled Funds are shown in the table below.

	2019	2018
	\$'000	\$'000
Growth and Income Fund	5,379,701	4,963,665
TT\$ Income Fund	11,588,597	11,213,479
Universal Retirement Fund	347,106	300,328
US\$ Income Fund	3,960,832	4,115,416
Total Assets	21,276,236	20,592,888

Summarized financial information for the locally domiciled Funds is provided in Notes 27-30.

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27) Summarized Financial Information – Growth and Income Fund

The table below summarizes financial information for the Growth and Income Fund (before inter-entity eliminations or consolidation adjustments) for the years 2019 and 2018.

	2019 \$'000	2018 \$'000
Cash and Cash Equivalents	326,653	406,686
Receivables	33,871	28,018
Investment Securities (see tables below)	5,019,177	4,528,961
Total assets	5,379,701	4,963,665
Liabilities	26,200	81,567
Equity	5,353,501	4,882,098
Total liabilities and equity	5,379,701	4,963,665
Investment Income	583,475	85,809
Net Income/(Loss)	478,696	(14,374)
Distribution	(71,704)	(78,717)
Allocations to Reserves (see paragraphs below)	-	(500)
Other Comprehensive Loss for the year	-	-
Total Comprehensive (Loss) for the year	-	(18,795)
Net cash flow from operating activities	7,586	83,159
Net cash used in investing activities	(74,026)	(96,124)
Net cash (used in)/flow from financing activities	(13,593)	38,409
Net change in cash flows for the year	(80,033)	25,444

The table below analyses the investment securities held by the Growth and Income Fund.

	2019 \$'000	2018 \$'000
Government Securities	952,635	829,042
Corporate Securities	258,378	301,986
Equity and ETFs (local and foreign)	3,140,879	3,012,227
Short-term Investments	667,285	385,706
Total	5,019,177	4,528,961

The table below classifies the investment securities held by the Growth and Income Fund

	2019 \$'000	2018 \$'000
Fair value through profit or loss	5,019,177	4,528,961
Total	5,019,177	4,528,961

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27) Summarized Financial Information – Growth and Income Fund (continued)

Growth and Income Fund Reserves

In 1985, in accordance with the provisions of Section 26 (1) and (2) of the Act, the Corporation established a Guarantee Reserve Fund in respect of the Growth and Income Fund (First Unit Scheme) to ensure adequate funding of the Guarantee Pricing Plan. During 2019 calls totaling \$0.5 million were made on the Reserve. The Corporation, the guarantor (see Note 9), met the calls on the Reserve.

In 2012 the Board approved the establishment of a Secondary Reserve Facility for the Growth and Income Fund (First Unit Scheme). The Secondary Reserve is used to fund requirements for capital reinstatement and/or distribution liabilities of the Growth and Income Fund. The balance in the Secondary Reserve Facility was nil for 2018 and 2019.

A summary of the transactions in the Growth and Income Fund Guarantee Reserve is provided below.

Fund Reserve	2019	2018
	\$'000	\$'000
Fund Reserve as at 1 January	-	-
Allocation to Reserve (Growth and Income Fund)	-	500
Call on Reserve	469	(871)
Allocation to Reserve (Corporation)	(469)	371
Fund Reserve as at 31 December	-	-

No transfers to support the Growth and Income Fund were required during either 2019 or 2018. The Corporation is the sponsor of the Growth and Income Fund and is committed to supporting the Fund financially and otherwise as necessary.

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28) Summarized Financial Information – TT\$ Income Fund

The table below summarizes financial information for the TT\$ Income Fund (before inter-entity eliminations or consolidation adjustments) for the years 2019 and 2018.

	2019 \$'000	2018 \$'000
Cash and Cash Equivalents	1,468,134	625,539
Receivables	206,446	250,043
Investment Securities (see tables below)	9,914,017	10,337,897
Total assets	11,588,597	11,213,479
Liabilities	33,986	36,826
Equity	11,554,611	11,176,653
Total liabilities and equity	11,588,597	11,213,479
Investment Income	445,938	257,534
Net Income	303,548	70,712
Distributions	(155,052)	(135,960)
Allocations to Reserves (see paragraphs below)	(700)	(2,800)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	303,548	70,712
Net cash flow from operating activities	174,482	105,988
Net cash flow from/(used in) investing activities	560,842	(1,268,930)
Net cash flow from financing activities	107,271	138,187
Net change in cash flows for the year	842,595	(1,024,755)

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28) Summarized Financial Information – TT\$ Income Fund (continued)

The table below analyses the investment securities held by the TT\$ Income Fund

	2019	2018
	\$'000	\$'000
Government Securities	3,580,457	3,542,403
Corporate Securities	2,218,048	1,946,421
Short-term Investments	4,115,512	4,849,073
Total	9,914,017	10,337,897

The table below classifies the investment securities held by the TT\$ Income Fund

	2019	2018
	\$'000	\$'000
Fair value through profit or loss	9,914,017	10,337,897
Total	9,914,017	10,337,897

TT\$ Income Fund Reserves

In accordance with the provisions of Section 13 of the TT\$ Income Fund (Second Unit Scheme) Regulations issued under the Act, the Corporation established two reserves in respect of the TT\$ Income Fund - a Primary Reserve and a Secondary Reserve.

The Primary Reserve was established to satisfy any shortfall that may arise on the realization of securities in the portfolio of the Fund.

The Secondary Reserve was established to augment the capital maintenance capability of the Fund and to provide for the funding of any distribution liability which may arise.

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28) Summarized Financial Information – TT\$ Income Fund (continued)

A summary of the transactions in the TT\$ Income Fund Reserves is provided below.

	2019	2018
	\$'000	\$'000
Primary Reserve		
Fund reserve as at 1 January	54,677	51,299
Allocation to primary reserve	700	2,800
Interest earned on the reserve	661	578
Primary Reserve as at 31 December	56,038	54,677
Secondary Reserve		
Fund reserve as at 1 January	21,104	20,874
Allocation to secondary reserve	-	-
Interest earned on the reserve	251	230
Secondary Reserve as at 31 December	21,355	21,104
Total Fund Reserves as at 31 December	77,393	75,781

The Corporation is the sponsor of the TT\$ Income Fund and is committed to supporting the fund financially and otherwise as and when necessary. No transfers to support the TT\$ Income Fund were required during either 2019 or 2018.

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29) Summarized Financial Information – Universal Retirement Fund

The table below summarizes financial information for the Universal Retirement Fund (before inter-entity eliminations or consolidation adjustments) for the years 2019 and 2018.

	2019 \$'000	2018 \$'000
Cash and Cash Equivalents	10,162	30,398
Receivables	70,122	1,189
Investment Securities (see tables below)	266,822	268,741
Total assets	347,106	300,328
Liabilities	594	3,038
Equity	346,512	297,290
Total liabilities and equity	347,106	300,328
Investment Income	39,599	1,470
Net Income/(Loss) for capitalization	32,591	(5,037)
Other comprehensive loss for the year	-	-
Total comprehensive (loss)/income for the year	32,591	(5,037)
Net cash (used in)/ flow from operating activities	(69,620)	2,332
Net cash flow from/ (used in) investing activities	32,634	(9,279)
Net cash flow from / (used in) financing activities	16,750	3,821
Net change in cash flows for the year	(20,236)	(3,126)

The table below analyses the investment securities held by the Universal Retirement Fund.

	2019 \$'000	2018 \$'000
Government Securities	29,091	40,017
Corporate Securities	25,668	22,578
Equity and ETFs (local and foreign)	161,488	185,840
Short-term Investments	50,575	20,306
Total	266,822	268,741

The table below classifies the investment securities held by the Universal Retirement Fund.

	2019 \$'000	2018 \$'000
Fair value through profit or loss	266,822	268,741
Total	266,822	268,741

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29) Summarized Financial Information – Universal Retirement Fund (continued)

The Corporation is the sponsor of the Universal Retirement Fund and is committed to supporting the fund financially and otherwise as and when necessary. No transfers to support the Universal Retirement Fund were required during 2019 and 2018.

30) Summarized Financial Information – US\$ Income Fund

The table below summarizes Financial Information for the US\$ Income Fund (before inter-entity eliminations or consolidation adjustments) for the years 2019 and 2018.

	2019 \$'000	2018 \$'000
Cash and Cash Equivalents	238,511	339,174
Receivables	143,376	135,729
Investment Securities (see tables below)	3,578,945	3,640,513
Total assets	3,960,832	4,115,416
Liabilities	18,967	32,748
Equity	3,941,865	4,082,668
Total liabilities and equity	3,960,832	4,115,416
Investment Income	221,819	17,484
Net Income/(Loss)	160,988	(45,831)
Distributions	(38,631)	(34,654)
Allocations to reserves (see paragraphs below)	(2,031)	(11,863)
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	160,988	(45,831)
Net cash flow from operating activities	37,736	63,475
Net cash (used in)/ flow from investing activities	173,150	(215,284)
Net cash used in financing activities	(310,884)	(53,816)
Net change in cash flows for the year	(99,998)	(205,625)

The table below analyses the investment securities held by the US\$ Income Fund

	2019 \$'000	2018 \$'000
Government Securities	361,884	721,851
Corporate Securities	1,807,432	2,328,025
Short-term Investments	1,409,629	590,637
Total	3,578,945	3,640,513

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30) Summarized Financial Information – US\$ Income Fund (continued)

The table below classifies the investment securities held by the US\$ Income Fund

	2019 \$'000	2018 \$'000
Fair value through profit or loss	3,578,945	3,640,513
Total	3,578,945	3,640,513

US\$ Income Fund Reserves

In accordance with the provisions of Section 26 (1) and (2) of the Act, the Corporation has established two reserves in respect of the US\$ Income Fund, a Primary Reserve and a Secondary Reserve.

The Primary Reserve was established to satisfy any shortfall that may arise on the realization of securities in the portfolio of the Fund. There were no calls on the reserve during 2019 and 2018.

The Secondary Reserve was established to augment the capital maintenance capability of the Fund and to provide for the funding of any distribution liability which may arise.

A summary of the transactions in the US\$ Income Fund Reserves is provided below.

	2019 \$'000	2018 \$'000
Primary Reserve		
Fund reserve as at 1 January	57,427	48,720
Allocation to primary reserve	2,031	8,122
Interest earned on the reserve	542	433
Foreign exchange revaluation	(46)	152
Primary Reserve as at 31 December	59,954	57,427
Secondary Reserve		
Fund reserve as at 1 January	37,106	32,999
Allocation to secondary reserve	-	3,716
Interest earned on the reserve	334	293
Revaluation	(23)	98
Secondary Reserve as at 31 December	37,417	37,106
Total Fund Reserves as at 31 December	97,371	94,533

The Corporation is the sponsor of the US\$ Income Fund and is committed to supporting the Fund financially and otherwise as and when necessary. No transfers to support the US\$ Income Fund were required during 2019 and 2018.

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31) Foreign Funds – UTC (Cayman) SPC Ltd.

The Corporation is the Manager, Sponsor, Administrator and Investment Advisor of UTC (Cayman) SPC Ltd. The table below summarizes Financial Information for the US\$ Income Fund (before inter-entity eliminations or consolidation adjustments) for the years 2019 and 2018.

	2019	2018
	\$'000	\$'000
Cash and Cash Equivalents	24,658	7,371
Receivables	853	1,110
Investment Securities (see tables below)	589	9,036
Total assets	26,100	17,517
Liabilities	426	304
Equity	25,674	17,213
Total liabilities and equity	26,100	17,517
Investment Income	1,753	(379)
Net Income/(Loss)	1,083	(271)
Distributions	-	-
Allocations to reserves (see paragraphs below)	-	-
Other comprehensive income for the year	-	-
Total comprehensive (loss)/income for the year	1,083	(271)
Net cash flow from operating activities	(15,243)	8,116
Net cash (used in)/ flow from investing activities	-	-
Net cash used in financing activities	6,796	-
Net change in cash flows for the year	8,447	8,116

The table below analyses the investment securities held by UTC (Cayman) SPC Ltd.

	2019	2018
	\$'000	\$'000
Exchange Traded Funds	589	9,036
Total	589	9,036

The table below classifies the investment securities held by UTC (Cayman) SPC Ltd.

	2019	2018
	\$'000	\$'000
Fair value through profit or loss	589	9,036
Total	589	9,036