



**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, 2017

OPINION

The consolidated financial statements of the Trinidad and Tobago Unit Trust Corporation (the Corporation) for the year ended 31 December, 2017 have been audited. The statements as set out on pages 1 to 69 comprise a Consolidated Statement of Financial Position as at 31 December, 2017, 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 36, 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, 2017 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 financial statements based and on 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.

10. The Auditor General communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

20TH MARCH, 2018
PORT OF SPAIN




MAJEED ALI
AUDITOR GENERAL

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20180320

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December, 2017

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-17 \$ '000	31-Dec-16 \$ '000
ASSETS			
Cash and Cash Equivalents	3	3,423,652	2,454,393
Receivables		160,129	155,205
Prepayments and Other Assets		37,355	36,615
Investment Securities	4	18,113,588	18,892,079
Property, Plant and Equipment	5	162,589	160,725
Intangible Assets	6	852	1,267
Deferred Tax Asset	7	73	383
TOTAL ASSETS		21,898,238	21,700,667
LIABILITIES			
Accounts Payable and Short-term Liabilities		73,996	88,479
Distribution Payable		47,905	58,073
Pension and Other Post-retirement Liabilities	9	15,173	13,982
Price Guarantee Provision	10	12,355	29,403
Net Assets Attributable to Unitholders	11	20,334,197	20,153,212
Other Liabilities		1,971	1,100
TOTAL LIABILITIES		20,485,597	20,344,249
EQUITY			
Statutory Reserves	12	5,700	5,700
Revaluation Reserve	13	22,436	28,566
Retained Earnings		1,384,505	1,322,152
		1,412,641	1,356,418
TOTAL LIABILITIES AND EQUITY		21,898,238	21,700,667

RF Nelson

Chairman



Jan P. Chung

Executive Director

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December, 2017

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-17 \$'000	31-Dec-16 \$ '000
CONTINUING OPERATIONS			
INCOME			
Investment Income -	14,15		
Growth & Income Fund		446,279	430,203
TTS Income Fund		364,676	383,713
Universal Retirement Fund		33,855	15,346
US\$ Income Fund		139,493	111,451
Net Investment Income - Group Operations	15	41,357	58,464
Realized Gains Re-classified from Equity	16	12,472	34,629
Initial Charge		8,645	8,098
Other Income		11,693	10,618
Total Income		1,058,470	1,052,522
EXPENSES			
Commissions		(14,338)	(13,027)
Impairment	17	(191,638)	(99,441)
Administrative	18	(251,039)	(263,393)
Depreciation and Amortisation		(13,069)	(15,152)
Total Expenses		(470,084)	(391,013)
Net Income before Guarantee Credit/(Charges)		588,386	661,509
Price Guarantee Credit/(Charge)	10	16,813	(25,664)
Net Income after Guarantee Credit/(Charges)		605,199	635,845
Distributions to Unitholders	23	(197,450)	(239,348)
Allocation by Funds to Reserves	30,31,33	(35,105)	(11,905)
Income Capitalized	32	(27,136)	(8,572)
Net Income Attributable to Unitholders		(283,360)	(264,953)
Net Income before Taxation from continuing operations		62,148	111,067
Taxation	8	(6,660)	(6,572)
Net Income after taxation from continuing operations		55,488	104,495
DISCONTINUED OPERATIONS			
Net Gain on Discontinued Operations	35	6,865	-
Net Income for the year		62,353	104,495

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2017

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-17 \$'000	31-Dec-16 \$ '000
Net Income for the year		62,353	104,495
Other Comprehensive Income:			
<i>Amounts that may be transferred to Profit or Loss in the future:</i>			
Revaluation of available-for-sale Financial Assets	13	20,437	28,954
Exchange Translation differences		(14,878)	(11,949)
<i>Amounts that will not be transferred to Profit or Loss in the future:</i>			
Re-measurements of Pension and Other Post Retirement Liabilities	9	783	5,435
		6,342	22,440
Fair Value gains transferred to Profit or Loss on disposal of available for sale financial instruments	16	(12,472)	(34,629)
Other Comprehensive Loss for the year		(6,130)	(12,189)
Total Comprehensive Income for the year		56,223	92,306

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2017

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, 2017	5,700	28,566	1,322,152	1,356,418
Total Comprehensive Income for the year	-	(6,130)	62,353	56,223
Balance as at 31 December, 2017	5,700	22,436	1,384,505	1,412,641
Balance as at 1 January, 2016	5,050	40,755	1,218,307	1,264,112
Total Comprehensive Income for the year	-	(12,189)	104,495	92,306
Statutory Reserve-Bureau de Change	650	-	(650)	-
Balance as at 31 December, 2016	5,700	28,566	1,322,152	1,356,418

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, 2017

Expressed in Trinidad and Tobago dollars

	31-Dec-17 \$ '000	31-Dec-16 \$ '000
OPERATING ACTIVITIES		
Net Income before Taxation	62,148	111,067
<i>Adjustment to reconcile net income to net cash and cash equivalents from operating activities:</i>		
Net Income Attributable to Unitholders	543,050	524,778
Depreciation and Amortisation	13,069	15,152
Impairment - Non-financial Assets	-	6,823
Impairment - Financial Assets	191,638	99,441
Loss on sale of Property, Plant and Equipment	16	636
Price Guarantee Provision	(16,813)	25,664
Revaluation of Fund Reserve Assets	113	2,990
Interest on Fund Reserve Assets	954	823
Other Gains	-	(2,231)
	<u>794,175</u>	<u>785,143</u>
<i>Movements in Net Current Assets</i>		
(Increase)/Decrease in Receivables	(4,923)	26,081
(Increase)/Decrease in Prepayments and Other Assets	(740)	210,187
(Decrease)/Increase in Accounts Payable and Liabilities	(13,303)	20,348
(Decrease)/Increase in Distribution Liability	(10,167)	3,137
Increase/(Decrease) in Pension and Other Post-retirement Liabilities	408	(4,938)
	<u>765,450</u>	<u>1,039,958</u>
Taxation paid	(6,660)	(6,572)
Net Cash Flow From Operating Activities	<u>758,790</u>	<u>1,033,386</u>
INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(14,714)	(10,988)
Disposal of Property, Plant and Equipment	179	253
Purchase of Intangible Assets	-	(324)
Purchase of Investment Securities	(8,198,702)	(10,933,342)
Disposal of Investment Securities	8,733,344	10,880,751
Net Cash Flow From/(Used In) Investing Activities	<u>520,107</u>	<u>(63,650)</u>
FINANCING ACTIVITIES		
Subscriptions from Unitholders	2,520,447	2,628,318
Redemptions by Unitholders	(2,632,159)	(2,577,659)
Repayment of Financial Instruments	-	(60,276)
Distribution Payments to Unitholders	(197,450)	(239,348)
Guarantee Reserve Payment	(1,235)	(2,204)
Net Cash Used In Financing Activities	<u>(310,397)</u>	<u>(251,169)</u>
Net Gain on Foreign Exchange	759	33,401
Net Increase In Cash and Cash Equivalents	<u>969,259</u>	<u>751,968</u>
Cash and Cash Equivalents at beginning of year	2,454,393	1,702,425
Cash and Cash Equivalents at end of year	<u>3,423,652</u>	<u>2,454,393</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements For the year ended 31 December, 2017

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, *inter alia*, to provide 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 Corporation controlled ten (10) entities during the first three quarters of 2017 and nine (9) entities for the final quarter of 2017 as the result of the winding up of UTC Energy Investments Limited on 2 October 2017 (See Note 35).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies

The principal accounting policies adopted 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, unless otherwise stated.

a) Basis of Preparation

- i. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies in all material respects conform to IFRS.
- ii. The historical cost convention was used in the preparation of these Financial Statements except with respect to financial assets, the majority of which are carried and reported at their fair values at the reporting date. The historical cost convention requires that assets acquired are carried at the value of the consideration originally given in exchange for the assets acquired, less adjustments for depreciation and/or impairment. Fair value on the other hand adjusts the carrying value of assets and liabilities to reflect the value that would be received on sale of the asset, or paid to transfer the liability, in an orderly transaction between market participants at the reporting date. The methods used to fair value the Group's financial assets are provided at Note 4(f).
- iii. These Financial Statements are presented in Trinidad and Tobago dollars (TTD), which is the functional currency of the Corporation. All financial information presented in TTD has been rounded to the nearest thousand except where otherwise indicated.
- iv. The preparation of the Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions. Management reviews these judgments, estimates and underlying assumptions on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Management has exercised significant judgment in determining:
 - (a) impairment charges in respect of financial assets (see Note 17);
 - (b) the quantum of the liability under the price guarantee offered to unitholders of the Growth and Income Fund at the reporting date (see Note 10);
 - (c) the fair value of financial assets categorized as Level 3 (see Notes 2e and 4f); and
 - (d) whether or not for purposes of IFRS 10 Consolidated Financial Statements, it controls those entities of which it is the investment manager, trustee and sponsor (see Note 2c).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) Changes in Accounting Policies

i. New accounting standards, amendments to accounting standards adopted by the Group

On 1 January 2017 the Group adopted the following improvements and amendments to IFRSs, which are relevant to its operations:

- *IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (effective 1 January 2017)*

The amendment clarifies whether un-realized losses in debt instruments measured at fair value give rise to deductible temporary differences when the holder expects to recover the carrying amount of the asset by holding it to maturity and collecting all contractual cash flows; whether the carrying amount of an asset limits the estimate of probable future taxable profits; and whether estimates of future taxable profits should exclude tax deductions resulting from the reversal of those deductible temporary differences. Adoption of the amendment had no impact on these Consolidated Financial Statements.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) Changes in Accounting Policies (continued)

ii. *Standards in issue, not yet effective and not early adopted*

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

- ***IFRS 9-Financial Instruments***

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

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

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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) Changes in Accounting Policies (continued)

ii. Standards and Interpretations in issue, not yet effective and not early adopted

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

The Group measures, evaluates and manages its portfolios on a fair value basis and as such the business models for the said Funds do not fall within either:

- (a) a business model whose objective is to hold financial assets to collect contractual cashflows; or
- (b) a model whose objective is to collect contractual cash flows and sell financial assets.

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

On adoption of IFRS 9 changes in fair value of financial assets (i.e. unrealized gains and losses) will be recognized immediately in the Statement of Profit or Loss of each entity and on consolidation in the Consolidated Statement of Profit or Loss.

Additional quantitative and qualitative disclosures will be required in the Consolidated Financial Statements as there were consequential changes to IFRS 7 Financial Instrument Disclosures as a result of the changes to IFRS 9.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) Changes in Accounting Policies (continued)

ii. *Standards and Interpretations in issue, not yet effective and not early adopted*

- **IFRS 16 Leases**

IFRS 16 was issued on 13 January 2016. It supersedes IAS 17- Leases - and its related interpretations. The standard specifies how an IFRS reporter will recognize, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases, unless the lease term is twelve (12) months or less or the underlying assets have a low value. Lessors continue to classify leases as either operating or finance leases. IFRS 16 is mandatory for annual reporting periods beginning on or after 1 January 2019. The impact of adopting IFRS 16 will be minimal as most of the Group's lease arrangements are for less than twelve months and for assets of low value.

c) Basis of Consolidation

The Consolidated Financial Statements incorporate the unconsolidated Financial Statements of the Corporation, the Financial Statements of the Growth and Income Fund, the TT\$ Income Fund, the Universal Retirement Fund, and the US\$ Income Fund ("the locally domiciled Funds" hereafter) and the Financial Statements of its incorporated subsidiaries (see Note 25). The Corporation and the entities consolidated are referred to as the Group.

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 as a result of its 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:

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

Consolidation of an entity begins when the Corporation obtains control over the entity and ceases when the Corporation loses control of the entity. The income and expenses of an entity acquired during the year are included in the Consolidated Statement of Profit or Loss and Other

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

c) Basis of Consolidation (continued)

Comprehensive Income from the date the Corporation gains control until the date the Corporation ceases to control the entity.

The line item 'Net Assets Attributable to Unitholders' represents the portion of the profit and net assets not owned, directly or indirectly, by either the Corporation or another entity which the Corporation controls. IAS 32 Financial Instruments: AG 29 requires that such non-group interests be recognized as a liability in the Consolidated Financial Statements as the units/shares represent obligations to deliver cash on presentation of such units/shares for redemption.

All material intra-group transactions and balances have been eliminated in full 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.

d) Investment Securities

The Group recognizes financial assets and liabilities when it becomes party to the contractual obligations of the financial instrument. The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expires or where the Group has transferred substantially all the risks and rewards of ownership of the asset to another party. Group financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or has expired.

The Group classifies its financial assets on initial recognition into the following three (3) categories: available-for-sale, held-to-maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. In particular:

- i. Investment securities intended to be held for an indefinite period of time, but which may be sold in response to liquidity requirements or market conditions, are classified as available-for-sale. Available-for-sale investments are carried at fair value. Un-realized gains and losses from changes in the fair value of investments classified as available-for-sale are recognized in Other Comprehensive Income (OCI). When available-for-sale financial assets are disposed of, or are impaired, the related accumulated fair value adjustments are re-classified from OCI to the Consolidated Statement of Profit or Loss.
- ii. Investment Securities with fixed maturities and that management has the intent and ability to hold to maturity, are classified as held-to-maturity. Held-to-maturity investments are carried at amortized cost, less adjustments for impairment.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

d) Investment Securities (continued)

- iii. Non-derivative investment securities with fixed and determinable payments, which are not quoted in an active market and are not designated as available-for-sale, are classified as loans and receivables. Loans and receivables are carried at amortized cost, using the effective interest method.

The effective interest method uses the effective interest rate to recognize interest income over the life of a financial asset. The effective interest rate is the rate that exactly discounts all the estimated future cash receipts of a financial asset to the net carrying amount on initial recognition. Impairment adjustments are made to the amortized cost of loans and receivables where necessary.

Purchases and sales of all equity investments are recognized at the trade date. Purchases and sales of all other investment securities are recognized on the settlement date.

e) Fair Value Estimation - Investment Securities

Financial assets traded in active markets

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

Where the last day of trading is not the reporting date and significant movements in prices occur subsequent to the close of trading and before the reporting date, valuation techniques are used to determine the fair value.

In the case of bonds traded by foreign dealers and brokers, the fair value is estimated by reference to the average of indicative broker/dealer quotes for the bonds at the reporting date.

The Group had no traded financial liabilities at the reporting date.

Financial assets and liabilities not traded in an active market

At year end 2016 and 2017, the Group valued all its illiquid financial assets using an internally developed model. The model incorporates valuation methods and techniques generally used within the finance industry to value financial assets. The model used assumptions based on market conditions existing at the reporting date. Significant inputs used in the model however were not market observable.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

e) Fair Value Estimation – Investment Securities (continued)

During 2017 the internal model was reviewed with the assistance of a firm of independent auditors. Management will continue to review and back test the model to ensure that, as far as possible, the values generated are closely aligned with prices observed for actual transactions.

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.

Receivables, payables and short-term liabilities

The carrying value of receivables (less impairment provisions) and payables are assumed to approximate their fair values. The carrying value of short-term financial liabilities are assumed to approximate their fair value also.

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 2016 and 2017.
- **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) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

f) Impairment of Financial Assets

Assets carried at amortized cost

No fixed income assets were carried at amortized cost during the years 2016 and 2017.

Assets classified as available-for-sale - bonds

At the end of each reporting period the Group assesses whether there is objective evidence that a bond, or a group of bonds classified as available-for-sale, is impaired. A bond or group of bonds classified as available-for-sale is considered impaired and impairment losses are recognized if and only if:-

- i. there is objective evidence of impairment as a result of one or more events that occurred subsequent to initial recognition of the asset (a 'loss event'); and
- ii. the impact on the future cash flows as a result of the loss event can be reliably estimated.

The criteria used by the Group to determine whether there has been a loss event include evidence that:-

- (a) the issuer, or obligor, is in significant financial difficulty;
- (b) there has been a breach of contract, such as a default or delinquency in interest payments or principal re-payment by the issuer or obligor;
- (c) the issuer's lender, for economic or legal reasons relating to the issuer's financial difficulty, has granted to the issuer a concession that the lender would not otherwise consider;
- (d) it is probable that the borrower will enter bankruptcy or other financial re-organization;
- (e) an active market for the financial asset has disappeared because of financial difficulties; or
- (f) there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the portfolio, including:-
 - i. adverse changes in the payment status of borrowers in the portfolio; and
 - ii. national or local economic conditions that correlate with defaults on the assets in the portfolio.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

f) Impairment of Financial Assets (continued)

Where there is objective evidence of impairment to bonds classified as available-for-sale, the Group transfers the cumulative unrealized loss previously recorded in OCI, to the Consolidated Statement of Profit or Loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of an appropriate portion of the previously recognized impairment loss is recognized in the Consolidated Statement of Profit or Loss.

Assets classified as available-for-sale – equity

In the case of equity investments classified as available-for-sale, in addition to the impairment criteria for available-for-sale bonds outlined above, the Group assesses whether there has been either a significant or a prolonged decline in the fair value of the security below cost. If there has been either a significant or a prolonged decline in the value of the investment below cost, it is regarded as evidence that the asset is impaired. If any such evidence exists for available-for-sale equity investments, the cumulative un-realized loss is re-classified from equity and recognized in the Consolidated Statement of Profit or Loss as an impairment expense.

The Group considers a decline for a period of twelve or more months as prolonged and a 30% decline in value below cost, as significant.

g) Repurchase and Reverse Repurchase Agreements

A repurchase agreement is the sale of securities for cash with a simultaneous agreement to repurchase the securities at a fixed price on a contracted date. An interest rate is negotiated for the term of the agreement.

A reverse repurchase agreement is the opposite of a repurchase agreement. A reverse repurchase agreement is the purchase of securities for cash with a simultaneous agreement to re-sell them at a fixed price on a contracted date and at an agreed rate of interest.

A repurchase agreement may be construed as a borrowing. In the normal course of business the Group does not enter into repurchase agreements. As part of its short-term investment activity, it does enter into reverse repurchase agreements. Deterioration in the value of the securities bought under reverse repurchase agreements is covered substantially through margin calls comprising cash and/or additional securities.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

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. 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) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

i) 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 2017 (2016: \$ 0.3 million) (see Note 6).

Costs associated with maintaining computer software are expensed as incurred.

j) Impairment of Non-Financial Assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

Non-financial assets are reviewed for impairment at least annually.

k) 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 average mid-rate for the currency, quoted by the Central Bank of Trinidad and Tobago, on the date of 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) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

1) 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 9). 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 regularly 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 and are recognized as an expense. Entitlement to these benefits is based 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 regularly.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

m) Cash and Cash Equivalents

Cash and cash equivalents represent balances held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. It includes 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.

n) 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.

o) Revenue Recognition

Income comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Income is shown net of value-added tax, discounts and after eliminating income in respect of intra-group services.

Interest income is recognized in the Consolidated Statement of Profit or Loss using the effective interest method. Dividend income is recognized when the right to receive a dividend payment is established. Realized investment gains and losses are also recognized as income in the Consolidated Statement of Profit or Loss.

p) 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.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

q) Separate Funds Under Management

The assets and liabilities pertaining to pension and other funds, which are managed 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 \$784 million (2016: \$646 million).

r) Taxation

The Corporation is exempt from Corporation tax, however, it is subject to the 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.

The tax effects of income tax losses available for carry forward, are recognized as an asset when it is probable that future taxable profits will be available against which the losses can be utilized.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements.

Deferred tax is determined using tax rates that have been enacted at the date of the Consolidated Statement of Financial Position and are expected to apply when the related deferred tax asset is realized or the deferred corporation tax liability is settled.

Deferred tax assets are recognized where it is probable that future taxable profits will be available against which the temporary differences can be utilized.

t) Comparative Information

Certain changes in presentation have been made in these Financial Statements. These changes had no effect on the operating results or net income after tax of the Group for the previous year.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

3) Cash and Cash Equivalents

Cash and cash equivalents are analyzed below:

	2017	2016
	\$'000	\$'000
Corporation	771,638	648,044
Locally Domiciled Funds	2,608,185	1,783,127
Foreign Funds	8,976	3,315
Other Group Entities	34,853	19,907
	3,423,652	2,454,393

Cash and cash equivalents held by the locally domiciled and foreign Funds form part of the capital 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 \$2,686,867 (2016: \$1,822,275) (see Note 20).

4) Investment Securities

Analyses of the Investments held by the Group are provided below. An additional asset type has been provided throughout the Investment Securities Note - namely Exchange Traded Funds -to provide improved insight into the Group's Investments. Previously exchange traded funds were reported among either the equity or mutual funds asset classes.

A summary of the Investments held by the Group is analyzed by investment type below.

	2017	2016
	\$'000	\$'000
Available-for-sale assets carried at fair value:		
Bonds	10,113,766	10,682,865
Equity	2,833,777	2,344,405
Exchange Traded Funds (ETFs)	704,044	961,238
Private Equity	99,890	77,516
Short-term Investments	4,354,798	4,818,652
Mutual Funds	5,006	5,099
Available-for-sale assets carried at fair value	18,111,281	18,889,775
Held-to-maturity assets carried at cost		
Unquoted equity	2,307	2,304
Held-to-maturity unquoted equity	2,307	2,304
Total Investment Securities	18,113,588	18,892,079

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

4) Investments Securities (continued)

a) The fair value of Level 3 Investment Securities carried at Amortized Cost

The fair value of Group's Level 3 Investments carried at amortized cost is provided below.

	2017		2016	
	Carrying Value \$'000	Fair Value \$'000	Carrying Value \$'000	Fair Value \$'000
Unquoted Equity (see Note 4f)	2,307	2,307	2,304	2,304
	2,307	2,307	2,304	2,304

b) The Fair Value Hierarchy for Investment Securities

The Group uses a valuation hierarchy to rank the fair value of its Investments (see Note 2 (e) Fair Value Hierarchy). Fair values are ranked as either Level 1, Level 2 or level 3 valuations based on the extent to which the inputs into the valuation are observable. The Group's Investments at December 2017 are analyzed by the fair valuation hierarchy below:

Fair Value Hierarchy for Investment Securities December 2017

Recurring fair value measurements	Level 1 (Quoted prices in active markets for identical assets) \$'000	Level 2 (Significant other observable inputs) \$'000	Level 3 (Significant unobservable inputs) \$'000	Total \$'000
	Available-for-sale assets carried at fair value:			
Bonds	27,474	-	10,086,292	10,113,766
Equity	2,513,782	-	319,995	2,833,777
Exchange Traded Funds (ETFs)	704,044	-	-	704,044
Private Equity	-	-	99,890	99,890
Short-term Investments	4,354,798	-	-	4,354,798
Mutual Funds	5,006	-	-	5,006
	7,605,104	-	10,506,177	18,111,281
Held-to-maturity investments carried at cost				
Unquoted Equity	-	-	2,307	2,307
	-	-	2,307	2,307
Total Investment Securities	7,605,104	-	10,508,484	18,113,588

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

(4) **Investments Securities (continued)**

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

The Group's Investment at 31 December 2016 are analyzed by the fair valuation hierarchy below:

Fair Value Hierarchy for Investment Securities December 2016

Recurring fair value measurements	Level 1 (Quoted prices in active markets for identical assets) \$'000	Level 2 (Significant other observable inputs) \$'000	Level 3 (Significant unobservable inputs) \$'000	Total \$'000
Available-for-sale assets carried at fair value:				
Bonds	29,045	-	10,653,820	10,682,865
Equity	2,018,083	-	326,322	2,344,405
Exchange Traded Funds (ETFs)	961,238	-	-	961,238
Private Equity	-	-	77,516	77,516
Short-term Investments	4,818,652	-	-	4,818,652
Mutual Funds	5,099	-	-	5,099
	7,832,117	-	11,057,658	18,889,775
Held-to-maturity investments carried at cost				
Unquoted Equity	-	-	2,304	2,304
	-	-	2,304	2,304
Total Investment Securities	7,832,117	-	11,059,962	18,892,079

Transfers between Fair Value Hierarchy Levels

There were no transfers between the Fair Value Hierarchy Levels during either 2017 or 2016.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

4) Investment Securities (continued)

d) Investment Securities included in Level 1

Investments whose prices are quoted in an active market are classified as Level 1 and include: Equities and Exchange Traded Funds (ETFs) listed on stock exchanges. The Group does not adjust the quoted price on these instruments in arriving at their fair value.

e) Level 2 Fair Values

There were no investments classified as Level 2 valuations at 31 December 2017 and 2016 (see Note 4b).

f) Valuation Techniques used to derive Level 3 Fair Values

Investments classified as Level 3 have significant unobservable inputs. Estimating the value of financial instruments in this Level requires considerable judgment particularly as the market for the instruments is often illiquid. The proceeds realized on disposal of the instruments may therefore vary significantly from the valuations reported.

The valuation techniques used by the Group to arrive at the fair value of Level 3 investments are summarized below.

Available-for-sale bonds:

In 2016 and 2017 the Group used an internally developed model to value its illiquid local bonds. The model incorporates valuation methods and techniques generally used within the finance industry to value financial assets.

The Group's model used assumptions based on market conditions existing at the reporting date. Some of the inputs used however are not market observable.

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.

Management reviewed the valuation model with assistance from a firm of professional auditors during 2017 to ensure that the methods and assumptions in use are aligned with best financial modelling practice and that the indicative prices generated are closely aligned with values observed for actual market transactions.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

4) Investment Securities (continued)

Unquoted Equities:

Unquoted equity is carried at cost. Management estimates that the carrying value of the Group's unquoted equity approximates its fair value at the reporting date. Impairment reviews of the equity classified as held-to-maturity are undertaken regularly. No impairment charges were recognized for these securities in 2017 and 2016.

Short-term Investments:

The value of the Group's short-term investments approximates their carrying value.

Available-for-sale Bonds:

The majority of available-for-sale bonds are valued based on the average of indicative quotations received from brokers for the bond at the reporting date. The quotations do not necessarily reflect the price at which the broker would be willing to execute a transaction and the valuations have been assigned to Level 3. Where prices at which dealers are prepared to trade are received on foreign bonds, the bonds are assigned to Level 1.

Valuation Techniques Summary

The Table below summarizes 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. The following Tables present the movement in Level 3 instruments for the year 2017.

As at 31 December 2017					
	Level 3 fair value 2017	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/-
	\$'M				\$'M
Held-to-maturity investments carried at amortized cost:					
Equity	<u>2</u>	Not applicable	Not applicable	Not applicable	Not applicable
Sub-total	<u>2</u>				
Available-for-sale investments carried at fair value					
Bonds	10,086	Valuation model, Trading prices	Interest rates	+ 1%	\$130
Equity	320	Professional/management valuations	Not applicable	Not applicable	Not applicable
Private Equity	<u>100</u>	General partner's valuation	Not applicable	Not applicable	Not applicable
Sub-total	<u>10,506</u>				<u>\$130</u>
TOTAL	<u>10,508</u>				<u>\$130</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

4) Investment Securities (continued)

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

Summary of Level 3 Transactions – 2017 (continued)

	Carrying Value Level 3 Securities 1/1/2017 \$'M	Purchases/ Capitalized Interest \$'M	Re-class \$'M	Sales/ Repayments /Maturities \$'M	Net Gains/ (Losses) recognized in Profit or Loss \$'M	Un- realized Gains/ Losses recognized in OCI \$'M	Carrying Values Level 3 Securities 31/12/2017 \$'M	Fair Values \$'M
Held-to-maturity assets carried at cost								
Equity	2.3	-	-	-	-	(0.3)	2	2
	<u>2.3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(0.3)</u>	<u>2</u>	<u>2</u>
Available-for-sale assets carried at fair value								
Bonds	10,653.8	1,781.7	-	(2,319.4)	(56.6)	26.5	10,086	10,086
Equity	326.3	-	-	-	(6.3)	-	320	320
Private Equity	77.5	3.5	-	-	-	19.0	100	100
	<u>11,057.6</u>	<u>1,785.2</u>	<u>-</u>	<u>(2,319.4)</u>	<u>(62.9)</u>	<u>45.5</u>	<u>10,506</u>	<u>10,506</u>
TOTAL	<u>11,059.9</u>	<u>1,785.2</u>	<u>-</u>	<u>(2,319.4)</u>	<u>(62.9)</u>	<u>45.2</u>	<u>10,508</u>	<u>10,508</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

4) Investment Securities (continued)

f) Valuation Techniques used to derive Level 3 fair values (continued)

The following Tables present the movement in Level 3 instruments for the year 2016.

		As at 31 December 2016							
	Level 3 fair value 2016	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/-				
	\$'M					\$'M			
Held-to-maturity investments carried at amortized cost:									
Equity	<u>2</u>	Not applicable	Not applicable	Not applicable	Not applicable				
Sub-total	<u>2</u>								
Available-for-sale investments carried at fair value									
Bonds	10,654	Valuation model, Trading prices	Interest rates	+ or - 1%	Not applicable				
Equity and ETFs	326	Professional valuers	Professional valuation	+ or - 1%	Not applicable				
Private Equity	<u>78</u>	General partner's valuation	Not applicable	Not applicable	Not applicable				
Sub-total	<u>11,058</u>								
TOTAL	<u>11,060</u>								

	Carrying Value Level 3 Securities 1/1/2016	Purchases/Capitalized Interest	Re-class	Sales/Repayments /Maturities	Net Gains/ (Losses) recognized in Profit or Loss	Un-realized Gains/ Losses recognized in OCI	Carrying Values Level 3 Securities 31/12/2016	Fair Values
	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M	\$'M
Held-to-maturity assets carried at cost								
Equity	0.7	1.6	-	-	-	-	2.3	2.3
	<u>0.7</u>	<u>1.6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2.3</u>	<u>2.3</u>
Available-for-sale assets carried at fair value								
Bonds	11,265.3	2,444.7	-	(3,236.6)	(72.4)	252.8	10,653.8	10,653.8
Equity and ETFs	9.0	-	326.3	(6.9)	-	(2.1)	326.3	326.3
Private Equity	104.7	-	-	(27.2)	-	-	77.5	77.5
	<u>11,379.0</u>	<u>2,444.7</u>	<u>326.3</u>	<u>(3,270.7)</u>	<u>(72.4)</u>	<u>250.7</u>	<u>11,057.6</u>	<u>11,057.6</u>
TOTAL	<u>11,379.7</u>	<u>2,446.3</u>	<u>326.3</u>	<u>(3,270.7)</u>	<u>(72.4)</u>	<u>250.7</u>	<u>11,059.9</u>	<u>11,059.9</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

5) Property, Plant and Equipment

	Land \$'000	Building \$'000	Office Improvement \$'000	Motor Vehicles \$'000	Office & Computer Equipment \$'000	Office Furniture \$'000	Total \$'000
Year ended 31 Dec, 2017							
Opening Net Book Value	16,052	99,346	15,518	510	24,993	4,306	160,725
Acquisitions	-	-	3,899	-	9,962	853	14,714
Disposals	-	-	-	(172)	(24)	-	(196)
Depreciation/Amortization	(22)	(2,413)	(2,714)	(95)	(6,590)	(820)	(12,654)
Closing Net Book Value	16,030	96,933	16,703	243	28,341	4,339	162,589
As at 31 Dec, 2017							
Cost	16,292	124,269	60,456	1,461	97,772	23,816	324,066
Accumulated Depreciation/ Impairment charges	(262)	(27,336)	(43,753)	(1,218)	(69,431)	(19,477)	(161,477)
Net Book Value	16,030	96,933	16,703	243	28,341	4,339	162,589
Year ended 31 Dec, 2016							
Opening Net Book Value	16,074	101,417	14,812	998	27,082	4,913	165,296
Acquisitions	-	-	4,621	25	5,232	1,107	10,985
Re-classifications	-	-	-	-	(11)	11	-
Disposals	-	-	(602)	(278)	(8)	(1)	(889)
Depreciation/Amortization	(22)	(2,071)	(3,313)	(235)	(7,302)	(1,724)	(14,667)
Closing Net Book Value	16,052	99,346	15,518	510	24,993	4,306	160,725
As at 31 Dec, 2016							
Cost	16,569	139,427	56,558	2,111	87,850	24,960	327,475
Accumulated Depreciation/Impairment charges	(517)	(40,081)	(41,040)	(1,601)	(62,857)	(20,654)	(166,751)
Net Book Value	16,052	99,346	15,518	510	24,993	4,306	160,725

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

5) Property, Plant and Equipment (cont'd)

Land

Land includes leasehold land of \$2.2 million and freehold land of \$14.4 million for 2017 and 2016.

Fair Value Land and Buildings

The fair value of land and buildings was estimated at \$192.6 million at 31 December (2016: \$192.6 million). Land and buildings are valued by independent professional valuers every three years. Information related to the fair value of land and buildings at 31 December is provided in the Table below:

Property	Cost \$'M	Independent Valuation \$'M	Date of last valuation	Fair value 31 Dec 2017 \$'M	Valuation Level
Leasehold Land	2.2	17.0	22 Jan 2016	17.0	Level 2
Freehold Land	14.4	61.9	24 Nov 2015	61.9	Level 2
Building	70.9	75.0	22 Jan 2016	75.0	Level 2
Buildings	68.5	38.7	24 Nov 2015	38.7	Level 2
Total	156.0	192.6		192.6	

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 recent sale prices of comparable land and buildings in the immediate vicinity of the properties.

6) Intangible Assets

	2017 \$'000	2016 \$'000
Year ended 31 December		
Opening Net Book Value	1,267	1,428
Acquisitions	-	324
Amortization	(415)	(485)
Closing Net Book Value	852	1,267
As at 31 December		
Cost	53,054	53,054
Accumulated Amortization	(52,202)	(51,787)
Net Book Value	852	1,267

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

7) Deferred Tax

Deferred taxes are calculated on all temporary differences using the liability method. The rate used to compute deferred tax on differences arising in local subsidiaries is 25%.

Deferred tax assets and liabilities and deferred tax (credit)/charge in the profit or loss account are attributable to the following items:

	2017	2016
	\$'000	\$'000
Tax losses carried forward	(73)	(383)
Net deferred asset	<u>(73)</u>	<u>(383)</u>

The movements in deferred tax assets and liabilities during the years presented are as follows:

Deferred Tax Asset	Tax Losses
	\$'000
Balance at 1 January 2013	(2,269)
Charged to the Consolidated Statement of Profit or Loss 2013	<u>835</u>
Balance as at 31 December 2013	(1,434)
Charged to the Consolidated Statement of Profit or Loss 2014	<u>1,065</u>
Balance as at 31 December 2014	(369)
Charge to the Consolidated Statement of Profit or Loss 2015	2
Charge to Equity 2015	<u>282</u>
Balance as at 31 December 2015	(85)
Charge to the Consolidated Statement of Profit or Loss 2016	(383)
Charge to Equity 2016	<u>85</u>
Balance as at 31 December 2016	(383)
Charge to the Consolidated Statement of Profit or Loss 2017	310
Charge to Equity 2017	<u>-</u>
Balance as at 31 December 2017	<u>(73)</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

7) Deferred Tax (continued)

Deferred Tax Liability	Accelerated Tax Depreciation \$'000
Balance at 1 January 2013	6,478
Charged to the Consolidated Statement of Profit or Loss 2013	<u>469</u>
Balance as at 31 December 2013	6,947
Charged to the Consolidated Statement of Profit or Loss 2014	<u>386</u>
Balance as at 31 December 2014	7,333
Charged to the Consolidated Statement of Profit or Loss 2015	-
Charge to Equity 2015	<u>(7,333)</u>
Balance as at 31 December 2015	-
Charged to the Consolidated Statement of Profit or Loss 2016	-
Charge to Equity 2016	<u>-</u>
Balance as at 31 December 2016	<u>-</u>
Charged to the Consolidated Statement of Profit or Loss 2017	-
Charge to Equity 2017	<u>-</u>
Balance as at 31 December 2017	<u>-</u>

8) Taxation

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

	2017 \$'000	2016 \$'000
Net Income before taxation	62,148	111,067
Less: Income taxed at 0%	<u>(62,131)</u>	<u>(110,928)</u>
Net Income subject to tax	<u>17</u>	<u>139</u>
Corporation Tax for foreign subsidiaries	310	(863)
Withholding Tax on interest and dividends received	5,020	5,795
Business Levy payments	171	163
Green Fund Levy payments	1,159	1,477
Tax charge	<u><u>6,660</u></u>	<u><u>6,572</u></u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

9) Pension and Other Post Retirement Benefits

a) Pension benefits

Prior to 1 January, 2001 the Unit Trust Corporation Pension Fund Plan (the Plan) was a defined benefit plan. Although the Plan received formal approval during 2002 for conversion to a defined contribution plan with effect from 1 January 2001, the pre- 1 January, 2001 benefits are guaranteed. For purposes of IAS 19 the Plan remains a defined benefit plan. Retirement benefits are currently paid out of the Plan and are guaranteed for life. The defined benefits comprise a small portion of Plan benefits.

i. Changes in the present value of the defined benefit obligations are as follows:

	2017 \$'000	2016 \$'000
Opening present value of defined benefit obligation	182,135	171,460
Current service costs	8,930	8,080
Plan participant contributions	3,517	3,315
Interest cost	12,003	4,710
Actuarial gains on obligation	(1,450)	(939)
Benefit and expenses paid	(5,396)	(4,491)
Closing present value of defined benefit obligation	199,739	182,135

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

	2017 \$'000	2016 \$'000
Opening fair value of Plan assets	185,179	174,287
Expected return on Plan assets	12,003	8,917
Actuarial loss on Plan assets	(1,357)	(6,132)
Employer contributions for current service	9,849	9,283
Plan participant contributions for current service	3,517	3,315
Benefits and expenses paid	(5,396)	(4,491)
Closing fair value of Plan assets	203,795	185,179

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

9) Pension and Other Post Retirement Benefits (continued)

a) Pension benefits (continued)

iii. The amounts recognized in the Consolidated Statement of Financial Position are as follows:

	2017 \$'000	2016 \$'000
Present value of the defined benefit obligation	(199,739)	(182,135)
Fair value of Plan assets	203,795	185,179
Sub-total	4,056	3,044
Un-recognized asset due to limit in IAS 19:64 (b)	(4,056)	(3,044)
Recognized in the Consolidated Statement of Financial Position	-	-

iv. The amounts recognized in the Consolidated Statement of Profit or Loss are as follows:

	2017 \$'000	2016 \$'000
Current service costs	8,930	8,080
Net interest costs	-	(4,207)
Total recognized in Staff Costs	8,930	3,873

v. The amounts recognized in the Consolidated Statement of Comprehensive Income are as follows:

	2017 \$'000	2016 \$'000
Actuarial (gains)/losses	(93)	5,193
IAS 19: 64 (b) limit	1,011	217
	918	5,410

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

9) Pension and Other Post Retirement Benefits (continued)

a) Pension benefits (continued)

vi. The major categories of the Plan's assets as a percentage of total Plan assets are as follows:

	2017	2016
	%	%
Universal Retirement Fund	74.0	74.0
TT\$ Income Fund	26.0	26.0

vii. The actual return on the Plan's assets is as follows:

	2017	2016
	\$'000	\$'000
Actual return	10,646	2,785

viii. The actuarial assumptions have been based on market expectations at 31 December annually for the period over which the obligations are to be settled. The principal actuarial assumptions used are as follows:

	2017	2016
	%	%
Discount rate at 31 December	5.0	5.0
Future salary increases	5.0	5.0

ix. The Group expects to contribute \$10.3 million to the Plan in 2018.

b) Group Life Benefits

The Corporation operates a post-employment Group Life Scheme. The method of accounting, the assumptions and the frequency of valuations are similar to those used for computing the defined benefit pension obligations.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

9) Pension and Other Post Retirement Benefits (continued)

b) Group Life Benefits (continued)

i. The changes in the present value of the defined benefit obligation are as follows:

	2017 \$'000	2016 \$'000
Present value of the defined benefit obligations of the Group Life Scheme		
Opening present value of defined benefit obligations	1,793	1,753
Current service costs	106	114
Interest costs	93	91
Actuarial gains on obligations	(15)	(76)
Benefits paid	(81)	(89)
Closing present value of defined benefit obligations	1,896	1,793

ii. The changes in the fair value of the Plan's assets are as follows:

	2017 \$'000	2016 \$'000
Opening fair value of Plan assets	-	-
Employer contributions for current service	81	89
Benefits paid	(81)	(89)
Closing fair value of Plan assets	-	-

iii. The amount recognized in the Consolidated Statement of Financial Position is as follows:

	2017 \$'000	2016 \$'000
Present value of the defined benefit obligation	1,896	1,793
Recognized in the Consolidated Statement of Financial Position	1,896	1,793

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

9) Pension and Other Post Retirement Benefits (continued)

b) Group Life Benefits (continued)

iv. The amounts recognized in the Consolidated Statement of Profit or Loss are as follows:

	2017 \$'000	2016 \$'000
Current service costs	106	114
Net interest costs	93	91
Expense recognized in the Consolidated Statement of Profit or Loss	199	205

v. The amount recognized in the Consolidated Statement of Comprehensive Income is as follows:

	2017 \$'000	2016 \$'000
Experience gains - Demographic	(15)	(76)
Total actuarial gains recognized in the Consolidated Statement of Comprehensive Income	(15)	(76)

c) Medical Benefits

The Corporation operates a post-employment medical benefit scheme. The method of accounting, the assumptions and the frequency of valuations are similar to those used for computing the defined benefit pension obligations.

i. The changes in the present value of the defined benefit obligation are as follows:

	2017 \$'000	2016 \$'000
Present value of the defined benefit obligations of the Medical Benefit Scheme		
Opening present value of defined benefit obligation	12,189	11,732
Current service costs	795	808
Interest costs	624	602
Actuarial gains	(120)	(771)
Benefits paid	(211)	(182)
Closing present value of defined benefit obligation	13,277	12,189

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

9) Pension and Other Post Retirement Benefits (continued)

c) Medical Benefits (continued)

ii. The changes in the fair value of the Plan's assets are as follows:

	2017 \$'000	2016 \$'000
Opening fair value of Plan assets	-	-
Employer contributions for current service	211	182
Benefits paid	(211)	(182)
Closing fair value of Plan assets	<u>-</u>	<u>-</u>

iii. The amount recognized in the Consolidated Statement of Financial Position is as follows:

	2017 \$'000	2016 \$'000
Present value of the defined benefit obligation	<u>13,277</u>	<u>12,189</u>
Recognized in the Consolidated Statement of Financial Position	<u>13,277</u>	<u>12,189</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

9) Pension and Other Post Retirement Benefits (continued)

c) Medical Benefits (continued)

iv. The amounts recognized in the Consolidated Statement of Profit or Loss are as follows:

	2017 \$'000	2016 \$'000
Current service costs	795	808
Net interest costs	624	602
Expense recognized in the Consolidated Statement of Profit or Loss	1,419	1,410

v. The amount recognized in the Consolidated Statement of Comprehensive Income is as follows:

	2017 \$'000	2016 \$'000
Experience gains - Demographic	(120)	(771)
Total Actuarial gains recognized in the Consolidated Statement of Comprehensive Income	(120)	(771)

In addition to the pension benefit actuarial assumptions at 9 (a) (viii) above, the Medical Benefit Scheme benefit obligation calculation assumes that long term health costs will increase by 3% (2016: 3%).

A summary of the post retirement liabilities are as follows:

	2017 \$'000	2016 \$'000
Group Life liability (see Note 9 (b) (iii) above)	1,896	1,793
Medical Benefit liability (see Note 9(c) (iii) above)	13,277	12,189
Total	15,173	13,982

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

10) Guarantee Pricing Liability

On 17 January 1985, the Board of Directors of the Trinidad and Tobago Unit Trust 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 G&IF allocates \$500,000 out of its undistributed earnings to the Guarantee Reserve Fund at each distribution to meet any guarantee claims that may arise. The Corporation has historically funded shortfalls in the Guarantee Reserve Fund and is committed to doing so in the future.

The Corporation’s best estimate of the shortfall that should be provided for under the Guarantee Pricing Plan for the years 2013 through 2015 was estimated internally using the best data available.

During 2016 the Group completed its development of a model to more accurately estimate the Corporation’s liability for shortfalls under the Guarantee Pricing Plan. The model runs one thousand (1,000) scenarios based on projections *inter alia* of:

- i. withdrawals over the next thirty years;
- ii. the value of Growth and Income Fund units over the next thirty years;
- iii. interest rates and returns on equity locally and internationally over the next thirty years; and
- iv. the variation in withdrawals based on the interest rate environment.

The average of the estimated payouts generated by the model’s scenarios is the suggested provision.

The actuarial model suggests that at 31 December an amount of \$31.8 million should be provided. The actual liability at 31 December was \$12.4 million. Management has provided for the full liability of \$12.4 million (2016: \$29.4 million).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

11) Net Assets Attributable to Unitholders

This represents the entitlement of unitholders in the Growth and Income Fund, the TT\$ Income Fund, the Universal Retirement Fund, the US\$ Income Fund and shareholders of the North American Fund to the net consolidated assets reported. 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 primarily responsible for redemption of its units/shares out of its assets.

The units in the locally domiciled Funds and the North American Fund are treated as equity instruments in their Financial Statements in accordance with IAS 32.16A to 16D. However as required by IAS 32: AG29, the units are treated as a liability in these Consolidated Financial Statements. An analysis by Fund and a summary computation of the net assets attributable to unitholders is provided below.

ANALYSIS OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS BY FUND	2017 \$'000	2016 \$'000
Initial Capital Growth and Income Fund	4,766	4,766
Unit Capital Growth and Income Fund	4,860,266	4,728,341
Unit Capital TT\$ Income Fund	10,949,809	10,837,890
Unit Capital Universal Retirement Fund	299,520	304,898
Unit Capital US\$ Income Fund	4,164,633	4,228,247
Sub-total locally domiciled Funds	20,278,994	20,104,142
North American Fund (non-group interests)	55,203	49,070
Sub-total corporate bodies	55,203	49,070
Net Assets Attributable to Unitholders	20,334,197	20,153,212

COMPUTATION OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	2017 \$'000	2016 \$'000
Cash and Cash Equivalents	2,615,238	1,785,523
Receivables	399,785	375,247
Investment Securities	17,712,312	18,427,408
Total Assets	20,727,335	20,588,178
Less: Liabilities	(149,490)	(202,837)
Less: Group holdings in North American Fund	(243,648)	(232,129)
Net Assets Attributable to Unitholders	20,334,197	20,153,212

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

11) Net assets attributable to Unitholders (continued)

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 2017 and 2016 was \$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 (First Unit Scheme), this excludes the acquisition cost of the units issued in respect of Initial Capital.

Financial information is provided for the locally domiciled Entities represented above in Notes 30-33. Summarized information for the North American Fund is provided in Note 34.

12) Statutory Reserves

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

13) Revaluation Reserve

The revaluation reserve reflects the net un-realized capital appreciation/depreciation arising from changes in the fair values of available-for-sale financial instruments held by the Corporation, foreign currency translation differences related to such 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.

14) Investment Income – Investment Funds

The investment income of the Funds reported in the Consolidated Statement of Profit or Loss excludes transfers from the Corporation. No transfer to the Funds was made during 2017 and 2016.

15) Net Investment Income – Group Operations

Net Investment Income includes the contribution to revenue from Treasury operations and the corporate subsidiaries. It comprises the following:

	2017 \$'000	2016 \$'000
Net Investment Income		
Interest and Other Fee Income	44,697	61,309
Interest Expense and Other Charges	(3,340)	(2,845)
Total	41,357	58,464

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

16) Realized Gains Re-classified from Equity

Un-realized gains in the amount of \$392 million were recognized in equity on the revaluation of certain available-for-sale bonds during 2012. On receipt of principal repayments and on disposal of the available-for-sale bonds, the relevant portion of the un-realized gains in equity is re-classified to the Consolidated Statement of Profit or Loss. The total of such gains re-classified from equity to the Consolidated Statement of Profit or Loss was \$12.5 million (2016: \$34.6 million).

17) Impairment

The Group recognized impairment charges of \$192 million during 2017 (2016: \$99 million). A summary of the impairment charges for 2017 and 2016 is as follows.

Entity	2017 \$'000	2016 \$'000
Growth and Income Fund	89,123	4,227
TT\$ Income Fund	1,754	854
Universal Retirement Fund	-	187
US\$ Income Fund	7,616	21,216
Sub-total	98,493	26,484
Corporation and subsidiaries	93,145	72,957
Total	191,638	99,441

A portion of the impairment charges recognized, represents amounts previously recognized as un-realized losses on available-for-sale assets in the Equity of the respective Funds. Accordingly, recognition of those impairment losses in the Profit or Loss Account did not impact the carrying value of the assets in the respective Funds and consequently had no impact on the Net Asset Value (NAV) of the Funds. The impairment charges are analyzed to show those amounts that affected the carrying value of the assets.

	2017 \$'000	2016 \$'000
Impairments which impacted the carrying value of assets in the Funds	9,370	22,070
Impairments which did not impact the carrying value of assets in the Funds	89,123	4,414
Sub-total locally domiciled funds	98,493	26,484
Impairments which impacted the carrying value of assets in the Corporation	88,428	72,957
Impairments which did not impact the carrying value of assets in the Corporation	4,717	-
Total	191,638	99,441

All impairment charges for 2016 and 2017 were in respect of available for sale assets.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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17) Impairment (continued)

The carrying value of the assets impaired (before deducting any impairment loss) and the fair value of collateral held are provided below. There is no collateral held for impaired assets.

	2017	2016
	\$'000	\$'000
Carrying value of impaired investments	992,643	721,414

As at December 31, 2017, the Group held bonds with outstanding balances of \$656 million (2016: \$655 million) which will become due and payable on December 30, 2021. The bonds are issued by an entity that is owned by the Government of the Republic of Trinidad and Tobago. There is a guarantee on one series of the bonds in the amount of \$100 million. The Group has provided for impairments in the amount of \$290 million (2016: \$189 million) to account for potential repayment shortfalls on maturity of the bonds.

18) Administrative Expenses

Administrative expenses comprised:

	2017	2016
	\$'000	\$'000
Audit fees	263	158
Bank charges	1,289	1,128
Building maintenance	7,049	7,740
Directors' fees	3,346	3,171
General administration	60,788	68,636
Insurance	1,702	1,911
Impairment– non-financial assets	-	6,823
Marketing and advertising	12,176	11,244
Professional services	13,841	14,955
Rental of premises	4,842	4,577
Security	10,491	11,775
Staff costs (Note 22)	135,252	131,275
Total	251,039	263,393

19) Management Charge

The Corporation, in accordance with the regulations governing the Growth and Income Fund, the TT\$ Income Fund, the Universal Retirement Fund and the US\$ Income Fund, may charge a management fee of up to 2% on the value of the Funds under management. The average rate of management charge for the year was 1.86% (2016: 1.95%).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

19) Management Charge (continued)

Management charge earned by the Corporation from the Funds is eliminated on consolidation. Management charge eliminated in respect of the locally domiciled Funds for the years ended 31 December is as follows:

	2017	2016
	\$'000	\$'000
Growth and Income Fund	97,338	94,526
TT\$ Income Fund	176,255	200,414
Universal Retirement Fund	6,292	6,012
US\$ Income Fund	51,517	51,127
Total	331,402	352,079

In addition to the management charge of \$331 million (2016: \$352 million), the Group earned management charge of \$4.3 million (2016: \$3.6 million) principally from other funds under management. Management charge from third party funds under management is recognized in the Consolidated Statement of Profit or Loss.

20) 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	2017	2016
	\$'000	\$'000
Cash and Cash Equivalents (see Note 3)	3,423,652	2,454,393
Restricted Cash and Cash Equivalents	(2,686,867)	(1,822,275)
Available to Group without restriction	736,785	632,118

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

20) Restricted Assets (continued)

Particulars	2017 \$'000	2016 \$'000
Receivables	160,129	155,204
Restricted Receivables	<u>(148,941)</u>	<u>(137,351)</u>
Available to Group without restriction	<u>11,188</u>	<u>17,853</u>

Particulars	2017 \$'000	2016 \$'000
Investment Securities (see Note 4)	18,113,588	18,892,079
Restricted Investment Securities	<u>(17,796,176)</u>	<u>(18,510,344)</u>
Available to Group without restriction	<u>317,412</u>	<u>381,735</u>

21) Foreign Exchange Gains / (Losses)

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

	2017 \$'000	2016 \$'000
Foreign exchange gain	<u>1,350</u>	<u>3,748</u>
	<u>1,350</u>	<u>3,748</u>

22) Staff Costs

	2017 \$'000	2016 \$'000
Salaries and Benefits	120,548	122,257
Pension Costs (see Note 9 (a)(iv))	8,930	3,873
National Insurance	<u>5,774</u>	<u>5,145</u>
Total	<u>135,252</u>	<u>131,275</u>

Number of employees	<u>522</u>	<u>525</u>
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23) Distributions

	2017 \$'000	2016 \$'000
Growth and Income Fund	36,243	91,201
TT\$ Income Fund	127,924	113,611
US\$ Income Fund	<u>33,283</u>	<u>34,536</u>
Total	<u>197,450</u>	<u>239,348</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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23) Distributions (continued)

a) Growth and Income Fund

The Growth and Income Fund paid \$36.2 million to its unitholders in respect of its June 2017 and December 2017 distributions (2016: \$91.2 million). Included in the \$36.2 million referred to are distributions to Initial Capital Contributors of \$0.1 million (2016: \$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, 2018 amounted to \$11.3 million (2016: \$10.3 million).

c) US\$ Income Fund

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

24) Financial Risk Management

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

	2017	2016
	\$'000	\$'000
Financial Assets		
Cash and Bank Balances (see Note 3)	3,423,652	2,454,393
Receivables	160,129	155,205
Prepayments and Other Assets	29,945	27,235
Investment Securities (see Note 4)	18,113,588	18,892,079
Financial Liabilities		
Net Assets Attributable to Unitholders (see Note 11)	(20,334,197)	(20,153,212)

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

24) 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 and Compliance Committee and a Strategic Risk Committee to minimize the potential loss that might arise from such financial risks.

The Strategic Risk Committee is responsible for oversight of the Strategic Risks which the Group faces. During 2017 the Audit and Compliance 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 Department, the Internal Audit Department and the Management Risk Committee – an executive committee chaired by the Executive Director.

Financial Risk Exposures

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

- i. equity and exchange traded funds (ETF) price risk
- ii. interest rate risk
- iii. currency risk
- iv. credit risk; and
- v. liquidity risk

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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24) Financial Risk Management (continued)

Equity and ETF Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

Three (3) of the Funds within the Group have significant holdings of equities and exchange traded funds (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 and ETF 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 dollar terms 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, 2017	2,177,180 67.7%	565,592 17.6%	474,737 14.8%
At 31 December, 2016	1,780,180 54.3%	586,240 17.9%	912,847 27.8%

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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24) 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, 2017	31 December, 2016
TTSE Composite Index	\$45.5 million	\$ 83.1 million
S&P 500 Composite Index	\$59.1 million	\$ 53.7 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.

Funds

Two (2) of the Funds within the Group have significant bond holdings and are therefore exposed to interest rate risks.

In general, rising interest rates expose these portfolios to significant fair value interest rate risk, that is, the risk that the fair value of fixed rate debt instruments held by the portfolios diminishes because of a rise in market interest rates. Conversely falling interest rates generally expose the variable rate debt of these portfolios to significant cash flow interest rate risk as they will experience a diminution in earnings as market interest rates fall.

The overall interest rate risk of the portfolios is managed by making appropriate adjustments to the weighted average duration (term to maturity) of the portfolios based on relevant economic and financial market information.

Corporation

Due to the Corporation's interest-bearing asset base, movements in interest rates expose it to volatility in its net interest income. A substantial portion of its interest bearing assets are at variable rates. Its financial liabilities, which were repaid during 2016, were short-term fixed rate instruments and were significantly less in value than its interest-bearing assets. The Group therefore carefully managed potential rate re-pricing mis-matches to maintain a stable and consistent spread between its interest-bearing assets and its financial liability instruments before those liabilities were retired.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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24) Financial Risk Management (continued)

Interest Rate Risk (continued)

The Group's exposure to interest rate risk as at 31 December, 2017 is summarized below.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December, 2017					
Assets					
Cash & Cash Equivalents	3,423,652	-	-	-	3,423,652
Short-term Investments	4,354,798	-	-	-	4,354,798
Fixed Income Securities	1,523,434	3,967,201	4,623,130	-	10,113,765
Liabilities					
Net Assets Attributable to Unitholders	-	-	-	(20,334,197)	(20,334,197)
Rate Re-pricing Position	9,301,884	3,967,201	4,623,130	(20,334,197)	(2,441,982)

The Group's exposure to interest rate risk as at 31 December, 2016 is summarized below.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December, 2016					
Assets					
Cash & Cash Equivalents	2,454,393	-	-	-	2,454,393
Short-term Investments	4,818,652	-	-	-	4,818,652
Fixed Income Securities	890,668	4,023,585	5,768,612	-	10,682,865
Liabilities					
Net Assets Attributable to Unitholders	-	-	-	(20,153,212)	(20,153,212)
Rate Re-pricing Position	8,163,713	4,023,585	5,768,612	(20,153,212)	(2,197,302)

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

24) 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 significant investments denominated in US\$, these portfolios can be negatively impacted by movements in the US\$/TT\$ exchange rate.

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

	At 31 December, 2017		At 31 December, 2016	
	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000
Assets				
Cash & Cash Equivalents	966,506	207	893,773	1,661
Short-term Investments	413,359	-	110,376	-
Fixed Income Securities	5,296,252	-	6,105,215	-
Equities, ETFs, Private Equity & Mutual Funds	1,583,043	-	1,443,748	-
Liabilities				
Net Assets Attributable to Unitholders (see Note 11)	(4,219,836)	-	(4,277,317)	-
Total	4,039,324	207	4,275,795	1,661

A 1% change in the TT dollar relative to the US dollar would have changed the net assets of the Group at 31 December as follows:

	2017	2016
	\$'000	\$'000
Approximate change in US\$	<u>40,393</u>	<u>42,761</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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24) Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that the counter-party 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.

Credit risk is managed by:

- i. subjecting counter-parties 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 counter-parties' credit ratings.

The maximum exposure to credit risk before enhancements (such as collateral), at 31 December is the carrying amount of the financial assets and is set out below.

	2017 \$'000	2016 \$'000
Cash and bank balances (see Note 3)	3,423,652	2,454,393
Receivables	160,129	155,205
Prepayments	29,945	27,235
Investment securities (see Note 4)	<u>18,113,588</u>	<u>18,892,079</u>
	<u>21,727,314</u>	<u>21,528,912</u>

The quality of the Group's debt securities 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.

	2017 \$'000	2016 \$'000
A rated securities (e.g. S&P AAA to BBB-) are considered high credit quality instruments	8,627,892	9,640,313
B rated securities (e.g. S&P BB+ to B-) are considered medium credit quality instruments	1,140,000	778,223
C rated securities (e.g. CCC+ and below) are considered low quality instruments	<u>345,874</u>	<u>264,329</u>
	10,113,766	10,682,865
Short-term investments	<u>4,354,798</u>	<u>4,818,652</u>
	<u>14,468,564</u>	<u>15,501,517</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

24) 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, the US\$ Income Fund and the North American Fund are 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 risk is therefore deemed insignificant.

The financial liabilities of the Group are summarized by their due dates and shown below. The amounts disclosed are the contractual undiscounted cash flows. The Group has no financial liabilities over one (1) year.

	Less than 1 year \$'000
At 31 December, 2017	
Net assets attributable to Unitholders	<u>20,334,197</u>
Total	<u>20,334,197</u>
	Less than 1 year \$'000
At 31 December, 2016	
Net assets attributable to Unitholders	<u>20,153,212</u>
Total	<u>20,153,212</u>

25) 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:

<u>Company</u>	<u>Interest</u>	<u>Principal Place of Business</u>	<u>Date of Incorporation</u>
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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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25) Interests in Corporate Entities (continued)

a) Local Corporate Entities (continued)

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 was activated in 2012 and 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 is PricewaterhouseCoopers.

b) Foreign Corporate Entities

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

<u>Company</u>	<u>Interest</u>	<u>Date of Incorporation</u>	<u>Country of Incorporation</u>
UTC Fund Services, Inc.	100%	8 December, 1997	Delaware, USA
UTC Financial Services USA, Inc.	100%	8 June, 1999	Rhode Island, USA
UTC North American Fund Inc.	70%	24 October, 1990	Maryland, USA

UTC Fund Services Inc. does not require auditors for any statutory or regulatory purpose. The auditors of the other foreign subsidiaries are as follows:

<u>Company</u>	<u>Auditors</u>
UTC Financial Services USA, Inc.	Accell Audit & Compliance, PA, Tampa, Florida
UTC North American Fund Inc.	Cohen Fund Audit Services, Cleveland, Ohio

UTC Fund Services Inc. was inactive from its incorporation until 1 March, 2009 when it began operations as the investment advisor to the UTC North American Fund Inc.

UTC North American Fund Inc. is registered as an open-end, diversified, management investment company under the Investment Act of 1940 of the United States of America, as amended.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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26) 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 because the entity is a subsidiary of the Corporation, is an associate of the Corporation, is in a joint venture with the Corporation or participates in 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.

	2017 \$'000	2016 \$'000
Loans		
Key management personnel of the Group	<u>909</u>	<u>2,109</u>
Represented by:		
Balance at beginning of year	2,109	1,934
Loans advanced during year	-	1,188
Loan repayments received during year	(1,200)	(1,013)
Interest income during year	66	80
Interest received during year	<u>(66)</u>	<u>(80)</u>
Balance at end of year	<u>909</u>	<u>2,109</u>
Key Management compensation		
Salaries and other short-term benefits	<u>30,573</u>	<u>23,485</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

26) Related-party Transactions (continued)

	2017 \$'000	2016 \$'000
Directors		
Units held by Directors and key management personnel	6,157	9,342
Subsidiaries		
Administrative services provided to subsidiaries	471	475
Receivables from Corporate subsidiaries	20	94
Receivable balances from Funds which are considered subsidiaries for the purposes of IFRS 10	96,397	91,731
Investment transaction (see note in paragraph below)	43,479	511,152
Loan balances payable to Corporate subsidiaries	-	15,000
Net appropriations payable to the Funds	94,548	72,739

Loan payable to Corporate Subsidiaries (see Subsidiaries Table above)

During 2017, the Corporation repaid the loan due to UTC Trust Services Limited.

Investment Transaction (see Subsidiaries Table above)

During 2017, the Growth and Income Fund entered into a transaction with an associate of the Corporation and the TT\$ Income Fund entered into a transaction with the parent. The transactions were completed at market value. There were no outstanding balances between the parties in relation to these transactions at the reporting date.

During 2016, the Growth and Income Fund and Universal Retirement Fund entered into significant transactions with an associate of the Corporation. The transactions were completed at market value. There were no outstanding balances among the parties in relation to these transactions at the reporting date.

27) Commitments

At 31 December, the Group had contractual obligations for capital contributions in the amounts of approximately \$20.47 million (2016: \$45.2 million).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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28) Contingent Liabilities

- (a) At 31 December 2017, there were two matters before the Courts against the Corporation. The Corporation has been advised in one matter that there is a high probability that the Courts will rule in its favor. The other matters are in their very early stages and it is too early to form an opinion as to their likely outcome; and
- (b) **Growth and Income Fund Guarantee Pricing Contingent Liability:** the computation of the contingent liability under the Growth and Income Fund Price Guarantee for the years 2017 and 2016 is provided in the table below:

Year	2017 \$'M	2016 \$'M
Total Guarantee Pricing Liability	12.4	29.4
Less: Provision (see Note 10)	<u>(12.4)</u>	<u>(29.4)</u>
Contingent liability	<u>—</u>	<u>—</u>

29) Locally domiciled funds

The four (4) locally domiciled Funds controlled by the Corporation are considered subsidiaries for the purposes of IFRS 10 and are consolidated structured entities for the purposes of IFRS 12. The Total Assets of the locally domiciled Funds are shown in the Table below.

	2017 \$'000	2016 \$'000
Growth and Income Fund	4,938,285	4,815,185
TT\$ Income Fund	10,985,913	11,229,028
Universal Retirement Fund	302,648	308,016
US\$ Income Fund	<u>4,202,092</u>	<u>4,339,542</u>
Total assets	<u>20,428,938</u>	<u>20,691,771</u>

The summarized financial information in Notes 30-33 discloses the Corporation's relationship with the Funds and the arrangements that may require the Corporation to provide financial support to the Funds.

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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30) 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 2017 and 2016.

	2017 \$'000	2016 \$'000
Cash and Cash Equivalents	381,242	283,610
Receivables	35,992	26,018
Investment Securities (see Tables below)	<u>4,521,051</u>	<u>4,505,557</u>
Total assets	<u>4,938,285</u>	<u>4,815,185</u>
Liabilities	73,253	82,079
Equity	<u>4,865,032</u>	<u>4,733,106</u>
Total liabilities and equity	<u>4,938,285</u>	<u>4,815,185</u>
Investment Income	<u>446,279</u>	<u>430,203</u>
Net Income available for distribution	259,100	331,204
Distribution	(36,242)	(91,201)
Allocations to Reserves (see paragraphs below)	(1,000)	(1,000)
Other Comprehensive Loss for the year	(69,654)	(217,234)
Total Comprehensive Income for the year	<u>184,895</u>	<u>108,745</u>
Net cash flow from operating activities	50,591	279,893
Net cash flow from/(used in) investing activities	110,749	(289,842)
Net cash used in financing activities	<u>(63,708)</u>	<u>(18,749)</u>
Net change in cash flows for the year	<u>97,632</u>	<u>(28,698)</u>

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

	2017 \$'000	2016 \$'000
Government Securities	876,705	823,211
Corporate Securities	299,826	334,976
Equity and ETFs (local and foreign)	3,134,300	2,899,444
Short-term Investments	<u>210,220</u>	<u>447,926</u>
Total	<u>4,521,051</u>	<u>4,505,557</u>

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

	2017 \$'000	2016 \$'000
Available-for-sale assets	<u>4,521,051</u>	<u>4,505,557</u>
Total	<u>4,521,051</u>	<u>4,505,557</u>

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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

Growth and Income Fund Reserves

In 1984, 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 2017 the Growth and Income Fund made allocations in the amount of \$1.0 million to the Guarantee Reserve. Calls totaling \$1.2 million were made on the Reserve, of which the Corporation met \$0.2 million.

The Corporation has met and will continue to meet any shortfalls in the Guarantee Reserve. In accordance with the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets - a provision for this liability has been established (see Note 10).

In 2012 the Board approved the establishment of a Secondary Reserve Facility for the Growth and Income Fund (First Unit Scheme). The Secondary Reserve Facility is funded from income of the Growth and Income Fund and income of the Corporation. The Secondary Reserve is used to fund requirements for capital reinstatement and/or distribution liabilities of the Growth and Income Fund. There were no transactions in the Secondary Reserve during the years 2017 and 2016.

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

Fund Reserve	2017	2016
	\$'000	\$'000
Fund Reserve as at 1 January	-	-
Allocation to Reserve (Growth and Income Fund)	1,000	1,000
Call on Reserve	(1,235)	(2,204)
Allocation to Reserve (Corporation)	235	1,204
Fund Reserve as at 31 December	-	-

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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

Growth and Income Fund Reserves (continued)

The Corporation may from time to time transfer a portion of its income to the secondary reserves of the Growth and Income Fund.

No transfers to support the Growth and Income Fund were required during 2017 and 2016. The Corporation is the sponsor of the Growth and Income Fund and is committed to supporting the Fund financially and otherwise as necessary.

31) 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 2017 and 2016.

	2017	2016
	\$'000	\$'000
Cash and Cash Equivalents	1,650,294	949,544
Receivables	233,011	583,168
Investment Securities (see Tables below)	9,102,608	9,696,316
Total assets	10,985,913	11,229,028
Liabilities	36,103	391,137
Equity	10,949,810	10,837,891
Total liabilities and equity	10,985,913	11,229,028
Investment Income	365,246	383,713
Net Income available for distribution	176,219	172,991
Distributions	(127,924)	(113,611)
Allocations to Reserves (see paragraphs below)	(19,867)	(2,800)
Other comprehensive income for the year	17,955	89
Total comprehensive income for the year	194,174	173,080
Net cash flow from operating activities	126,002	111,385
Net cash flow from investing activities	680,602	446,709
Net cash used in financing activities	(105,854)	(7,005)
Net change in cash flows for the year	700,750	551,089

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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

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

	2017 \$'000	2016 \$'000
Government Securities	3,148,263	3,012,693
Corporate Securities	2,144,840	2,474,878
Short-term Investments	3,809,505	4,208,745
Total	9,102,608	9,696,316

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

	2017 \$'000	2016 \$'000
Available-for-sale assets	9,102,608	9,696,316
Total	9,102,608	9,696,316

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.

The Corporation may from time to time transfer a portion of its income to the Reserves of the TT\$ Income Fund.

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

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

	2017	2016
	\$'000	\$'000
Primary Reserve		
Fund reserve as at 1 January	48,048	44,794
Allocation to primary reserve	2,800	2,800
Interest earned on the reserve	451	454
Primary Reserve as at 31 December	51,299	48,048
Secondary Reserve	2017	2016
	\$'000	\$'000
Fund reserve as at 1 January	3,687	3,651
Allocation to secondary reserve	17,067	-
Interest earned on the reserve	119	36
Secondary Reserve as at 31 December	20,873	3,687
Total Fund Reserves as at 31 December	72,172	51,735

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 2017 and 2016.

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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32) 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 2017 and 2016.

	2017 \$'000	2016 \$'000
Cash and Cash Equivalents	33,524	19,685
Receivables	2,002	1,205
Investment Securities (see Tables below)	267,122	287,126
Total assets	302,648	308,016
Liabilities	3,128	3,120
Equity	299,520	304,896
Total liabilities and equity	302,648	308,016
Investment Income	33,855	15,345
Net Income for capitalization	27,137	8,571
Other comprehensive (loss)/income for the year	(9,968)	2,329
Total comprehensive income for the year	17,169	10,900
Net cash flow from operating activities	2,973	6,826
Net cash flow from/ (used in) investing activities	34,517	(12,122)
Net cash (used in)/ flow from financing activities	(23,651)	5,632
Net change in cash flows for the year	13,839	336

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

	2017 \$'000	2016 \$'000
Government Securities	40,143	52,807
Corporate Securities	18,673	24,332
Equity and ETFs (local and foreign)	208,306	202,487
Short-term Investments	-	7,500
Total	267,122	287,126

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

	2017 \$'000	2016 \$'000
Available-for-sale assets	267,122	287,126
Total	267,122	287,126

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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32) 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 2017 and 2016.

33) 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 2017 and 2016.

	2017	2016
	\$'000	\$'000
Cash and Cash Equivalents	543,125	530,288
Receivables	129,973	150,496
Investment Securities (see Tables below)	<u>3,528,994</u>	<u>3,658,758</u>
Total assets	<u>4,202,092</u>	<u>4,339,542</u>
Liabilities	37,459	111,295
Equity	<u>4,164,633</u>	<u>4,228,247</u>
Total liabilities and equity	<u>4,202,092</u>	<u>4,339,542</u>
Investment Income	<u>139,876</u>	<u>111,451</u>
Net Income available for distribution	78,150	37,518
Distributions	(33,283)	(34,536)
Allocations to reserves (see paragraphs below)	(14,237)	(8,105)
Other comprehensive income for the year	4,964	45,166
Total comprehensive income/(loss) for the year	<u>83,114</u>	<u>82,683</u>
Net cash flow from operating activities	25,576	138,193
Net cash flow from/ (used in) investing activities	134,574	(22,651)
Net cash used in financing activities	<u>(148,030)</u>	<u>(185,571)</u>
Net change in cash flows for the year	<u>12,120</u>	<u>(70,028)</u>

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

	2017	2016
	\$'000	\$'000
Government Securities	557,616	476,808
Corporate Securities	2,752,704	3,117,783
Short-term Investments	218,674	64,167
Total	<u>3,528,994</u>	<u>3,658,758</u>

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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

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

	2017 \$'000	2016 \$'000
Available-for-sale assets	3,528,994	3,658,758
Total	3,528,994	3,658,758

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 2017 and 2016.

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.

	2017 \$'000	2016 \$'000
Primary Reserve		
Fund reserve as at 1 January	40,322	30,444
Allocation to primary reserve	8,115	8,105
Interest earned on the reserve	228	190
Foreign exchange revaluation	55	1,583
Primary Reserve as at 31 December	48,720	40,322
Secondary Reserve		
Fund reserve as at 1 January	26,686	24,954
Allocation to secondary reserve	6,122	-
Interest earned on the reserve	155	144
Revaluation	36	1,588
Secondary Reserve as at 31 December	32,999	26,686
Total Fund Reserves as at 31 December	81,719	67,008

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

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

US\$ Income Fund Reserves (continued)

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 2017 and 2016.

34) Summarized Financial Information – North American Fund

The North American Fund is an investment company organized under the Investment Act 1940 of the United States of America. It is controlled by the Corporation though there is significant minority shareholding by third parties. The Table below summarizes financial information for the North American Fund (before inter-entity eliminations or consolidation adjustments) for the years 2017 and 2016.

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	7,053	2,396
Receivables & other assets	430	530
Investment securities (see Tables below)	292,538	279,651
Total assets	300,021	282,577
Liabilities	1,169	1,377
Equity	298,852	281,200
Total liabilities and equity	300,021	282,577
Investment Income/(Loss)	20,609	(5,804)
Net Income/(Loss)	14,828	(11,621)
Distributions	1,763	3,648
Other comprehensive income for the year	5,345	32,000
Net cash flow from operating activities	595	877
Net cash flow from/ (used in) investing activities	6,959	(1,435)
Net cash (used in)/flow from financing activities	(2,899)	2,432
Net change in cash flows for the year	4,654	1,874

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

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34) Summarized Financial Information – North American Fund (continued)

The Table below analyses the investment securities held by the North American Fund.

	2017 \$'000	2016 \$'000
Corporate Securities	27,474	29,045
Equity and ETF's (foreign)	264,903	250,532
Short-term Investments	161	74
Total	292,538	279,651

The Table below classifies the investment securities held by the North American Fund

	2017 \$'000	2016 \$'000
Available-for-sale assets	292,538	279,651
Total	292,538	279,651

The Corporation is the sponsor of the North American Fund and is committed to supporting the Fund financially and otherwise as and when necessary. No transfers to support the North American Fund were required during 2017.

35) Discontinued Operations

UTC Energy Investment Limited

On 2nd October 2014, UTC Energy Investments Limited, a wholly owned subsidiary of the Corporation, filed a Certificate of Dissolution with the Secretary of State of Delaware, United States of America. Notwithstanding the filing in 2014, reversal of the dissolution was under active consideration during the first quarter of 2015. Subsequently, on the sale of its only asset during March 2015, a final decision was taken to allow the dissolution to proceed. The company has been inactive, for all intents and purposes, since March 2015. The winding up procedures were completed on 2nd October 2017.

The provisions for the winding up expenses and taxes were in excess of requirements by \$6.865 million.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2017

Expressed in Trinidad and Tobago Dollars

36) Approval of the Financial Statements

These Financial Statements were approved by the Board of Directors and authorized for issue on 21st February 2018.