Chartered Accountants
& Business Advisors

DEPOSIT INSURANCE CORPORATION

FINANCIAL STATEMENTS

30 SEPTEMBER 2021

Chartered Accountants
& Business Advisors

DEPOSIT INSURANCE CORPORATION

INDEX

DEPOSIT INSURANCE CORPORATION
TRINIDAD AND TOBAGO

Statement of Management's Responsibility
For the year ended September 30, 2021

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Deposit Insurance Corporation (the "Corporation") which comprise the statement of financial position as at 30 September 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- ensuring that the Corporation keeps proper accounting records;

- selecting appropriate accounting policies and applying them in a consistent manner;

- implementing, monitoring and evaluating the system of internal control that assures the security of the Corporation's assets, detection/prevention of fraud, and the achievement of the Corporation's operational efficiencies;

- ensuring that the system of internal control operated effectively during the reporting period;

- producing reliable financial reporting that comply with laws and regulations; and

- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Corporation will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Chairman

Date: December 16, 2021

Dexter Jaggernauth

Director
Board of Management

Date: December 16, 2021

INDEPENDENT AUDITORS' REPORT

Shareholder
Deposit Insurance Corporation

Opinion

We have audited the financial statements of Deposit Insurance Corporation, which comprise the statement of financial position as at 30 September 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Deposit Insurance Corporation as at 30 September 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Deposit Insurance Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

The Board of Management is responsible for overseeing the Corporation's financial reporting process.

INDEPENDENT AUDITORS' REPORT

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.
- Obtain 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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate 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.

We communicate with the Board of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The previous year's financial statements were audited by another firm of chartered accountants.

PKF

Barataria
TRINIDAD
16 December 2021

DEPOSIT INSURANCE CORPORATION

STATEMENT OF FINANCIAL POSITION

ASSETS

	Notes	30 September 2021 $'000	30 September 2020 $'000
Non-Current Assets:			
Property and equipment	6	21,116	21,651
Intangible assets	7	324	211
Investments	8	4,002,465	3,658,361
Total Non-Current Assets		4,023,905	3,680,223
Current Assets:			
Liquidation advances recoverable		42	13
Accounts receivable	9	5,686	693
Cash and cash equivalents	10	128,298	165,527
Total Current Assets		134,026	166,233
Total Assets		**4,157,931**	**3,846,456**

EQUITY AND LIABILITIES

	Notes	2021 $'000	2020 $'000
Equity:			
Stated capital	11	1,000	1,000
Revaluation deficit		(2,861)	(3,952)
Deposit Insurance Fund		4,158,814	3,847,978
Total Equity		4,156,953	3,845,026
Liabilities:			
Accounts payable		978	1,430
Total Liabilities		978	1,430
Total Equity and Liabilities		**4,157,931**	**3,846,456**

These audited financial statements have been approved by the Board of Management on 16 December 2021.

Alvin Hilaire (Ph.D.)
Chairman

Dexter Jaggernauth
Director

(The accompanying notes form part of these financial statements)

DEPOSIT INSURANCE CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

	Notes	30 September 2021 $'000	30 September 2020 $'000
Income:			
Interest income		140,407	128,606
Initial contributions and annual premia	2(l)	183,230	168,450
Dividends		249	208
Liquidation/receivership fees		4	24
Other		5	39
		323,895	297,327
Expenses:			
Staff costs	12	8,147	8,598
General and administrative	13	4,047	3,915
Depreciation and amortisation		865	917
		13,059	13,430
Net income for the year		310,836	283,897
Other comprehensive (loss)/income:			
Realized gain on sale of investment		-	390
Increase/(decrease) in unrealized gain on investments		1,091	(9,688)
Total other comprehensive income/(loss)		1,091	(9,298)
Total comprehensive income for the year		311,927	274,599

(The accompanying notes form part of these financial statements)

DEPOSIT INSURANCE CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Stated Capital $'000	Revaluation Reserve $'000	Deposit Insurance Fund $'000	Total $'000
Balance as at 1 October 2019	1,000	5,736	3,563,691	3,570,427
Net income for the year	-	-	283,897	283,897
Other comprehension loss	-	(9,298)	-	(9,298)
Transfer to Deposit Insurance Fund	-	(390)	390	-
Balance as at 30 September 2020	1,000	(3,952)	3,847,978	3,845,026
Balance as at 1 October 2020	1,000	(3,952)	3,847,978	3,845,026
Net income	-	-	310,836	310,836
Other comprehension income	-	1,091	-	1,091
Balance as at 30 September 2021	**1,000**	**(2,861)**	**4,158,814**	**4,156,953**

(The accompanying notes form part of these financial statements)

DEPOSIT INSURANCE CORPORATION

STATEMENT OF CASH FLOWS

	30 September 2021 $'000	30 September 2020 $'000
Cash Flows from Operating Activities:		
Net income for the year	310,836	283,897
Adjustments for:		
Depreciation and amortisation	865	917
Loss on write off of property	-	3
Interest income and dividends	(140,656)	(128,814)
	171,045	156,003
Operating surplus before working capital changes:		
Net change in liquidation advances recoverable	(29)	5
Net change in accounts receivable	(4,993)	383
Net change in current balance due to Central Bank	-	(1)
Net change in accounts payable	(452)	185
Cash provided by operating activities	165,571	156,575
Cash Flows from Investing Activities:		
Interest and dividends received	144,518	126,630
Purchase of Government Treasury Bills	(311,377)	(630,787)
Proceeds from maturity of Government Treasury Bills	606,957	581,212
Proceeds from maturity of Government Treasury Notes	147,000	-
Purchase of Corporate Bonds	(50,000)	(41,367)
Proceeds from maturity of Corporate Bonds	18,900	17,900
Purchase of Government Bonds - Local	(1,467,383)	(860,646)
Proceeds from maturity of Government Bonds	709,093	796,306
Proceeds from sale of equity	-	9,274
Additions to property and equipment and intangible assets	(508)	(727)
Cash used in investing activities	(202,800)	(2,205)
Net change in cash and cash equivalents	(37,229)	154,370
Cash and cash equivalents, beginning of year	165,527	11,157
Cash and cash equivalents, end of year	128,298	165,527

(The accompanying notes form part of these financial statements)

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

1. **Establishment and Principal Activity:**

The Deposit Insurance Corporation (the "Corporation") was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 (Act No. 2 of 1986), which amended the Central Bank Act Chapter 79:02 (the "Act").

The Corporation's principal objective is to manage a Deposit Insurance Fund (the "Fund") established by the Act to provide insurance coverage on deposits held with member institutions to a maximum of $125,000 per depositor in each capacity and right in each institution. Membership of the Fund is compulsory for all institutions licensed under the Financial Institutions Act, 2008.

Section 44W of the Act authorizes the Corporation to take such action as it deems necessary to fulfil its mandate including levying premia and contributions from member institutions, hiring of staff, borrowing, lending, arranging for the restructuring of a failed member whether by merger with a financially sound member or otherwise and acquiring the undertaking of any member institution which is in financial difficulty. The Corporation may also act as receiver or liquidator of an insolvent member institution.

2. **Summary of Significant Accounting Policies:**

a) **Basis of preparation -**

These financial statements are expressed in Trinidad and Tobago dollars, rounded to the nearest thousand and are prepared under the historical cost convention in accordance with International Financial Reporting Standards (IFRS).

b) **Use of estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in **Note 3**.

2. Summary of Significant Accounting Policies (Cont'd):

c) New Accounting Standards and Interpretations -

(i) New and amended standards adopted by the Corporation

The Corporation did not adopt any new or amended standards during the current financial period.

(ii) New standards, amendments and interpretations issued but not effective and not early adopted.

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Corporation's future financial statements in the period of initial application. In all cases, the entity intends to apply these standards from application date as indicated in the note below.

IFRS 16 Leases supersedes IAS 17 Leases and its related interpretations. IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead, all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment.

The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. However, entities have an option not to bring onto the statement of financial position short term leases (i.e. those with 12 months or less) and leases of low-value items. IFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components. IFRS 16 applies to annual periods commencing on or after January 1, 2019.

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Corporation and have not been disclosed.

(iii) Standards and amendments to published standards early adopted by the Corporation

The Corporation did not early adopt any new, revised or amended standards.

2. Summary of Significant Accounting Policies (Cont'd):

d) Financial Instruments -

Under IFRS 9 effective for the year ended September 30, 2021

(i) Financial assets

The Corporation has adopted IFRS 9, effective October 1, 2018, and classifies its financial assets based on the following business models:

- Held for trading
- Hold to collect and sell or
- Hold to collect

Based on the Corporation's business model, financial assets are classified into the following categories:

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not recognised at fair value through profit and loss (FVPL) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 15. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method.

Fair value through other comprehensive income (FVOCI)

At initial recognition, the Corporation made an irrevocable election to present subsequent changes in the fair value of its investments in equity instruments in other comprehensive income, as they are not held for trading. Dividends are recognised in profit or loss only when the Corporation's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the Corporation, and the amount of the dividend can be measured reliably.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

a) The cash flow characteristics of the asset; and
b) The Corporation's business model for managing the asset.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

d) **Financial Instruments (cont'd) -**

Under IFRS 9 effective for the year ended September 30, 2021 (cont'd)

(i) **Financial assets (cont'd)**

Corporation's business model

The business model reflects how the Corporation manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Corporation's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows from the sale of assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel
- Management identification of and response to various risks, which includes but not limited to liquidity risk, market risk, credit risk and interest rate risk.
- How managers are compensated e.g. if compensation is based on the fair value of assets managed or contractual cash flows collected.

Arising out of the assessment, the Corporation's debt portfolio was deemed to have the 'hold to collect' business model.

The Corporation reclassifies debt instruments when, and only when, it's business model for managing those assets changes. The classification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows the Corporation assesses whether flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Corporation considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit and loss.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):

d) Financial Instruments (cont'd) -

Under IFRS 9 effective for the year ended September 30, 2021 (cont'd)

(i) Financial assets (cont'd)

Recognition/de-recognition of financial assets

All purchases and sales of financial assets are recognised on the trade date - the date on which the Corporation commits to purchase or sell the financial asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Corporation has transferred substantially all risks and rewards of ownership.

(ii) Impairment

The Corporation assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The Corporation recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(iii) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' mode for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Corporation.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

d) **Financial Instruments (cont'd) -**

Under IFRS 9 effective for the year ended September 30, 2021 (cont'd)

(iii) **Expected credit loss measurement (cont'd)**

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(initial Recognition)	**(Significant increase in credit risk)**	**(Credit - impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(iv) **Significant increase in credit risk (SICR)**

The Corporation considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met.

Criteria	Investment Grade Portfolio	Single "B" Speculative Grade Portfolio
Absolute Measure	PD - 15% or higher	PD - 25% or higher
AND	**AND**	**AND**
Relative Measure	One notch downgrade (investment securities rating scale)	One Notch downgrade (investment securities rating scale)

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

d) **Financial Instruments (cont'd) -**

Under IFRS 9 effective for the year ended September 30, 2021 (cont'd)

(iv) **Significant increase in credit risk (SICR) (cont'd)**

The Corporation has used the low credit risk exemption for all of its financial instruments as at the year ended September 30, 2021. The Corporation considers the following characteristics to be low credit risk:

- Direct Government instruments
- Government guaranteed instruments
- Investments with a minimum long term investment grade rating:
  - BBB (Standard and Poor's)
  - BBB (Fitch Ratings)
  - Baa2 (Moody's)
  - CariAA(+/-) (CariCRIS)

(v) **Definition of default and credit-impaired assets**

The Corporation defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified as doubtful or worse as per the Corporation's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

d) **Financial Instruments (cont'd) -**

Under IFRS 9 effective for the year ended September 30, 2021 (cont'd)

(v) **Definition of default and credit-impaired assets (cont'd)**

The criteria above have been applied to all financial instruments held by the Corporation and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), throughout the Corporation's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

(vi) **Measuring ECL–Explanation of inputs, assumptions and estimation techniques**

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per-Definition of default and credit-impaired above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Corporation expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Corporation's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of the claim and product type, while the availability of collateral is factored before LGD is considered. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the debt instrument.

The ECL is determined by multiplying the PD, LGD and EAD after taking into consideration the discounted present value of the EAD and collateral enhancements. The EAD is determined by reducing the outstanding balance from the discounted collateral value. The cost of disposal of the collateral item is factored together with the time frame for disposal before discounting to present values. The discount rate used in the ECL calculation is the original effective interest rate.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

d) **Financial Instruments (cont'd) -**

Under IFRS 9 effective for the year ended September 30, 2021 (cont'd)

(vi) **Measuring ECL –Explanation of inputs, assumptions and estimation techniques (cont'd)**

The EAD is considered as follows:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is calculated by taking the current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over a two-year period.
- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post-default.

The Investments PDs are taken from the transaction matrices of Standard and Poor's, Fitch Ratings, Moody's and CariCRIS.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(vii) **Forward-looking information incorporated in the ECL models**

The calculation of ECL incorporates forward-looking information. The Corporation has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The most significant assumption affecting the ECL allowance for the investment portfolio is GDP-given the significant impact on Corporation performance and collateral valuations.

(viii) **Financial liabilities**

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include the balance due to Central Bank and accounts payable. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

d) **Financial Instruments (cont'd) -**

Under IFRS 9 effective for the year ended September 30, 2021 (cont'd)

(ix) **Determination of fair value**

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

Indicators that a market is inactive are when there is a wide bid-offer spread or a significant increase in the bid-offer spread or there are few recent transactions. For all other financial instruments, fair value is determined using valuation techniques. In these techniques fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using input existing at year-end.

The Corporation uses an internally developed model which is generally consistent with other valuation models used in the industry. Valuation models are used to value unlisted debt securities and other debt securities for which the market has become or is illiquid. Some of the inputs of this model may not be market observable and are therefore based on assumptions.

(e) **Impairment of Non-Financial Assets -**

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is adjusted to reflect the revised estimate.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

e) **Impairment of Non-Financial Assets (cont'd) -**

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

f) **Stated Capital -**

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

g) **Provisions -**

Provisions are recognized when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

h) **Foreign currency translation -**

i) **Functional and Presentation Currency**

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the Corporation operates (the "functional currency"). The financial statements are presented in Trinidad and Tobago Dollars, which is the Corporation's functional and presentation currency.

ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year- end exchange rates of monetary assets liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):

i) Property and equipment

Depreciation

Items of property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on a reducing balance basis at rates calculated to write off the cost of the assets over their estimated useful lives for all asset groups except buildings. The method of depreciation on buildings is the straight-line method. Land is not depreciated.

The rates used are as follows:

Buildings	-	2%	Straight line
Buildings improvements	-	2%	Reducing balance
Motor vehicles	-	25%	Reducing balance
Furniture and fixtures	-	10%	Reducing balance
Office equipment	-	15%	Reducing balance
Computer equipment	-	25%	Reducing balance

No depreciation is charged in the year of disposal. However, a full year's charge is made in the year of acquisition.

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the statement of comprehensive income.

Disposal

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with their carrying amounts and are recognized in the statement of comprehensive income for the year.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. **Summary of Significant Accounting Policies (Cont'd):**

j) **Intangible Assets -**

Computer Software

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Corporation are recognised as intangible assets in accordance with IAS 38 Intangible Assets. Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Computer software costs recognised as assets are amortised over their estimated useful lives of four (4) years on a straight line-basis.

k) **Comparative figures -**

Certain comparative figures were restated to facilitate changes in presentation. These changes had no effect on the previously reported net income.

l) **Revenue Recognition -**

Revenue is recognized when it is probable that the economic benefit will flow to the Corporation and the amount of the revenue can be measured reliably.

(i) **Premium income**

Premium income is recognized on the accruals basis. Annual premia in respect of a given year are paid on the basis of a rate of 0.2 per centum of the average deposit liabilities existing at the end of each of the quarters in the preceding calendar year, except that for a new institution the first year's levy is based on its average deposit liabilities existing in the first year of operation.

(ii) **Investment income**

Investment income is accrued on the time basis by reference to the principal outstanding and the interest rate applicate under the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Corporation estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

2. Summary of Significant Accounting Policies (Cont'd):

m) Other assets -

Other assets are generally measured at amortised cost.

n) Cash and cash equivalents -

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

o) Levy of initial contributions -

All institutions are required to pay an initial contribution on becoming members, and annual premia in subsequent years. Initial contributions paid by member institutions are matched by the Central Bank (Section 44M).

The payment of initial contributions is based on a rate of 0.4 per centum of the average deposit liabilities existing at the end of the first and second quarters of the first twelve (12) months of operation.

p) Exemption from the provisions of taxation and insurance legislation -

The Corporation is exempt from the provisions of any Act relating to income taxation or corporation taxation and from payment of stamp duty, and is also exempt from the provisions of the Insurance Act 1980, [Section 55 (1) and (2)].

q) Expenses -

Staff costs, and general and administrative expenses are recognised on an accrual basis.

r) Pensions -

The Corporation maintains a voluntary contribution plan for its employees. This is a funded scheme and the Corporation's contributions are charged in the profit or loss for the year as incurred.

3. Financial Risk Management:

Financial risk factors

The Corporation is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Corporation to manage these risks are discussed below:

a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

(i) Bonds

The Corporation invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the floating rate bonds are not very sensitive to changes in interest rates. The market values of the fixed rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market values will not impact profit or loss.

The Corporation actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.

(ii) Interest rate sensitivity gap

The Corporation's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

3. Financial Risk Management (Cont'd):

Financial risk factors (cont'd)

a) Interest rate risk (cont'd) -

(ii) Interest rate sensitivity gap (cont'd)

	2021					
	Effective Rate %	Up to 1 year $'000	2 to 5 years $'000	Over 5 years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Investments		622,750	1,887,859	1,477,713	14,143	4,002,465
Liquidation advances recoverable		-	-	-	42	42
Other financial assets		-	-	-	5,345	5,345
Cash and cash equivalents		128,298	-	-	-	128,298
		751,048	1,887,859	1,477,713	19,530	4,136,150
Financial Liabilities						
Other financial liabilities		-	-	-	978	978
Net Gap		**751,048**	**1,887,859**	**1,477,713**	**18,552**	**4,135,172**
Cumulative Gap		**751,048**	**2,638,907**	**4,116,620**	**4,135,172**	

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

3. Financial Risk Management (Cont'd):

Financial risk factors (cont'd)

a) Interest rate risk (cont'd) -

(ii) Interest rate sensitivity gap (cont'd)

	2020					
	Effective Rate %	Up to 1 year $'000	2 to 5 years $'000	Over 5 years $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets						
Investments	1.6% - 12.25	1,411,397	1,074,719	1,159,192	13,053	3,658,361
Liquidation advances recoverable		-	-	-	13	13
Other financial assets	0% - 2.25%	-	-	-	220	220
Cash and cash equivalents		165,521	-	-	-	165,521
		1,576,918	1,074,719	1,159,192	13,286	3,824,115
Financial Liabilities						
Other financial liabilities		-	-	-	1,430	1,430
Net Gap		1,576,918	1,074,719	1,159,192	11,856	3,822,685
Cumulative Gap		1,576,918	2,651,637	3,810,829	3,822,685	

The Corporation is not subject to significant interest rate changes as interest rates are fixed on investments at amortised cost. Therefore, changes in interest rates will not have a significant impact on the Corporation.

b) Credit risk -

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date.

Cash balances are held with high credit quality financial institutions and the Corporation has policies to limit the amount of exposure to any single financial institution.

The Corporation also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

The Corporation's maximum exposure to credit risk is represented by amounts included for investments, liquidation advances recoverable, accounts receivables and cash and cash equivalents on the Statement of Financial Position.

3. Financial Risk Management (Cont'd):

c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Corporation has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Corporation is able to make daily calls on its available cash resources to settle financial and other liabilities. The Corporation's liabilities at the reporting date are due within the next six months and are not considered material for disclosure purposes.

d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Corporation's net exposure to currency risk is as follows:

	30 September	
	2021 $'000	2020 $'000
United States Dollars	753	934

e) Price risk -

Price risk is the risk that the value of a financial investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all investments traded in the market. The Corporation has no significant exposure to other price risks.

f) Operational risk -

Operational risk is the risk derived from deficiencies relating to the Corporation's information technology and control systems, as well as the risk of human error and natural disasters. The Corporation's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimise human error.

3. Financial Risk Management (Cont'd):

g) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Corporation.

h) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the Corporation's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Corporation. The Corporation engages in public social endeavours to engender trust and minimize this risk.

i) Capital Management – Adequacy of the Deposit Insurance Fund

The Corporation's capital comprises stated capital and the Deposit Insurance Fund (DIF). The Corporation is not subject to externally imposed capital requirements, and there were no changes in what the Corporation considers as capital, and management of capital was performed on a basis consistent with that of prior years. The key mechanisms used to manage the level of capital are premium assessments and borrowings, if necessary.

The Corporation's principal objective is to establish and manage a scheme for the insurance of deposits, or part thereof, held by Policyholders against the risk of loss of deposits up to a maximum of $125,000 per depositor, in each right and capacity, in each institution.

As at September 30, 2021, there were 24-member institutions with total eligible deposits estimated at $96 billion (2020: $92 billion), of which the Corporation covered at a flat rate of 0.2% (2020: 0.2%). The adequacy of the DIF will be based primarily on the assessed risk posed by Policyholders. In relation to its insurance obligations, the Corporation's main exposure is to unexpected loss from the non-viability or insolvency of a Policyholder that is not readily estimated due to the unavailability of data on specific loss experience.

If a Policyholder's future viability or solvency is deemed to be at risk or the Policyholder becomes insolvent and the DIF is required to intervene by providing financial assistance or payout depositors in accordance with its resolution powers under the Act, and if the DIF is insufficient to meet the obligation, the Corporation has the power to borrow, as well as, with the approval of the Minister of Finance, prescribe the levying of additional premiums payable by Policyholders.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Corporation's accounting policies. See Note 2 (b).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Corporation makes estimates and assumptions concerning the future.

However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.

ii) Whether leases are classified as operating leases or finance leases.

iii) Which depreciation method for property, plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each Statement of Financial Position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Property and Equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

4. **Critical Accounting Estimates and Judgments (Cont'd):**

(iii) Determining fair values using Valuation Techniques

The determination of fair values for financial assets for which there is no observable market price requires the use of valuation techniques which utilizes various degrees of judgements affecting the specific investment.

5. **Assets Under Administration:**

There exist six (6) failed non-banking financial institutions for which the Corporation serves as liquidator. These companies and their year of liquidation are as follows:

- Commercial Finance Company Limited (in liquidation) 1986
- Trade Confirmers Limited (in liquidation) 1986
- Swait Finance Limited (in liquidation) 1986
- Caribbean Mortgage and Funds Limited (in liquidation) 1991
- Principal Finance Company Limited (in liquidation) 1993
- CLICO Investment Bank Limited (in compulsory liquidation) 2011

In its role as liquidator, the Corporation is engaged in liquidating the assets of these failed institutions in an attempt to settle the outstanding liabilities associated with these institutions.

The Corporation submits reports every six (6) months to The Official Receiver (High Court) providing details of receipts and payments for the period being reported. Lastly, the Corporation has exited three of the companies in liquidation, namely Commercial Finance Company Limited, Caribbean Mortgage and Funds Limited and Principal Finance Company Limited with effective court order dates of 8 September 2021, 30 September 2021 and 26 August 2021 respectively. The Corporation is presently awaiting the order of the court to exit Trade Confirmers Limited (in liquidation) and Swait Finance Limited (in liquidation).

The Statement of Financial Position does not include the assets of these closed financial institutions under the administration of the Corporation. However, the table presented hereunder provides in summary, the balances as at 30 September 2021. In relation to the table, the following points should be noted:

(A) – The assets at closure are reported at net realizable value representing a reasonable estimate of the amount for which the assets could have been sold.

(B) – Total realisations represent the amount received to date from the sale of liquidated assets.

(C) – The liabilities at closure represent the total amount owing by the failed institutions, inclusive of deposit liabilities, as at the date of closure.

(D) – Liabilities incurred represent liquidation expenses from the date of closure up to the end of the reporting period.

(E) – Total payments represent liquidation expenses paid and insurance payments recovered as at the reporting date.

(F) – Remaining liabilities represent the balance due to unsecured creditors as at the reporting date.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

5. Assets Under Administration (Cont'd):

The legislation authorises the DIC to recover insurance paid from the sales proceeds of liquidated assets in priority to unsecured creditors.

	30 September 2021 $'000	30 September 2020 $'000
a) Total value of assets at closure of Financial Institutions	6,148,206	6,148,206
b) Total subsequent realisations	6,821,632	6,821,632
c) Total liabilities at closure of Financial Institutions	(12,072,221)	(12,072,221)
d) Total addition liabilities incurred	(3,793,796)	(3,772,265)
e) Total subsequent payments	10,403,647	10,399,739
f) Outstanding liabilities at year end	(5,462,370)	(5,444,747)

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

6. Property and Equipment:

	Land and Buildings ($'000)	Building Improvements ($'000)	Motor Vehicles ($'000)	Furniture and Fixtures ($'000)	Office Equipment ($'000)	Computer Equipment ($'000)	Work in Progress ($'000)	Total ($'000)
Cost								
Balance as at 1 October 2020	15,859	4,755	754	1,241	2,400	1,629	265	26,903
Additions	-	242	-	22	4	116	10	394
Reclassification	-	-	-	-	19	47	-	66
Transfers	-	-	-	-	-	-	(265)	(265)
Balance as at 30 September 2021	15,859	4,997	754	1,263	2,423	1,792	10	27,098
Accumulated Depreciation								
Balance as at 1 October 2020	1,039	396	457	711	1,311	1,338	-	5,252
Charge for the year	174	99	74	54	167	162	-	730
Balance as at 30 September 2021	1,213	495	531	765	1,478	1,500	-	5,982
Net Book Value								
Balance as at 30 September 2021	14,646	4,502	223	498	945	292	10	21,116
Balance as at 30 September 2020	14,820	4,359	297	530	1,089	291	265	21,651

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

6. Property and Equipment (Cont'd):

	Land and Buildings ($'000)	Building Improvements ($'000)	Motor Vehicles ($'000)	Furniture and Fixtures ($'000)	Office Equipment ($'000)	Computer Equipment ($'000)	Work in Progress ($'000)	Total ($'000)
Cost								
Balance as at 1 October 2019	15,859	4,585	754	1,222	2,301	1,563	-	26,284
Additions	-	170	-	26	99	66	265	626
Disposals	-	-	-	(7)	-	-	-	(7)
Balance as at 30 September 2020	15,859	4,755	754	1,241	2,400	1,629	265	26,903
Accumulated Depreciation								
Balance as at 1 October 2019	866	300	358	658	1,119	1,143	-	4,444
Charge for the year	173	96	99	57	192	195	-	812
Disposals	-	-	-	(4)	-	-	-	(4)
Balance as at 30 September 2020	1,039	396	457	711	1,311	1,338	-	5,252
Net Book Value								
Balance as at 30 September 2020	14,820	4,359	297	530	1,089	291	265	21,651
Balance as at 30 September 2019	14,993	4,285	396	564	1,182	420	-	21,840

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

7. Intangible Assets:

	30 September 2021 $'000	30 September 2020 $'000
Computer Software		
Cost		
Balance as at 1 October	6,072	5,971
Additions	114	101
Reclassifications	134	-
Balance as at 30 September	6,320	6,072
Accumulated Amortisation		
Balance as at 1 October	5,861	5,756
Charge for the year	135	105
Balance as at 30 September	5,996	5,861
Net Book Values as at 30 September	**324**	**211**

8. Investments:

	30 September 2021 $'000	30 September 2020 $'000
Amortized cost		
Current -		
Deposits		
Government Treasury Bills	311,838	615,690
Government Treasury Note	-	148,962
Government Bonds	305,134	622,754
Corporate Bonds	5,778	23,992
	622,750	1,411,398
Non-Current -	3,203,867	2,122,470
Government Bonds	161,705	111,440
Corporate Bonds	3,365,572	2,233,910
	3,988,322	3,645,308
Fair value through other comprehensive income		
Equities	14,143	13,053
	14,143	13,053
	4,002,465	**3,658,361**

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

9. Accounts Receivables:

	30 September 2021 $'000	30 September 2020 $'000
Prepayments	341	473
Loan receivable	121	210
Other receivables	5,224	10
	5,686	693

10. Cash and Cash Equivalents:

	30 September 2021 $'000	30 September 2020 $'000
Cash held at the Central Bank of Trinidad and Tobago	123,025	160,131
Cash held at other financial institutions	5,266	5,390
Cash on hand	7	6
	128,298	165,527

11. Stated Capital:

The Corporation is a statutory body, the authorized and issued capital of which is fixed by the Central Bank Act Chapter 79:02 in the amount of $1,000,000. However, an increase may be approved by the Minister to whom the responsibility for finance is assigned.

12. Staff Cost:

	30 September 2021 $'000	30 September 2020 $'000
Salaries and overtime	5,255	5,644
Staff allowance	1,249	1,397
Gratuity	395	389
Directors' fees	312	324
Pension contributions **(Note 11)**	339	320
National Insurance contributions	257	267
Staff benefits	162	95
Medical and workmen compensation insurance	178	162
	8,147	8,598

13. General and Administrative Expenses:

	30 September 2021 $'000	30 September 2020 $'000
Information technology	756	661
Security services	675	683
Repairs and maintenance	531	501
Professional fees	464	466
Broker fees	29	264
Janitorial services	286	255
Utilities	183	192
Training and education	89	160
International Association of Deposit Insurers membership fees	174	131
Conferences and official visits	-	122
Public relations and advertising	532	124
Telecommunications	113	114
Printing and stationery	68	93
Property services	51	53
Motor vehicles repairs and maintenance	56	36
Archiving	22	22
Equipment rental	-	15
Miscellaneous	11	8
Library services	6	6
Meeting expenses	1	6
Loss on disposal of property and equipment	-	3
	4,047	3,915

14. Retirement Benefits:

The Corporation does not operate a pension plan but a non-compulsory arrangement exists whereby the Corporation contributes 150% of an employee's contribution to an approved individual annuity or the Individual Retirement Unit Account of the Trinidad and Tobago Unit Trust Corporation up to a maximum of 10% of an employee's base salary. Costs incurred during the year ended 30 September 2021 were **$339,446** (2020: $319,937).

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

15. Related Party Transactions:

Related party balances -

A party is related to the Corporation if:

(a) The party is an associate of the Corporation;

(b) The party is, directly or indirectly, either under common control with the Corporation or has significant or joint control over the Corporation;

(c) The party is a close family member of a person who is part of key management personnel or who controls the Corporation;

(d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Corporation;

(e) The party is a joint venture in which the Corporation is a venture partner;

(f) The party is a member of the Corporation's or its parent's key management personnel;

Significant aspects of the relationship between the Corporation and the Central Bank of Trinidad and Tobago (the Central Bank) are as follows:

(a) Capital contribution

The paid-up capital has been contributed entirely by the Central Bank.

(b) Representation on the Board of Management (Section 44Q (1) (a))

Two members represent the Central Bank on the Board of Management Corporation.

	30 September 2021 $'000	30 September 2020 $'000
Transactions with the Central Bank of Trinidad and Tobago		
Balance as at 1 October 2020	-	(1)
Personnel and administration expenses reimbursable to the Central Bank of Trinidad and Tobago	-	(5)
Reimbursements made by the Corporation	-	6
Balance as at 30 September 2021	-	-

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

15. Related Party Transactions (Cont'd):

Key management personnel compensation

	30 September 2021 $'000	30 September 2020 $'000
Short-term employee benefits	3,100	3,174
Post-employment benefits	122	121
	3,222	3,295

16. Employees:

At 30 September 2021 the Corporation had in its employ a staff of 25 persons (2020: 26).

17. Fair Values of Financial Instruments:

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

(a) Valuation models

The Corporation's accounting policy on fair value measurements is discussed in accounting policy 2.6 (vii).

The Corporation measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

17. Fair Values of Financial Instruments (Cont'd):

(b) Financial instruments measured at fair value – fair value hierarchy

At year-end, the following financial instruments were measured at fair value.

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
As at 30 September 2021				
Investment - equities	14,143	-	-	14,143
As at 30 September 2020				
Investment - equities	13,053	-	-	13,053

The following financial instruments were not measured at fair value.

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Fair value ($'000)	Carrying Amount ($'000)
As at 30 September 2021					
Investment at amortised cost	-	4,108,119	-	4,108,119	3,988,322
As at 30 September 2020					
Investment at amortised cost	-	3,711,623	-	3,711,623	3,645,308

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

18. Classification of Financial Assets and Financial Liabilities:

The following table provides a reconciliation between line items in the Statement of Financial Position and the categories of financial instruments.

	Fair value Through other Comprehensive Income $'000	Amortised Cost $'000	Total $'000
Year ended 30 September 2021			
Assets			
Investments	14,143	3,988,322	4,002,465
Liquidation advances recoverable	-	42	42
Accounts receivable	-	5,345	5,345
Cash and cash equivalents	-	128,298	128,298
Total financial assets	14,143	4,122,007	4,136,150
Liabilities			
Account payable	-	978	978
Total financial liabilities	-	978	978
Year ended 30 September 2020			
Assets			
Investments	13,053	3,645,308	3,658,361
Liquidation advances recoverable	-	13	13
Account receivable	-	220	220
Cash and cash equivalents	-	165,521	165,521
Total financial assets	13,053	3,811,062	3,824,115
Liabilities			
Accounts payable	-	1,430	1,430
Total Financial Liabilities	-	**1,430**	**1,430**

DEPOSIT INSURANCE CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2021

19. <u>Subsequent Events:</u>

Management has evaluated the possibility of subsequent events existing in the Corporation's financial statements from 1 October 2021 through [Date], the date the financial statements were available to be issued. Management has determined that there are no material events that would require adjustment or disclosure in the Corporation's financial statement.

The 2019 Novel Coronavirus infection ("coronavirus") or "COVID-19" outbreak poses a serious public health threat. It has interrupted the movement of people and goods throughout the world; many levels of government are instituting restrictions on individuals and businesses.

COVID-19 did not have a significant impact on the operations of the Corporation.

20. <u>Contingent Liability:</u>

The Corporation is defending a claim for constructive dismissal and/or breach of contract made against it by a former employee and filed in September 2016. The claimant in the proceedings has claimed an amount between $2Mn - $3.65Mn. The matter is still in its preparatory stage with the next hearing schedule for May 2022.