



**REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL'S DEPARTMENT**

**R E P O R T
O F T H E
A U D I T O R G E N E R A L**

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

FOR THE YEAR ENDED

31 December, 2016



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

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO UNIT TRUST CORPORATION FOR THE YEAR ENDED 31 DECEMBER, 2016

OPINION

The consolidated financial statements of the Trinidad and Tobago Unit Trust Corporation (the Corporation) for the year ended 31 December, 2016 have been audited. The statements as set out on pages 1 to 69 comprise a Consolidated Statement of Financial Position as at 31 December, 2016, 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, 2016 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 my 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 CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS

7. The Auditor General's responsibility is to express an opinion on these consolidated financial statements in accordance with section 30 (4) of the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03 based on the audit.

8. The Auditor General's objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Corporation's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in his audit report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtains sufficient appropriate audit evidence regarding, the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. The Auditor General is responsible for the direction, supervision and performance of the audit of the Corporation. The Auditor General remains solely responsible for his audit opinion.
10. The Auditor General communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

15th MARCH, 2017
PORT OF SPAIN




MAJEED ALI
AUDITOR GENERAL

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December, 2016

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-16 \$ '000	31-Dec-15 \$ '000
ASSETS			
Cash and Cash Equivalents	3	2,454,393	1,702,425
Receivables		155,205	181,286
Prepayments and Other Assets		36,615	253,625
Investment Securities	4	18,892,079	18,928,502
Property, Plant and Equipment	5	160,725	165,296
Intangible Assets	6	1,267	1,428
Deferred Tax Asset	7	383	85
TOTAL ASSETS		21,700,667	21,232,647
LIABILITIES			
Accounts Payable and Short-term Liabilities		88,479	67,286
Financial Instruments	9	-	60,276
Distribution Payable		58,073	54,935
Pension and Other Post-retirement Liabilities	10	13,982	13,485
Price Guarantee Provision	11	29,403	4,943
Net Assets Attributable to Unitholders	12	20,153,212	19,766,638
Other Liabilities		1,100	1,647
TOTAL LIABILITIES		20,344,249	19,969,210
EQUITY			
Statutory Reserves	13	5,700	5,050
Revaluation Reserve	14	28,566	40,755
Retained Income		1,322,152	1,217,632
		1,356,418	1,263,437
TOTAL LIABILITIES AND EQUITY		21,700,667	21,232,647



Chairman



Executive Director

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December, 2016

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-16 \$'000	31-Dec-15 \$'000
INCOME			
Investment Income -	15,16		
Growth & Income Fund		430,203	283,155
TT\$ Income Fund		383,713	283,123
Universal Retirement Fund		15,346	8,620
US\$ Income Fund		111,451	104,239
Net Investment Income - Group Operations	16	58,464	85,782
Realized Gains Re-classified from Equity	17	34,629	32,297
Initial Charge		8,098	9,434
Other Income		10,618	5,738
Total Income		1,052,522	812,388
EXPENSES			
Commissions		(13,027)	(14,781)
Impairment	18	(99,441)	(113,746)
Administrative	19	(263,393)	(242,104)
Depreciation and Amortisation		(15,152)	(13,698)
Total Expenses		(391,013)	(384,329)
Net Income before Guarantee Charges		661,509	428,059
Price Guarantee Charge	11	(25,664)	(5,354)
Net Income after Guarantee Charges		635,845	422,705
Distributions to Unitholders	24	(239,348)	(164,894)
Allocation by Funds to Reserves	31,32,34	(11,905)	(11,505)
Income Capitalized	33	(8,572)	(1,159)
Net Income Attributable to Unitholders		(264,953)	(101,175)
Net Income before Taxation		111,067	143,972
Taxation	8	(6,572)	(9,347)
Net Income for the year		104,495	134,625

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2016

Expressed in Trinidad and Tobago dollars

	Notes	31-Dec-16 \$'000	31-Dec-15 \$ '000
Net Income for the year		104,495	134,625
Other Comprehensive Income:			
<i>Amounts that may be transferred to Profit or Loss in the future:</i>			
Revaluation of Available-for-Sale Financial Assets	14	28,954	(85,492)
Exchange Translation differences		(11,949)	(3,428)
<i>Amounts that will not be transferred to Profit or Loss in the future:</i>			
Re-measurements of Pension and Other Post Retirement Liabilities	10	5,435	6,738
		22,440	(82,182)
Fair Value gains transferred to Profit or Loss	17	(34,629)	(32,297)
Other Comprehensive Loss for the year		(12,189)	(114,479)
Total Comprehensive Income for the year		92,306	20,146

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2016

Expressed in Trinidad and Tobago dollars

	Note	Statutory Reserves \$'000	Revaluation Reserve \$'000	Retained Income \$'000	Total \$'000
Balance as at 1 January, 2016		5,050	40,755	1,217,632	1,263,437
Total Comprehensive Income for the year		-	(12,189)	104,495	92,306
Adjustment re: Subsidiaries		-	-	675	675
Statutory Reserve-Bureau de Change	13	650	-	(650)	-
Balance as at 31 December, 2016		5,700	28,566	1,322,152	1,356,418
Balance as at 1 January, 2015		5,050	155,234	1,075,956	1,236,240
Total Comprehensive Income for the year		-	(114,479)	134,625	20,146
Adjustment re: Subsidiaries		-	-	7,051	7,051
Balance as at 31 December, 2015		5,050	40,755	1,217,632	1,263,437

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

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, 2016

Expressed in Trinidad and Tobago dollars

	31-Dec-16 \$ '000	31-Dec-15 \$ '000
OPERATING ACTIVITIES		
Net Income before Taxation	111,067	143,972
<i>Adjustment to reconcile net income to net cash and cash equivalents from operating activities:</i>		
Net Income Attributable to Unitholders	524,778	278,734
Depreciation and Amortisation	15,152	13,698
Impairment - Non-financial Assets	6,823	-
Impairment - Financial Assets	99,441	113,746
Loss on sale of Property, Plant and Equipment	636	58
Price Guarantee Provision	25,664	5,354
Revaluation of Reserve Assets	2,990	375
Interest on Reserve Assets	823	583
Other Gains	(2,231)	-
	785,143	556,520
<i>Movements in Net Current Assets</i>		
Decrease/(Increase) in Receivables	26,081	(17,552)
Decrease/(Increase) in Prepayments and Other Assets	210,187	(234,595)
Increase/(Decrease) in Accounts Payable and Liabilities	20,348	(2,471)
Increase in Distribution Liability	3,137	19,554
Decrease in Pension and Other Post-retirement Liabilities	(4,938)	(4,987)
	1,039,958	316,469
Taxation paid	(6,572)	(9,347)
Net Cash Flow From Operating Activities	1,033,386	307,122
INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(10,988)	(14,276)
Disposal of Property, Plant and Equipment	253	98
Purchase of Intangible Assets	(324)	(288)
Purchase of Investment Securities	(10,933,342)	(9,427,524)
Disposal of Investment Securities	10,880,751	8,941,594
Net Cash Used In Investing Activities	(63,650)	(500,396)
FINANCING ACTIVITIES		
Subscriptions from Unitholders	2,628,318	2,520,841
Redemptions by Unitholders	(2,577,659)	(2,343,565)
Repayment of Financial Instruments	(60,276)	(512,914)
Distribution Payments to Unitholders	(239,348)	(164,894)
Guarantee Reserve Payment	(2,204)	(5,133)
Net Cash Used In Financing Activities	(251,169)	(505,665)
Net Gain on Foreign Exchange	33,401	2,925
Net Increase/(Decrease) In Cash and Cash Equivalents	751,968	(696,014)
Cash and Cash Equivalents at beginning of year	1,702,425	2,398,439
Cash and Cash Equivalents at end of year	2,454,393	1,702,425

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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements For the year ended 31 December, 2016

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 eleven (11) entities during the first six months of 2016 and ten (10) entities for the latter half of 2016 (2015:11), one of which is in the process of liquidation, namely:

- i. UTC Energy Investments 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 dissolution procedures of Energy Investments Limited will be completed during the fourth quarter of 2017.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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) and the Act. 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. Though adjustments may be made for depreciation or impairment, the historical cost convention requires that assets acquired are carried at the value of the consideration originally given in exchange for the assets acquired. Fair value on the other hand adjusts the carrying value of assets and liabilities to reflect the price that would be received to sell the asset, or paid to transfer the liability, in an orderly transaction between market participants at the reporting date.
- 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 fixed assets, intangible assets and investment securities (See Notes 18 and 19);
 - (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 11);
 - (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, 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, 2016

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) Changes in Accounting Policies

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

On 1 January 2016 the Group adopted the following improvements and amendments to IFRSs, which are relevant to its operations:

- *Amendments to IAS 1 – Presentation of Financial Statements: Disclosure Initiative (effective 1 January 2016).*

The amendment addresses the issue of perceived impediments to preparers exercising judgement in presenting financial reports. The amendment clarifies that, the materiality requirements apply to all parts of the financial statements and information should not be obscured by aggregating or providing immaterial information. Specific line items in the Statement of Financial Position, Statement of Profit or Loss and the Statement of Other Comprehensive Income (OCI) can be disaggregated or aggregated as relevant and the entity's share of OCI of an equity-accounted associate and joint venture should be presented as a single line and classified between those items that will or will not be subsequently reclassified to profit or loss. The amendment also gives entities the flexibility as to the order in which the notes to the financial statements are presented. Adoption of this amendment had no impact on these Consolidated Financial Statements.

- *Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (effective 1 January 2016).*

The amendments address the issues which arose in applying the investment entities exemption under IFRS 10 Consolidated Financial Statements. The amendments clarify that:

- the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value;
- only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated;
- the investor, when applying the equity method, retains the fair value measurement applied by the investment entity, associate or joint venture to its interests in subsidiaries; and
- an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

Adoption of this 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, 2016

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*

There are new IFRSs and amendments to IFRSs that the Group did not early adopt in 2016. These new standards and amendments were not applied in the preparation of these Financial Statements. The standards and amendments 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 with early adoption permitted. IFRS 9 replaces IAS 39 Financial Instruments – Recognition and Measurement. Adoption of IFRS 9 will primarily impact the classification and measurement of the Group's financial assets.

- ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 was issued on 28 May 2014 and supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. The standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is mandatory for annual Financial Statements beginning on or after 1 January 2017. Adoption of IFRS 15 will not impact the Group's Financial Statements.

- ***IFRS 16 Leases***

IFRS 16 was issued on 13 January 2016 and supersedes IAS 17 Leases, and related interpretations. The standard sets out the principles for recognition, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 is mandatory for annual reporting periods beginning on or after 1 January 2019. A company may elect to early adopt IFRS 16 only if it also early adopts IFRS 15 - Revenue from Contracts with Customers. Management has not adopted IFRS 16 (see paragraph immediately above).

- ***IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Un-realised Losses***

The amendment was issued on 19 January 2016 and addresses issues such as: whether un-realised 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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

b) Changes in Accounting Policies (continued)

- *IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Un-realised Losses (continued)*

the reversal of those deductible temporary differences. The amendment is mandatory for annual reporting periods beginning on or after 1 January 2017. Adoption of the amendment will not impact the Group's Financial Statements.

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 26). The Corporation and the entities consolidated are referred to as the Group hereafter.

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.

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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

c) Basis of Consolidation (continued)

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: 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 accounts 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 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 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. Unrealized gains and losses from changes in the fair value of investments classified as available-for-sale are recognized in OCI. When available-for-sale financial assets are disposed of, or are impaired, the related 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.
- 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.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

d) Investment Securities (continued)

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

During 2016, the Group valued substantially all of 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 results generated by the model were broadly similar to those provided by the firm of valuers which valued the Group's illiquid assets during 2015 and early 2016.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

e) Fair Value Estimation – Investment Securities (continued)

The model used assumptions based on market conditions existing at the reporting date. Some of the inputs used however were 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 continuously reviews the model to ensure that the indicative prices generated are closely aligned with values observed for actual market transactions.

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 2015 and 2016.
- **Level 3.** Level 3 inputs are unobservable inputs for the asset or liability.

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, 2016

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 2015 and 2016

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, 2016

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 Other Comprehensive Income (OCI), to the Consolidated Statement of Profit or Loss Account.

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 criteria for available-for-sale bonds mentioned 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, it is regarded as evidence that the asset is impaired. If any such evidence exists for available-for-sale equity investments, the cumulative unrealized 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 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 Corporation 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 materially covered 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, 2016

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 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 are depreciated using a rate of 25% per annum on the reducing balance.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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 intangible assets 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.

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, 2016

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 are recognized in the accounting period during which services are rendered by employees.

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 comprise a small portion of the Group's pension plan benefits (see Note 10). 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 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. 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, 2016

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 has been 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 services provided by Group entities.

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 payment is established. Realized investment gains and losses are also recognized as revenue in the Consolidated Statement of Profit or Loss.

p) Borrowings

Borrowings are recognized initially at fair value, and are subsequently stated at amortized cost. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalized. A qualifying asset is an asset which takes a substantial amount of time to be ready for use or sale. The Corporation does not borrow to finance the acquisition, construction or production of qualifying assets.

q) Segment Reporting

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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

2) Significant Accounting Policies (continued)

r) 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 \$646 million (2015: \$582 million).

s) 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 subsidiaries, based on the applicable laws in each jurisdiction. Taxes are recognized as an expense in the period in which profits 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, 2016

Expressed in Trinidad and Tobago Dollars

3) Cash and Cash Equivalents

Cash and cash equivalents are analyzed below:

	2016	2015
	\$'000	\$'000
Corporation	648,044	389,485
Locally Domiciled Funds	1,783,127	1,296,758
Foreign Funds	3,315	1,034
Other Group Entities	19,907	15,148
	<u>2,454,393</u>	<u>1,702,425</u>

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 (see Note 21).

4) Investment Securities

The Group re-classified a substantial portion of its held-to-maturity bonds and private equity interests to available-for-sale during the course of 2015. The re-classification of the securities provides users with better information to evaluate the financial position and performance of the investments.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

4) Investments Securities (continued)

	2016 \$'000	2015 \$'000
<u>Held-to-maturity investments carried at cost or amortized cost:</u>		
Bonds classified as held-to-maturity at 1 January	-	5,349,012
Carrying value of bonds re-classified to available-for-sale during 2015	-	(5,349,012)
<i>Held-to-maturity Bonds at 31 December</i>	-	-
Unquoted equity	2,304	649
<i>Held-to-maturity unquoted equity at 31 December</i>	2,304	649
Short-term Investments at 1 January	-	3,975,193
Short-term Investments re-classified to available-for-sale during 2015	-	(3,975,193)
<i>Held-to-maturity Short-term Investments at 31 December</i>	-	-
Held-to-maturity investments carried at cost	2,304	649
<u>Available-for-sale assets carried at fair value:</u>		
Bonds classified as available-for-sale at 1 January	10,682,865	5,959,987
Carrying value of bonds re-classified from held to maturity during 2015	-	5,349,012
<i>Available-for-sale Bonds at 31 December</i>	10,682,865	11,308,999
Equity	3,276,963	3,533,844
<i>Available-for-sale Equity at 31 December</i>	3,276,963	3,533,844
Private Equity	77,516	104,729
Short-term Investments	4,818,652	3,975,193
Mutual Funds	33,779	5,088
<i>Available-for-sale Private Equity, Mutual Funds and Short-term Investments</i>	4,929,947	4,085,010
Available-for-sale assets carried at fair value	18,889,775	18,927,853
Total Investment Securities	18,892,079	18,928,502

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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 Level 3 investment securities carried at cost or amortized cost is provided below.

	2016		2015	
	Carrying Value \$'M	Carrying Value \$'M	Carrying Value \$'M	Fair Value \$'M
Unquoted Equity (see Note 4f)	2.3	2.3	0.6	0.6
	<u>2.3</u>	<u>2.3</u>	<u>0.6</u>	<u>0.6</u>

b) The Fair Value Hierarchy for Investment Securities

The Group's investment securities are analyzed by the fair valuation hierarchy below:

Fair Value Hierarchy for Investment Securities December 2016

	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
Recurring fair value measurements				
Held-to-maturity investments carried at cost or amortized cost:				
Unquoted Equity	-	-	2,304	2,304
	<u>-</u>	<u>-</u>	<u>2,304</u>	<u>2,304</u>
Available-for-sale assets carried at fair value:				
Bonds	29,045	-	10,653,820	10,682,865
Equity	3,274,855	-	2,108	3,276,963
Private Equity	-	-	77,516	77,516
Short-term Investments	4,818,652	-	-	4,818,652
Mutual Funds	33,779	-	-	33,779
	<u>8,156,331</u>	<u>-</u>	<u>10,733,444</u>	<u>18,889,775</u>
Total Investment Securities	<u>8,156,331</u>	<u>-</u>	<u>10,735,748</u>	<u>18,892,079</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

4) Investment Securities (continued)

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

Fair Value Hierarchy for Investment Securities December 2015

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
Held-to-maturity investments carried at cost or amortized cost:				
Unquoted Equity	-	-	649	649
	-	-	649	649
Available-for-sale assets carried at fair value:				
Bonds	43,662	-	11,265,337	11,308,999
Equity	3,524,736	-	9,108	3,533,844
Private Equity	-	-	104,729	104,729
Short-term Investments	3,975,193	-	-	3,975,193
Mutual Funds	5,088	-	-	5,088
	7,548,679	-	11,379,174	18,927,853
Total Investment Securities	7,548,679	-	11,379,823	18,928,502

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

4) Investment Securities (continued)

c) Transfers between Fair Value Hierarchy Levels.

There were no transfers between the Fair Value Hierarchy Levels during 2016 and 2015.

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 instruments classified as Level 2 investments at 31 December 2016 and 2015 (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 and trading is infrequent. 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:

During 2015 the Group re-classified all of its held-to-maturity bonds to available-for-sale and engaged a firm of independent valuers to value its illiquid bonds.

In 2016 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 results generated by the model were broadly similar to those provided by the firm of valuers which valued the Group's illiquid assets during 2015 and early 2016.

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 continuously reviews the model to ensure 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, 2016

Expressed in Trinidad and Tobago Dollars

4) Investment Securities (continued)

f) Fair Value Estimation – 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 2016 and 2015.

Short-term Investments:

The value of the Group's short-term investments approximate its carrying value.

Available-for-sale Bonds:

Traded 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.

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 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:					
Bonds	-	Not applicable	Not applicable	Not applicable	Not applicable
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	2	Cost	Not applicable	Not applicable	Not applicable
Private Equity	<u>78</u>	General partner's valuation	Not applicable	Not applicable	Not applicable
Sub-total	<u>10,734</u>				
TOTAL	<u>10,736</u>				

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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 - 2016

	Carrying Value Level 3 Securities 1/1/2016 S'M	Purchases/ Capitalized Interest S'M	Re-class S'M	Sales/ Repayments /Maturities S'M	Net Gains/ (Losses) recognized in Profit or Loss S'M	Un-realized Gains/ Losses recognized in OCI S'M	Carrying Values Level 3 Securities 31/12/2016 S'M	Fair Values S'M
Held-to-maturity assets carried at cost or amortized 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	9.0	-	-	(6.9)	-	-	2.1	2.1
Private Equity	104.7	-	-	(27.2)	-	-	77.5	77.5
	<u>11,379.0</u>	<u>2,444.7</u>	<u>-</u>	<u>(3,270.7)</u>	<u>(72.4)</u>	<u>252.8</u>	<u>10,733.3</u>	<u>10,733.4</u>
TOTAL	<u>11,379.7</u>	<u>2,446.3</u>	<u>-</u>	<u>(3,270.7)</u>	<u>(72.4)</u>	<u>252.8</u>	<u>10,735.6</u>	<u>10,735.7</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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 2015.

As at 31 December 2015					
	Level 3 fair value 2015	Valuation Technique used	Significant unobservable inputs	Possible shift in inputs +/-	Change in valuation +/-
	\$'M				\$'M
Held-to-maturity investments carried at amortized cost:					
Bonds	-	Not applicable	Not applicable	Not applicable	Not applicable
Equity	<u>1</u>	Not applicable	Not applicable	Not applicable	Not applicable
Sub-total	<u>1</u>				
Available-for-sale investments carried at fair value					
Bonds	11,265	Independent Valuator, Trading prices	Not applicable	Not applicable	Not applicable
Equity	9	Trading prices at reporting date	Not applicable	Not applicable	Not applicable
Private Equity	<u>105</u>	General partner's valuation	Not applicable	Not applicable	Not applicable
Sub-total	<u>11,379</u>				
TOTAL	<u>11,380</u>				

Summary of Level 3 transactions - 2015 (continued)

	Carrying Value Level 3 Securities 1/1/2015 \$'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 31/12/2015 \$'M	Fair Values \$'M
Held-to-maturity assets carried at cost or amortized cost:								
Bonds	5,521.8	-	(5,521.8)	-	-	-	-	-
Equity	0.6	-	-	-	0.1	-	0.7	0.7
	<u>5,522.4</u>	-	<u>(5,521.8)</u>	-	<u>0.1</u>	-	<u>0.7</u>	<u>0.7</u>
Available-for-sale assets carried at fair value								
Bonds	2,050.5	7,085.8	5,521.8	(3,478.3)	-	85.5	11,265.3	11,265.3
Equity	475.6	-	-	(466.6)	-	-	9.0	9.0
Private Equity	129.4	-	-	-	(12.0)	(12.7)	104.7	104.7
	<u>2,655.5</u>	<u>7,085.8</u>	<u>5,521.8</u>	<u>(3,944.9)</u>	<u>(12.0)</u>	<u>72.8</u>	<u>11,379.0</u>	<u>11,379.0</u>
TOTAL	<u>8,177.9</u>	<u>7,085.8</u>	<u>-</u>	<u>(3,944.9)</u>	<u>(11.9)</u>	<u>72.8</u>	<u>11,379.7</u>	<u>11,379.7</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

5) Property, Plant and Equipment

	Land S'000	Building S'000	Office Improvement S'000	Motor Vehicles S'000	Office & Computer Equipment S'000	Office Furniture S'000	Total S'000
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)	(24,923)	(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
Year ended 31 Dec, 2015							
Opening Net Book Value	16,096	104,226	15,666	1,375	21,739	4,358	163,460
Acquisitions	-	-	2,252	-	10,628	1,396	14,276
Re-classifications	-	-	-	-	(6)	6	-
Disposals	-	-	-	(97)	(59)	-	(156)
Depreciation/Amortization	(22)	(2,809)	(3,106)	(280)	(5,220)	(847)	(12,284)
Closing Net Book Value	16,074	101,417	14,812	998	27,082	4,913	165,296
As at 31 Dec, 2015							
Cost	16,569	139,427	53,078	3,456	82,643	23,853	319,026
Accumulated Depreciation/Impairment charges	(495)	(38,010)	(38,266)	(2,458)	(55,561)	(18,940)	(153,730)
Net Book Value	16,074	101,417	14,812	998	27,082	4,913	165,296

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

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

Land

Land includes leasehold land of \$2.2 million (2015: \$2.2 million) and freehold land of \$14.4 million (2015: \$14.4 million).

Fair Value Land and Buildings

The fair value of land and buildings was estimated at \$192.6 million at 31 December (2015: \$194.6 million). Land and buildings are valued by independent professional valuers every three years. Information related to the valuation of land and buildings at 31 December 2016 is provided in the table below:

Property	Cost \$'M	Independent Valuation \$'M	Date of last valuation	Fair value 31 Dec 2016 \$'M	Valuation Level
Leasehold Land	2.2	17.0	22 Jan 2016	17.0	Level 1
Freehold Land	14.4	61.9	24 Nov 2015	61.9	Level 2
Building	70.9	75.0	22 Jan 2016	75.0	Level 1
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

	2016 \$'000	2015 \$'000
Year ended 31 December		
Opening Net Book Value	1,428	2,554
Acquisitions	324	288
Amortization	(485)	(1,414)
Closing Net Book Value	1,267	1,428
As at 31 December		
Cost	53,054	52,729
Accumulated Amortization	(51,787)	(51,301)
Net Book Value	1,267	1,428

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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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:

	2016	2015
	\$'000	\$'000
Tax losses carried forward	(383)	(85)
Accelerated tax depreciation	-	-
Net deferred (asset)/liability	(383)	(85)

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

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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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7) Deferred Tax (continued)

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	<u>(383)</u>
Charge to Equity 2016	<u>85</u>
Balance as at 31 December 2016	<u>(383)</u>

8) Taxation

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

	2016 \$'000	2015 \$'000
Net Income before taxation	111,067	143,972
Less: Income taxed at 0%	<u>(110,928)</u>	<u>(142,903)</u>
Net Income subject to tax	<u>139</u>	<u>1,069</u>
Corporation Tax at 25% for local subsidiaries	-	2
Corporation Tax for foreign subsidiaries	(863)	1,968
Withholding Tax	5,795	6,719
Business Levy payments	163	155
Green Fund Levy payments	<u>1,477</u>	<u>503</u>
Tax charge	<u>6,572</u>	<u>9,347</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

9) Financial Instruments

	Term	2016 \$'000	2015 \$'000
Fixed-term Funding	Less than 1 year	-	60,276
Total		<u>-</u>	<u>60,276</u>

Fixed-term funding represents financial liabilities in the form of Investment Note Certificates all of which were originated with maturities of less than one year. No Investment Note Certificates were issued during 2016.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

10) 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:

	2016 \$'000	2015 \$'000
Opening present value of defined benefit obligation	171,460	160,803
Current service costs	8,080	8,413
Plan participant contributions	3,315	3,623
Interest cost	4,710	3,891
Actuarial gains on obligation	(939)	(1,659)
Benefit and expenses paid	(4,491)	(3,611)
Closing present value of defined benefit obligation	182,135	171,460

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

	2016 \$'000	2015 \$'000
Opening fair value of Plan assets	174,287	163,202
Expected return on Plan assets	8,917	8,414
Actuarial loss on Plan assets	(6,132)	(7,485)
Employer contributions for current service	9,283	10,144
Plan participant contributions for current service	3,315	3,623
Benefits and expenses paid	(4,491)	(3,611)
Closing fair value of Plan assets	185,179	174,287

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

10) 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:

	2016 \$'000	2015 \$'000
Present value of the defined benefit obligation	(182,135)	(171,460)
Fair value of Plan assets	185,179	174,287
Sub-total	3,044	2,827
Un-recognized asset due to limit in IAS 19:64 (b)	(3,044)	(2,827)
Liability recognized in the Consolidated Statement of Financial Position	-	-

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

	2016 \$'000	2015 \$'000
Current service costs	8,080	8,413
Net interest costs	(4,207)	(4,524)
Total recognized in Staff Costs	3,873	3,889

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

	2016 \$'000	2015 \$'000
Actuarial losses	5,193	5,826
IAS 19: 64 (b) limit	217	428
	5,410	6,254

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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10) Pension and Other Post Retirement Benefits (continued)

a) Pension benefits (continued)

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

	2016	2015
	%	%
Universal Retirement Fund	74.0	73.0
TT\$ Income Fund	26.0	27.0

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

	2016	2015
	\$'000	\$'000
Actual return	2,785	929

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:

	2016	2015
	%	%
Discount rate at 31 December	5.0	5.0
Future salary increases	5.0	5.0

ix. The Group expects to contribute \$9.7 million to the Plan in 2017.

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, 2016

Expressed in Trinidad and Tobago Dollars

10) 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:

	2016 \$'000	2015 \$'000
Present value of the defined benefit obligations of the Group Life Scheme		
Opening present value of defined benefit obligations	1,753	1,663
Current service costs	114	111
Interest costs	91	86
Actuarial (gains)/losses on obligations	(76)	(17)
Benefits paid	(89)	(90)
Closing present value of defined benefit obligations	1,793	1,753

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

	2016 \$'000	2015 \$'000
Opening fair value of Plan assets	-	-
Employer contributions for current service	89	90
Benefits paid	(89)	(90)
Closing fair value of Plan assets	-	-

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

	2016 \$'000	2015 \$'000
Present value of the defined benefit obligation	1,793	1,753
Liability recognized in the Consolidated Statement of Financial Position	1,793	1,753

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

10) 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:

	2016 \$'000	2015 \$'000
Current service costs	114	111
Net interest costs	91	86
Expense recognized in the Consolidated Statement of Profit or Loss	205	197

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

	2016 \$'000	2015 \$'000
Experience gains - Demographic	(76)	(17)
Total actuarial gains recognized in the Consolidated Statement of Comprehensive Income	(76)	(17)

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:

	2016 \$'000	2015 \$'000
Present value of the defined benefit obligations of the Medical Benefit Scheme		
Opening present value of defined benefit obligation	11,732	10,071
Current service costs	808	751
Interest costs	602	519
Actuarial (gains)/losses	(771)	562
Benefits paid	(182)	(171)
Closing present value of defined benefit obligation	12,189	11,732

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

10) Pension and Other Post Retirement Benefits (continued)

c) Medical Benefits (continued)

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

	2016 \$'000	2015 \$'000
Opening fair value of Plan assets		-
Employer contributions for current service	182	171
Benefits paid	(182)	(171)
Closing fair value of Plan assets	<u>-</u>	<u>-</u>

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

	2016 \$'000	2015 \$'000
Present value of the defined benefit obligation	<u>12,189</u>	<u>11,732</u>
Liability recognized in the Consolidated Statement of Financial Position	<u>12,189</u>	<u>11,732</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

10) 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:

	2016 \$'000	2015 \$'000
Current service costs	808	751
Net interest costs	602	519
Expense recognized in the Consolidated Statement of Profit or Loss	1,410	1,270

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

	2016 \$'000	2015 \$'000
Experience (gains)/losses - Demographic	(771)	562
Total Actuarial (gains)/losses recognized in the Consolidated Statement of Comprehensive Income	(771)	562

In addition to the pension benefit actuarial assumptions at 10 (a) (viii) above, the Medical Benefit Scheme benefit obligation calculation assumes that long term health costs will increase by 3% (2015: 3%).

A summary of the post retirement liabilities are as follows:

	2016 \$'000	2015 \$'000
Pension liability (see Note 10 (a) (iii) above)	-	-
Group Life liability (see Note 10 (b) (iii) above)	1,793	1,753
Medical Benefit liability (see Note 10(c) (iii) above)	12,189	11,732
Total	13,982	13,485

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

11) Guarantee Pricing Liability

The Growth and Income Fund (G&IF) guarantees under the Guarantee Pricing Plan, that 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. 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 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 \$46.6 million should be provided. Given that the actual liability at 31 December was \$29.4 million, Management has provided for the full liability of \$29.4 million (2015: \$4.9 million).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

12) 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/share holders 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	2016 \$'000	2015 \$'000
Initial Capital Growth and Income Fund	4,766	4,766
Unit Capital Growth and Income Fund	4,728,341	4,640,532
Unit Capital TT\$ Income Fund	10,837,890	10,657,135
Unit Capital Universal Retirement Fund	304,898	288,271
Unit Capital US\$ Income Fund	<u>4,228,247</u>	<u>4,111,072</u>
Sub-total locally domiciled Funds	<u>20,104,142</u>	<u>19,701,776</u>
North American Fund (non-group interests)	<u>49,070</u>	<u>64,862</u>
Sub-total corporate bodies	<u>49,070</u>	<u>64,862</u>
Net Assets Attributable to Unitholders	<u>20,153,212</u>	<u>19,766,638</u>

COMPUTATION OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	2016 \$'000	2015 \$'000
Cash and Cash Equivalents	1,785,523	1,297,254
Receivables	375,247	498,431
Investment Securities	<u>18,427,408</u>	<u>18,273,340</u>
Total Assets	<u>20,588,178</u>	<u>20,069,025</u>
Less: Liabilities	(202,837)	(121,626)
Less: Group holdings in North American Fund	<u>(232,129)</u>	<u>(180,761)</u>
Net Assets Attributable to Unitholders	<u>20,153,212</u>	<u>19,766,638</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

12) 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 was \$4.8 million (2015: \$4.8 million).

Unit Capital in line two of 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 31-34. Summarized information for the North American Fund is provided in Note 35.

13) 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.

14) Revaluation Reserve

The revaluation reserve reflects un-realized capital appreciation and depreciation from changes in the fair values of available-for-sale financial instruments and foreign currency translation differences related to such financial instruments and revaluations related to the Pension Plan. 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.

15) 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 2016 (2015: nil).

16) Net Investment Income – Group Operations

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

	2016 \$'000	2015 \$'000
Net Investment Income		
Interest and Other Fee Income	61,309	94,242
Interest Expense and Other Charges	(2,845)	(8,460)
Total	58,464	85,782

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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17) 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 \$35 million (2015: \$32 million).

18) Impairment

The Group recognised impairment charges of \$99 million during 2016. A summary of the impairment charges for 2016 and 2015 is as follows.

	2016 \$'000	2015 \$'000
Entity		
Growth and Income Fund	4,227	9,590
TT\$ Income Fund	854	40,411
Universal Retirement Fund	187	1,301
US\$ Income Fund	<u>21,216</u>	<u>22,127</u>
Sub-total	26,484	73,429
Corporation and subsidiaries	<u>72,957</u>	<u>40,317</u>
Total	<u>99,441</u>	<u>113,746</u>

A portion of the impairment charges recognized, represents amounts previously recognized as un-realised 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.

	2016 \$'000	2015 \$'000
Impairments which impacted the carrying value of assets	95,027	108,825
Impairments which did not impact the carrying value of assets	<u>4,414</u>	<u>4,921</u>
Total	<u>99,441</u>	<u>113,746</u>

The impairment charges are analyzed by IAS 39 financial asset classification below.

	2016 \$'000	2015 \$'000
Available-for-sale	99,441	113,746
Held-to-maturity	-	-
Total	<u>99,441</u>	<u>113,746</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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18) Impairment (continued)

The carrying value of the assets impaired (before deducting any impairment loss) and the fair value of collateral held are provided below.

	2016 \$'000	2015 \$'000
Carrying value of impaired investments	721,414	951,895
Fair value of collateral held for impaired investments	-	-

As at December 31, 2016, the Group held bonds with outstanding balances of \$655 million (2015: \$795 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 \$189 million (2015: \$60 million) to account for potential shortfalls in realization of the bonds.

19) Administrative Expenses

Administrative expenses comprised:

	2016 \$'000	2015 \$'000
Audit fees	158	480
Bank charges	1,128	1,168
Building maintenance	7,740	6,997
Directors' fees	3,171	2,333
General administration	68,636	50,834
Insurance	1,911	2,269
Impairment– non-financial assets	6,823	-
Marketing and advertising	11,244	11,148
Professional services	14,955	15,206
Rental of premises	4,577	5,154
Security	11,775	12,606
Staff costs (Note 23)	131,275	133,909
Total	263,393	242,104

20) 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 1.95% (2015: 1.85%).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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20) 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:

	2016 \$'000	2015 \$'000
Growth and Income Fund	94,526	93,831
TT\$ Income Fund	200,414	171,742
Universal Retirement Fund	6,012	5,730
US\$ Income Fund	<u>51,127</u>	<u>55,169</u>
Total	<u>352,079</u>	<u>326,472</u>

In addition to the management charge of \$352 million (2015: \$326 million), the Group earned management charge of \$3.6 million (2015: \$3.3 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.

21) 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. The Funds are by nature Collective Investment Schemes and as such the assets, including cash, are ring-fenced and used exclusively for the interests 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	2016 \$'000	2015 \$'000
Cash and Cash Equivalents (see Note 3)	2,454,393	1,702,425
Restricted Cash and Cash Equivalents	<u>(1,786,442)</u>	<u>(1,297,792)</u>
Available to Group without restriction	<u>667,951</u>	<u>404,633</u>

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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21) Restricted Assets (continued)

Particulars	2016 \$'000	2015 \$'000
Receivables	155,204	181,286
Restricted Receivables	<u>(137,351)</u>	<u>(164,401)</u>
Available to Group without restriction	<u>17,853</u>	<u>16,885</u>

Particulars	2016 \$'000	2015 \$'000
Investment Securities (see Note 4)	18,892,079	18,928,502
Restricted Investment Securities	<u>(18,429,712)</u>	<u>(18,273,989)</u>
Available to Group without restriction	<u>462,367</u>	<u>654,513</u>

22) Foreign Exchange Gains / (Losses)

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

	2016 \$'000	2015 \$'000
Foreign exchange gain/(loss)	<u>3,748</u>	<u>(332)</u>
	<u>3,748</u>	<u>(332)</u>

23) Staff Costs

	2016 \$'000	2015 \$'000
Salaries and benefits	122,257	125,124
Pension costs (see Note 10(a)(iv))	3,873	3,889
National insurance	<u>5,145</u>	<u>4,896</u>
Total	<u>131,275</u>	<u>133,909</u>

Number of employees	<u>525</u>	<u>530</u>
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24) Distributions

	2016 \$'000	2015 \$'000
Growth and Income Fund	91,201	41,136
TT\$ Income Fund	113,611	87,359
US\$ Income Fund	<u>34,536</u>	<u>36,399</u>
Total	<u>239,348</u>	<u>164,894</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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24) Distributions (continued)

a) Growth and Income Fund

The Growth and Income Fund paid \$91.2 million to its unitholders in respect of its June 2016 and December 2016 distributions (2015: \$41.1 million). Included in the \$91.2 million referred to are distributions to Initial Capital Contributors of \$0.3 million (2015: \$0.1 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, 2016 for distribution in the quarter ending 28 February, 2016 amounted to \$10.3 million (2015: \$8.2 million).

c) US\$ Income Fund

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

25) Financial Risk Management

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

	2016 \$'000	2015 \$'000
Financial Assets		
Cash and Bank Balances (see Note 3)	2,454,393	1,702,425
Receivables	155,205	181,286
Investment Securities (see Note 4)	18,892,079	18,928,502
Financial Liabilities		
Financial Instruments (see Note 7)	-	(60,276)
Net Assets Attributable to Unitholders (see Note 12)	(20,153,212)	(19,766,638)

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

25) 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 arising from such financial risks. The Strategic Risk Committee is responsible for oversight of the Strategic Risks which the Group faces.

During 2016 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 price risk
- ii. interest rate risk
- iii. currency risk
- iv. credit risk; and
- v. liquidity risk

The Group does not use derivatives to hedge any of the foregoing risks neither does it enter into transactions for speculative purposes.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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25) Financial Risk Management (continued)

Equity 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 all of which are traded on either the local or North American stock exchanges. Negative equity price movements in the local and foreign equity markets can subject the portfolios to decreases in their Net Asset Values. This risk is managed by:

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

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

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

The Group's equity 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, 2016	1,780,180 54.3%	586,240 17.9%	912,847 27.8%
At 31 December, 2015	2,191,953 62.1%	910,526 25.8%	429,340 12.1%

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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25) Financial Risk Management (continued)

Equity 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, 2016	31 December, 2015
TTSE Composite Index	\$ 83.1 million	\$ 111.4 million
S&P 500 Composite Index	\$ 53.7 million	\$ 54.8 million

Interest Rate Risk

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

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 Group's interest bearing asset and liability positions, 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.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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25) Financial Risk Management (continued)

Interest Rate Risk (continued)

The Group's exposure to interest rate risk 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	-	-	-	-	-
Rate Re-pricing Position	8,163,713	4,023,585	5,768,612	(20,153,212)	(2,197,302)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December, 2015					
Assets					
Cash & Cash Equivalents	1,702,425	-	-	-	1,702,425
Short-term Investments	3,975,193	-	-	-	3,975,193
Fixed Income Securities	1,874,242	4,157,463	5,277,294	-	11,308,999
Liabilities					
Financial Instruments	(60,276)	-	-	-	(60,276)
Net Assets Attributable to Unitholders	-	-	-	(19,766,638)	(19,766,638)
Rate Re-pricing Position	7,491,584	4,157,463	5,277,294	(19,766,638)	(2,840,297)

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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25) 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, 2016		At 31 December, 2015	
	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000	US\$ (Presented in TT\$) \$'000	Other Foreign Currencies \$'000
Assets				
Cash & Cash Equivalents	893,773	1,661	1,094,959	3,024
Short-term Investments	110,376		1,393,013	-
Fixed Income Securities	6,105,215		4,847,364	2,537
Equities, Private Equity & Mutual Funds	1,443,748		1,567,194	
Liabilities				
Financial Instruments	-		(60,276)	-
Net Assets Attributable to Unitholders	<u>(4,509,447)</u>		<u>(4,356,696)</u>	-
Total	<u>4,043,665</u>	<u>1,661</u>	<u>4,485,558</u>	<u>5,561</u>

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:

	2016 \$'000	2015 \$'000
Change in net assets	<u>42,523</u>	<u>45,329</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

25) 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.

	2016	2015
	\$'000	\$'000
Cash and bank balances (see Note 3)	2,454,393	1,702,425
Receivables	155,205	181,286
Investment securities (see Note 4)	<u>18,892,079</u>	<u>18,928,502</u>
	<u>21,501,677</u>	<u>20,812,213</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.

	2016	2015
	\$'000	\$'000
A rated securities (e.g. S&P AAA to BBB-) are considered high credit quality instruments	9,640,313	10,782,906
B rated securities (e.g. S&P BB+ to B-) are considered medium credit quality instruments	778,223	441,488
C rated securities (e.g. CCC+ and below) are considered low quality instruments	<u>264,329</u>	<u>84,605</u>
	<u>10,682,865</u>	<u>11,308,999</u>
Short-term investments	<u>4,818,652</u>	<u>3,975,193</u>
	<u>15,501,517</u>	<u>15,284,192</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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25) 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 maintaining adequate investments in cash, near cash and short-term liabilities. In addition, substantial portions of 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.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
At 31 December, 2016			
Financial Instruments	-	-	-
Net assets attributable to Unitholders	<u>20,153,212</u>	-	-
Total	<u>20,153,212</u>	<u>-</u>	<u>-</u>

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
At 31 December, 2015			
Financial Instruments	60,276	-	-
Net assets attributable to Unitholders	<u>19,766,638</u>	-	-
Total	<u>19,826,914</u>	<u>-</u>	<u>-</u>

26) Interests in Corporate Entities

a) Local Corporate Entities

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

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

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

26) Interests in Corporate Entities (continued)

a) Local Corporate Entities (continued)

All the Directors of these two companies are Directors of the Corporation.

UTC Financial Services Limited carries on the business of a registrar and paying agent.

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 four (4) 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 Energy Investments Limited	100%	31 May, 2007	Delaware, USA
UTC North American Fund Inc.	70%	24 October, 1990	Maryland, USA

Two of the foreign subsidiaries, UTC Fund Services Inc. and UTC Energy Investments Limited do 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 Energy Investments Limited was incorporated in 2007 under the laws of Delaware, USA. The Corporation holds 90% of the share capital of this company and the Growth and Income Fund holds the remaining 10%. Its sole investment was sold and the decision to dissolve the company confirmed in March 2015.

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, 2016

Expressed in Trinidad and Tobago Dollars

27) Related-party Transactions

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

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

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.

	2016 \$'000	2015 \$'000
Loans		
Key management personnel of the Group	2,146	1,934
Represented by:		
Balance at beginning of year	1,934	1,756
Loans advanced during year	1,188	1,014
Loan repayments received during year	(976)	(836)
Interest income during year	75	71
Interest received during year	(75)	(71)
Balance at end of year	2,146	1,934
Key Management compensation		
Salaries and other short-term benefits	23,485	28,447

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

27) Related-party Transactions (continued)

	2016 \$'000	2015 \$'000
Directors		
Units held by Directors and key management personnel	9,342	6,683
Subsidiaries		
Rents paid to subsidiaries	-	4,550
Administrative services provided to subsidiaries	475	2,081
Receivables from Corporate subsidiaries	94	28,665
Receivable balances from Funds which are considered subsidiaries for the purposes of IFRS 10	91,731	63,749
Loans balances receivable from subsidiaries	-	-
Loan repayments by subsidiaries	-	2,236
Investment transaction (see note in paragraph below)	511,152	251,693
Sale / Purchase of securities between Funds	-	22,000
Interest from Corporate subsidiaries	-	182
Loan balances payable to Corporate subsidiaries	15,000	31,755
Net appropriations payable to the Funds	72,739	51,800

Investment Transaction (see Subsidiaries Table above)

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.

28) Commitments

At 31 December, the Group had contractual obligations for capital contributions in the amounts of approximately \$45.2 million (2015: \$48.0 million).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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29) Contingent Liabilities

- (a) At 31 December 2016, there were no legal proceedings outstanding against the Group and as such no provisions were required.
- (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 2016 and 2015 is provided in the table below:

Year	2016 \$'M	2015 \$'M
Total Guarantee Pricing Liability	29.4	24.7
Less: Provision (see Note 11)	<u>(29.4)</u>	<u>(4.9)</u>
Contingent liability	<u>—</u>	<u>19.8</u>

30) 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.

	2016 \$'000	2015 \$'000
Growth and Income Fund	4,815,185	4,746,077
TT\$ Income Fund	11,229,028	10,896,583
Universal Retirement Fund	308,016	291,180
US\$ Income Fund	<u>4,339,542</u>	<u>4,188,532</u>
Total assets	<u>20,691,771</u>	<u>20,122,372</u>

The summarized financial information in Notes 31-34 discloses the Corporation's interests in the Funds and the arrangements that may require the Corporation to provide financial support to the Funds.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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31) 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 2016 and 2015.

	2016 \$'000	2015 \$'000
Cash and Cash Equivalents	283,610	312,308
Receivables	26,018	222,237
Investment Securities (see Tables below)	<u>4,505,557</u>	<u>4,211,532</u>
Total assets	<u>4,815,185</u>	<u>4,746,077</u>
Liabilities	82,079	100,780
Equity	<u>4,733,106</u>	<u>4,645,297</u>
Total liabilities and equity	<u>4,815,185</u>	<u>4,746,077</u>
Investment Income	<u>430,203</u>	<u>283,155</u>
Net Income available for distribution	325,979	173,342
Distribution	(91,201)	(41,136)
Allocations to Reserves (see paragraphs below)	(1,000)	(1,000)
Other Comprehensive Loss for the year	<u>(217,234)</u>	<u>(91,426)</u>
Total Comprehensive Income for the year	<u>16,544</u>	<u>39,780</u>
Net cash flow from operating activities	507,723	31,923
Net cash used in investing activities	(515,485)	(205,432)
Net cash used in financing activities	<u>(20,936)</u>	<u>(84,024)</u>
Net change in cash flows for the year	<u>(28,698)</u>	<u>(257,533)</u>

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

	2016 \$'000	2015 \$'000
Government Securities	823,211	308,136
Corporate Securities	334,976	666,021
Equity (local and foreign)	2,899,444	3,237,375
Short-term Investments	<u>447,926</u>	<u>-</u>
Total	<u>4,505,557</u>	<u>4,211,532</u>

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

	2016 \$'000	2015 \$'000
Available-for-sale assets	<u>4,505,557</u>	<u>4,211,532</u>
Total	<u>4,505,557</u>	<u>4,211,532</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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

Growth and Income Fund Guarantee 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 2016 the Growth and Income Fund made allocations in the amount of \$1.0 million to the Guarantee Reserve. Calls totaling \$2.2 million were made on the Reserve, of which the Corporation met \$1.2 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 11).

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 2016 and 2015.

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

Growth and Income Fund Primary Reserve	2016	2015
	\$'000	\$'000
Fund Reserve as at 1 January	-	-
Allocation to Reserve (Growth and Income Fund)	1,000	1,000
Call on Reserve	(2,204)	(5,133)
Allocation to Reserve (Corporation)	1,204	4,133
Guarantee Reserve as at 31 December	-	-

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Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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

Growth and Income Fund Guarantee 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 2016 (2015: nil). The Corporation is the sponsor of the Growth and Income Fund and is committed to supporting the Fund financially and otherwise as necessary.

32) 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 2016 and 2015.

	2016	2015
	\$'000	\$'000
Cash and Cash Equivalents	949,544	398,455
Receivables	583,168	415,802
Investment Securities (see Tables below)	9,696,316	10,082,326
Total assets	11,229,028	10,896,583
Liabilities	391,137	239,447
Equity	10,837,891	10,657,136
Total liabilities and equity	11,229,028	10,896,583
Investment Income	383,713	283,123
Net Income available for distribution	172,991	61,585
Distributions	(113,611)	(87,359)
Allocations to Reserves (see paragraphs below)	(2,800)	(2,800)
Other comprehensive income for the year	89	81,863
Total comprehensive income for the year	56,669	53,289
Net cash flow from operating activities	158,658	93,013
Net cash flow from/(used in) investing activities	385,246	(762,447)
Net cash flow from financing activities	7,185	38,845
Net change in cash flows for the year	551,089	(630,589)

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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

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

	2016 \$'000	2015 \$'000
Government Securities	3,012,693	3,159,359
Corporate Securities	2,474,878	3,304,875
Short-term Investments	4,208,745	3,618,092
Total	9,696,316	10,082,326

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

	2016 \$'000	2015 \$'000
Available-for-sale assets	9,696,316	10,082,326
Total	9,696,316	10,082,326

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 from the liquidation 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.

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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

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

	2016 \$'000	2015 \$'000
TT\$ Income Fund – Primary Reserve		
Fund reserve as at 1 January	44,794	41,660
Allocation to primary reserve	2,800	2,800
Interest earned on the reserve	454	334
Primary Reserve as at 31 December	48,048	44,794
 TT\$ Income Fund – Secondary Reserve		
Fund reserve as at 1 January	3,651	3,623
Interest earned on the reserve	36	28
Secondary Reserve as at 31 December	3,687	3,651
 Total TT\$ Income Fund Reserves as at 31 December	51,735	48,445

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 2016 (2015: nil).

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

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33) Summarized Financial Information – Universal Retirement Fund

The Table below summarises financial information for the Universal Retirement Fund (before inter-entity eliminations or consolidation adjustments) for the years 2016 and 2015.

	2016	2015
	\$'000	\$'000
Cash and Cash Equivalents	19,685	19,349
Receivables	1,205	1,474
Investment Securities (see Tables below)	<u>287,126</u>	<u>270,357</u>
Total assets	<u>308,016</u>	<u>291,180</u>
Liabilities	3,120	2,910
Equity	<u>304,896</u>	<u>288,270</u>
Total liabilities and equity	<u>308,016</u>	<u>291,180</u>
Investment Income	<u>15,345</u>	<u>8,620</u>
Net Income for capitalization	8,571	1,159
Other comprehensive income for the year	<u>2,329</u>	<u>2,293</u>
Total comprehensive income for the year	<u>10,900</u>	<u>3,452</u>
Net cash flow from operating activities	9,237	2,538
Net cash (used in)/flow from investing activities	(14,627)	(38,826)
Net cash flow from financing activities	<u>5,726</u>	<u>13,429</u>
Net change in cash flows for the year	<u>336</u>	<u>(22,859)</u>

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

	2016	2015
	\$'000	\$'000
Government Securities	52,807	35,514
Corporate Securities	24,332	33,496
Equity (local and foreign)	202,487	201,347
Short-term Investments	7,500	-
Total	<u>287,126</u>	<u>270,357</u>

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

	2016	2015
	\$'000	\$'000
Available-for-sale assets	<u>287,126</u>	<u>270,357</u>
Total	<u>287,126</u>	<u>270,357</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

33) 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 2016 (2015: nil).

34) Summarized Financial Information – US\$ Income Fund

The Table below summarises Financial Information for the US\$ Income Fund (before inter-entity eliminations or consolidation adjustments) for the years 2016 and 2015.

	2016	2015
	\$'000	\$'000
Cash and Cash Equivalents	530,288	566,646
Receivables	150,496	158,691
Investment Securities (see Tables below)	<u>3,658,758</u>	<u>3,463,195</u>
Total assets	<u>4,339,542</u>	<u>4,188,532</u>
Liabilities	111,295	77,459
Equity	<u>4,228,247</u>	<u>4,111,073</u>
Total liabilities and equity	<u>4,339,542</u>	<u>4,188,532</u>
Investment Income	<u>111,450</u>	104,240
Net Income available for distribution	37,487	25,610
Distributions	(34,536)	(36,399)
Allocations to reserves (see paragraphs below)	(8,105)	(7,705)
Other comprehensive income/(loss) for the year	<u>45,166</u>	<u>(39,124)</u>
Total comprehensive income/(loss) for the year	<u>40,012</u>	<u>(57,618)</u>
Net cash flow from operating activities	101,070	40,993
Net cash flow from investing activities	10,563	111,148
Net cash (used in)/flow from financing activities	<u>(181,663)</u>	<u>43,132</u>
Net change in cash flows for the year	<u>(70,030)</u>	<u>195,273</u>

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

	2016	2015
	\$'000	\$'000
Government Securities	476,808	263,305
Corporate Securities	3,117,783	2,930,218
Short-term Investments	64,167	269,672
Total	<u>3,658,758</u>	<u>3,463,195</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

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

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

	2016 \$'000	2015 \$'000
Available-for-sale assets	3,658,758	3,463,195
Total	<u>3,658,758</u>	<u>3,463,195</u>

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 from the liquidation of securities in the portfolio of the Fund. There were no calls on the reserve during 2016 (2015: nil).

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.

US\$ Income Fund – Primary Reserve	2016	2015
	\$'000	\$'000
Fund reserve as at 1 January	30,444	22,476
Allocation to primary reserve	8,105	7,705
Call on reserve	-	-
Interest earned on the reserve	190	111
Foreign exchange revaluation	1,583	152
Primary Reserve as at 31 December	<u>40,322</u>	<u>30,444</u>
US\$ Income Fund – Secondary Reserve	2016	2015
	\$'000	\$'000
Fund reserve as at 1 January	24,954	24,954
Allocation to secondary reserve	-	-
Call on reserves	-	-
Interest earned on the reserve	144	109
Revaluation	1,588	166
Secondary Reserve as at 31 December	<u>26,686</u>	<u>25,229</u>
Total US\$ Income Fund Reserves as at 31 December	<u>67,008</u>	<u>55,673</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

34) 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 2016 (2015: nil).

35) 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 2016 and 2015.

	2016	2015
	\$'000	\$'000
Cash and cash equivalents	2,396	496
Receivables & other assets	530	582
Investment securities (see Tables below)	<u>279,651</u>	<u>245,930</u>
Total assets	<u>282,577</u>	<u>247,008</u>
Liabilities	1,377	1,385
Equity	<u>281,200</u>	<u>245,623</u>
Total liabilities and equity	<u>282,577</u>	<u>247,008</u>
Investment (loss)/income	<u>(5,804)</u>	<u>62,405</u>
Net (Loss)/Income	<u>(11,621)</u>	<u>56,334</u>
Distributions	<u>3,648</u>	<u>53,953</u>
Other comprehensive income/(loss) for the year	<u>32,000</u>	<u>(65,772)</u>
Net cash (used in)/flow from operating activities	877	(1,073)
Net cash flow from/(used in) investing activities	(1,435)	10,716
Net cash (used in)/flow from financing activities	<u>2,432</u>	<u>(9,153)</u>
Net change in cash flows for the year	<u>1,874</u>	<u>490</u>

Trinidad and Tobago Unit Trust Corporation

Notes to the Consolidated Financial Statements (continued) For the year ended 31 December, 2016

Expressed in Trinidad and Tobago Dollars

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

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

	2016 \$'000	2015 \$'000
Corporate Securities	29,045	32,082
Equity (foreign)	250,532	213,848
Short-term Investments	74	-
Total	279,651	245,930

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

	2016 \$'000	2015 \$'000
Available-for-sale assets	279,651	245,930
Total	279,651	245,930

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 2016.

36) Approval of the Financial Statements

These Financial Statements were approved by the Board of Directors and authorized for issue on 14th March, 2017.