



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

**REPORT
OF THE
AUDITOR GENERAL**

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

FOR THE YEAR ENDED

2011 December 31





**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 2011 DECEMBER 31**

The accompanying consolidated financial statements of the Trinidad and Tobago Unit Trust Corporation for the year ended 2011 December 31 have been audited. The Statements as set out on pages 1 to 56 and on pages referenced A-1 to A-12 comprise:

- (i) a Consolidated Statement of Financial Position as at 2011 December 31, a Consolidated Statement of Income, a Consolidated Statement of Comprehensive Income, a Consolidated Statement of Changes in Equity and a Consolidated Statement of Cash Flows for the year ended 2011 December 31 in respect of the Trinidad and Tobago Unit Trust Corporation;
- (ii) Notes to the Consolidated Financial Statements for the year ended 2011 December 31 numbered 1 to 41, and
- (iii) Additional Information comprising a Statement of Financial Position as at 2011 December 31 and a Statement of Comprehensive Income and a Statement of Cash Flows for the year ended 2011 December 31 in respect of each of the following: the Growth and Income Fund (First Unit Scheme), the TT Dollar Income Fund, the Universal Retirement Fund and the US Dollar Income Fund respectively.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

2. The management of the Trinidad and Tobago Unit Trust Corporation is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

AUDITOR'S RESPONSIBILITY

3. 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 (the Act) based on the audit. The audit which was carried out in accordance with section 30 (1) of the said Act was conducted in accordance with International Standards on Auditing. Those Standards require that ethical requirements be complied with and that the audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.



4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the audit opinion.

OPINION

6. In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Trinidad and Tobago Unit Trust Corporation as at 2011 December 31 and its financial performance and its cash flows for the year ended 2011 December 31 in accordance with International Financial Reporting Standards.

2012 MARCH 29



Sharmar Ottley
SHARMAN OTTLEY
AUDITOR GENERAL

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December, 2011

Expressed in Trinidad & Tobago dollars

ASSETS	Notes	31-Dec-11 \$ '000	31-Dec-10 \$ '000
Investment Funds	3	18,144,849	17,472,833
Cash and Cash Equivalents		308,035	260,557
Receivables	4	152,504	868,876
Prepayments and Other Assets		24,177	25,490
Investment Securities	5	2,882,455	2,169,885
Property, Plant and Equipment	6	184,322	186,226
Intangible Assets	7	20,829	25,499
TOTAL ASSETS		21,717,171	21,009,366
LIABILITIES			
Accounts Payable and Short Term Liabilities		66,167	29,947
Other Liabilities		39,690	33,438
Financial Instruments	8	2,462,426	2,557,313
Deferred income tax liability	34	3,149	2,244
Sinking Fund Liability	9	7,805	-
TOTAL LIABILITIES		2,579,237	2,622,942
CAPITAL AND RESERVES			
Initial Capital	10	4,766	4,766
Unit Capital	11	18,140,083	17,468,067
		18,144,849	17,472,833
Fund Reserves	12	113,436	88,793
Statutory Reserves	13	5,050	5,050
Revaluation Reserve	14	(3,502)	16,756
Retained Income		774,773	704,637
		889,757	815,236
Non-controlling Interest	15	103,328	98,355
TOTAL LIABILITIES, CAPITAL AND RESERVES		21,717,171	21,009,366



[Handwritten Signature]

Chairman

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Executive Director

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December, 2011
Expressed in Trinidad & Tobago dollars

	Notes	31-Dec-11 \$ '000	31-Dec-10 \$ '000
CONTINUING OPERATIONS			
INCOME			
Investment Income -			
Growth & Income Fund		176,437	155,395
TT\$ Income Fund		360,604	456,816
Universal Retirement Fund		8,292	9,522
US\$ Income Fund		150,694	158,781
Net Investment Income - Group Operations	17	19,879	120,732
Initial Charge		7,191	5,530
Other Income	18	13,229	16,148
Total Income		736,326	922,924
EXPENSES			
Commissions		(15,851)	(16,773)
Impairment	19	-	(180,329)
Administrative	20	(201,713)	(205,439)
Depreciation and amortisation		(20,535)	(19,017)
Provision for Sinking Fund Liability	9	(7,805)	-
Total Expenses		(245,904)	(421,558)
Net Income before Finance Charges		490,422	501,366
Finance Charges	22	(132)	(2,213)
Net Income after Finance Charges		490,290	499,153
Undistributed Income/(Loss) at beginning of year		1,423	(82,768)
Distributions	23	(354,770)	(330,954)
Transfer from Investment Funds to Reserves		(23,565)	(22,613)
Income Capitalized		(4,475)	(6,220)
Undistributed Income at end of year		(7,443)	(1,423)
Net Income before Taxation from Continuing Operations		101,460	55,175
Taxation	33	(5,802)	(3,606)
Net Income after taxation from Continuing Operations		95,658	51,569
DISCONTINUED OPERATIONS			
Net Loss from Discontinued Operations	24	(24,825)	-
Net Income for the year		70,833	51,569
Net Income Attributable to:			
Owners of the Parent		79,959	46,503
Non-controlling Interest		(9,126)	5,066
		70,833	51,569

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December, 2011

Expressed in Trinidad & Tobago dollars

	31-Dec-11	31-Dec-10
	\$ '000	\$ '000
Net Income after taxation	70,833	51,569
Other Comprehensive Income:		
Available for sale financial assets	(1,294)	16,588
Exchange differences on translating foreign operations	(18,964)	(24,539)
Other Comprehensive Loss for the year	(20,258)	(7,951)
Total Comprehensive Income for the year	50,575	43,618
Total Comprehensive Income attributable to:		
Owners of the parent	60,879	31,030
Non-controlling Interest	(10,304)	12,588
	50,575	43,618

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December, 2011

Expressed in Trinidad & Tobago dollars

	Note	Fund Reserves \$'000	Statutory Reserves \$'000	Revaluation Reserve \$'000	Retained Income \$'000	Non-controlling Interest \$'000	Total \$'000
Balance as at 1 January, 2011		88,793	5,050	16,756	704,637	98,355	913,591
Total Comprehensive Income/(Loss) for the year		-	-	(20,258)	79,959	(10,304)	49,397
Exchange translation differences		-	-	-	-	2,111	2,111
Capital contributions from minority shareholders and other changes in minority interest		-	-	-	-	13,166	13,166
Transfers (to)/from Investment Funds	12	23,565	-	-	-	-	23,565
Transfers from Retained Income	12	26,371	-	-	(26,371)	-	-
Guarantee reserves payments	12	(27,371)	-	-	-	-	(27,371)
Interest on Reserve Assets		2,078	-	-	-	-	2,078
Adjustment for Belize		-	-	-	16,548	-	16,548
Balance as at 31 December, 2011		113,436	5,050	(3,502)	774,773	103,328	993,085
Balance as at 1 January, 2010		66,478	5,050	24,707	725,533	92,117	913,885
Total Comprehensive Income for the year		-	-	(7,951)	46,503	12,585	51,137
Exchange translation differences		-	-	-	-	(143)	(143)
Capital contributions from minority shareholders and other changes in minority interest		-	-	-	-	(6,204)	(6,204)
Transfers from Investment Funds	12	22,612	-	-	(16,587)	-	6,025
Transfers from Retained Income	12	50,812	-	-	(50,812)	-	-
Guarantee reserves payments	12	(51,812)	-	-	-	-	(51,812)
Interest on Reserve Assets		703	-	-	-	-	703
Balance as at 31 December, 2010		88,793	5,050	16,756	704,637	98,355	913,591

Trinidad and Tobago Unit Trust Corporation

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December, 2011
Expressed in Trinidad & Tobago dollars

	31-Dec-11	31-Dec-10
	\$ '000	\$ '000
OPERATING ACTIVITIES		
Net Income before taxation	101,460	55,175
<i>Adjustments to reconcile net income to net cash and cash equivalents from operating activities:</i>		
Depreciation and Amortisation	20,535	19,017
Impairment	-	166,406
Loss on sale of property, plant and equipment	57	315
	122,052	240,912
<i>Movements in Working Capital</i>		
Decrease/(Increase) in Receivables	716,371	(611,029)
Decrease/(Increase) in Prepayments and Other Assets	1,312	(7,539)
Increase/(Decrease) in Accounts Payable and Liabilities	43,378	(28,188)
Taxation paid	(5,802)	(2,761)
Loss on Discontinued Operations	(24,825)	-
Increase in Sinking Fund Liability	7,805	-
Net Cash Flow From/(Used In) Operating Activities	860,291	(408,604)
INVESTING ACTIVITIES		
Purchase of Property, Plant and Equipment	(13,194)	(10,262)
Proceeds from Disposal of Property, Plant and Equipment	516	126
Purchase of Intangible Assets	(1,340)	(4,940)
Purchase of Investment Securities	(838,371)	(373,991)
Proceeds from Disposal of Investments	136,192	1,420,856
Net Cash (Used In)/Flow From Investing Activities	(716,197)	1,031,789
FINANCING ACTIVITIES		
Finance Lease Repayments	-	(53,047)
Financial Instruments	(94,887)	(576,493)
Payments to Reserves (net)	25,642	23,315
Distribution	-	(16,587)
Guarantee Reserve Payments	(27,371)	(51,812)
Net Cash Used In Financing Activities	(96,616)	(674,625)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	47,478	(51,441)
Cash and Cash Equivalents at beginning of year	260,557	311,998
Cash and Cash Equivalents at end of year	308,035	260,557

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

1) INCORPORATION AND PRINCIPAL ACTIVITIES

The Trinidad & 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, generally to provide facilities for participation by members of the public in investing in shares and securities approved by the Board. The Finance Act of 1997 permitted expansion of the Corporation's scope of business to include other financial services, such as merchant banking, trustee services and card services.

The Trinidad & Tobago Unit Trust Corporation controlled nine (9) subsidiary companies during the first six months of 2011 and eight (8) subsidiary companies for the latter half of 2011.

2) SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Consolidated Financial Statements are stated below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of Preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Unit Trust Corporation of Trinidad and Tobago Act, under the historical cost convention, except as modified in respect of security valuation (see (d) below). The accounting policies in all material respects conform to IFRS.

Certain new standards, amendments to published standards and interpretations were published during the current financial year. With respect to the Group they may be classified as shown below:

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

Improvements to IFRS and the pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) are issued annually. They contain numerous amendments to IFRS and IFRIC that the International Accounting Standards Board (IASB) considers non-urgent but necessary. Improvements to IFRS and IFRIC comprise amendments that resulted in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS and IFRIC. Adoption of these amendments did not have a material impact on the Group's financial statements. The following amendments are effective for annual periods beginning on or after 1 January, 2011.

- IFRS 3 (revised), was amended to clarify the measurement choice regarding non-controlling interest and also to provide more guidance regarding the accounting for share-based payment awards;
- IFRS 7 amended the disclosures required on the transfer of financial assets;
- IAS 32 was amended to address the classification of certain rights issues denominated in a foreign currency;

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

i. New standards, amendments and interpretations adopted by the Group (continued)

- IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19;
- IFRIC 19 provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments; and
- IAS 24 (revised), Related Party Disclosures, clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

ii. New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January, 2011 and not early adopted

- IFRS 9 - 'Financial Instruments'. This standard is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. Though initially announced as mandatory from 1 January 2013, the standard at present is not mandatory until 1 January 2015 but is available for early adoption. The Group proposes to adopt IFRS 9. It is not practicable at present to assign a dollar value to the potential impact of adoption by the Group of IFRS 9.
- IFRS 10 – Consolidated Financial Statements. IFRS 10 establishes control as the single basis for consolidation of an entity. It states that an investor can control an entity with less than 50% of the voting rights. It provides specific application guidance for agency relationships. IFRS 10 is mandatory from 1 January 2013, and is expected to have a significant impact on the presentation of the Group's Consolidated Financial Statements as the Group will be required to consolidate most of the Funds under management line by line.
- IFRS 11 – Interests in Joint Ventures deals with how a joint arrangement of which two or more parties have joint control should be classified. The standard is not expected to have a material impact on the Group's financial statements in the immediate future.
- IFRS 12 – Disclosure of Interests in Other Entities is mandatory from 1 January 2013, and extends the disclosure requirements of entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. Adoption of this standard is not expected to have a material impact on the Group's financial statements.
- IFRS 13 – Fair Value Measurement - provides a single source of guidance for fair value measurements and disclosures about fair value measurements. In general the disclosure

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of Preparation (continued)

- ii. *New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January, 2011 and not early adopted*

requirements are more extensive than those required under other standards. Adoption of this standard should not materially impact the Group's financial statements.

b) Basis of Consolidation

The Consolidated Financial Statements comprise the financial statements of the Corporation and its subsidiaries drawn up as at 31 December, 2011 and include all the assets and liabilities and results of operations of the Group. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

'Non-controlling interest' represents the portion of the profit and net assets not owned directly or indirectly by the Corporation. It is presented in the Consolidated Statement of Income, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position, separately from the parent's shareholding interest.

All material inter-company transactions and accounts have been eliminated in preparing the Consolidated Financial Statements. Accounting policies of the subsidiaries are consistent with the policies of the Group.

c) Investment Securities

The Group classifies its financial assets in 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. Management determines the classification of its financial assets at initial recognition.

Investment securities intended to be held for an indefinite period of time, 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.

Investment securities with fixed maturities that management has the intent and ability to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are carried at amortised cost, less any adjustment necessary for impairment.

Investment securities with fixed and determinable payments, but not quoted in an active market are classified as loans and receivables. Loans and receivables are carried at amortised cost, using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts for the life of the debt instrument to the net carrying amount on initial recognition.

Impairment adjustments are made to the amortized cost of loans and receivables where necessary.

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment Securities (continued)

Purchases and sales of equity investments are recognised at the trade date. Purchases and sales of all other security investments are recognised on the settlement date. Gains and losses from changes in fair value on investments classified as available-for-sale are recognised in equity. When the financial assets are disposed of or are impaired, the related fair value adjustments are included in the Consolidated Statement of Income.

d) Security Valuation

The fair value of publicly traded securities is determined by reference to the prevailing closing market prices at the end of the reporting period.

The carrying amounts of financial assets and liabilities with a maturity of less than three months are assumed to approximate their nominal amounts.

The fair value of unquoted securities is determined using the last traded price, which is provided by the issuer.

e) Impairment of financial assets

Assets carried at amortised cost

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

The criteria used by the Group to determine whether an impairment loss should be recognised include, evidence:

- a) of significant financial difficulty of the issuer or obligor;
- b) of a breach of contract, such as a default or delinquency in interest or principal payments of the issuer or obligor;
- c) that 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) that it is probable that the borrower will enter bankruptcy or other financial reorganization;
- e) of the disappearance of an active market for the financial asset because of financial difficulties; or
- f) indicating that 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
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

Where there is objective evidence of impairment the Group measures the amount of the loss as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the Consolidated Statement of Income. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets classified as available-for-sale is impaired. For debt securities, the Group uses the criteria used for assets carried at amortised cost (see above). In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Consolidated Statement of Income. Impairment losses recognised in the separate Consolidated Statement of Income on equity investments are not reversed through the Consolidated Statement of Income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Consolidated Statement of Income.

f) Repurchase and Reverse Repurchase Agreements

A repurchase agreement is the sale of securities for cash with a simultaneous agreement to repurchase them 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 converse of a repurchase agreement. A reverse repurchase agreement is the purchase of the 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 and 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
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less depreciation. 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 recognised 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 Income during the financial period in which they are incurred.

Where the carrying amount of property, plant and equipment is greater than its estimated recoverable amount, this carrying amount is written down to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amounts and are recognised within Other Income in the Consolidated Statement of Income.

Freehold land is not depreciated. Leasehold land is capitalised and amortised over the term of the lease.

Depreciation on other assets, except for motor vehicles, is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives as follows:

Property, plant and equipment category:	Estimated useful life:
Building	50 years
Office Improvements	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.

h) Intangible Assets

Acquired computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into operation. These costs are amortised over their estimated useful lives (three to ten years). Costs associated with maintaining computer software are recognised as an expense as incurred.

i) Impairment of Non-Financial Assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Income. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Impairment of Non-Financial Assets (continued)

levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

j) Foreign Currency Translation

The Consolidated Financial Statements are presented in Trinidad and Tobago dollars, which is the Corporation's functional and presentation currency.

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

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. All resulting exchange differences are recognised in the Consolidated Statement of Comprehensive Income.

k) Employee Benefits

Short-term employee benefits such as wages are recognized in the accounting period during which services are rendered by employees. Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

l) Cash and Cash Equivalents

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

m) Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

n) 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 within the Group.

Interest income is recognised in the Consolidated Statement of Income using the effective interest method. Dividend income is recognised when the right to receive payment is established. Realised investment gains and losses are also recognised in the Consolidated Statement of Income.

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

2) SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Borrowings

Borrowings are recognised initially at fair value, and are subsequently stated at amortised cost. Borrowing costs related to the acquisition, construction or production of qualifying assets are capitalised.

p) Segment Reporting

A segment is a distinguishable component of the Group that is engaged in providing similar products or services which are subject to risks and rewards that are different from those of other segments. The Group bases its segment reporting on business segments.

q) Separate Funds Under Management

The assets and liabilities pertaining to pension and other funds, which are managed in accordance with specific Investment Management Agreements, are not included in the Statement of Financial Position of the Corporation. The market value of these portfolios as at 31 December, 2011 is \$485 million (2010: \$439 million).

r) Taxation

The Corporation is exempt from Corporation Tax; however, it is subject to the Green Fund Levy.

Corporation tax is payable on profits realised by the subsidiaries and is recognised as an expense in the period in which profits arise. Taxes are based on the applicable tax laws in each jurisdiction. The tax effects of taxation losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these 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 Consolidated Financial Statements. Deferred tax is determined using tax rates that have been enacted by the date of the Consolidated Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred corporation tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

s) 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.

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3) INVESTMENT FUNDS

The portfolio values of the locally based investment funds are as follows:

	2011 \$'000	2010 \$'000
Growth & Income Fund	3,302,751	3,031,225
TT\$ Income Fund	10,556,777	10,138,221
Universal Retirement Fund	186,917	162,896
US\$ Income Fund	<u>4,098,404</u>	<u>4,140,491</u>
Total	<u>18,144,849</u>	<u>17,472,833</u>

4) RECEIVABLES

	2011 \$'000	2010 \$'000
Receivables transferred from Investment Securities	-	784,765
Receivables - Other	<u>152,504</u>	<u>84,111</u>
Total	<u>152,504</u>	<u>868,876</u>

Amounts due and payable in respect of investment securities at 31 December, 2010 were transferred to receivables. These receivables were disposed of during the year.

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5) INVESTMENT SECURITIES

	2011 \$'000	2010 \$'000
Held-to-maturity investments carried at amortized cost:		
Bonds	160	579,822
Equity	48,653	44,741
Mutual Funds	6	7,038
Short-term investments (ii)	<u>91,150</u>	<u>197,953</u>
	<u>139,969</u>	<u>829,554</u>
Available-for-sale assets carried at fair value:		
Bonds (i)	2,482,955	707,400
Equity	230,931	252,842
Mutual Funds	15,843	16,088
Short-term investments (ii)	<u>12,757</u>	<u>-</u>
	<u>2,742,486</u>	<u>976,330</u>
Loans and receivables		
Loans	<u>-</u>	<u>364,002</u>
INVESTMENT SECURITIES	<u>2,882,455</u>	<u>2,169,886</u>

- (i) During 2011 the Corporation invested in ten (10) year floating rate corporate bonds. The weighted average rate of interest on the bonds at 31 December, 2011 was 1.52%. The Bonds were partially backed by a sovereign guarantee.
- (ii) All short term securities had original maturities of more than three (3) months.

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6) PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u> <u>\$'000</u>	<u>Building</u> <u>\$'000</u>	<u>Office</u> <u>Improvement</u> <u>\$'000</u>	<u>Motor</u> <u>Vehicles</u> <u>\$'000</u>	<u>Office &</u> <u>Computer</u> <u>Equipment</u> <u>\$'000</u>	<u>Office</u> <u>Furniture</u> <u>\$'000</u>	<u>TOTAL</u> <u>\$'000</u>
Year ended 31 Dec, 2011							
Opening Net Book Value	16,183	115,461	25,215	3,880	19,518	5,969	186,226
Additions	-	-	4,553	790	7,486	365	13,194
Reclassifications	-	-	(30)	-	(99)	129	-
Disposals	-	-	(2)	(330)	(205)	(35)	(572)
Depreciation/Amortisation	(22)	(2,809)	(4,090)	(973)	(5,589)	(1,043)	(14,526)
Closing Net Book Value	<u>16,161</u>	<u>112,652</u>	<u>25,646</u>	<u>3,367</u>	<u>21,111</u>	<u>5,385</u>	<u>184,322</u>
As at 31 Dec, 2011							
Cost	16,292	139,427	46,668	6,658	64,266	19,085	292,396
Accumulated Depreciation/Amortisation	(131)	(26,775)	(21,022)	(3,291)	(43,155)	(13,700)	(108,074)
Net Book Value	<u>16,161</u>	<u>112,652</u>	<u>25,646</u>	<u>3,367</u>	<u>21,111</u>	<u>5,385</u>	<u>184,322</u>
Year ended 31 Dec, 2010							
Opening Net Book Value	16,205	118,270	23,953	4,306	20,687	6,825	190,246
Additions	-	-	4,444	800	4,681	336	10,261
Disposals	-	-	(129)	(101)	(204)	(7)	(441)
Depreciation/Amortisation	(22)	(2,809)	(3,053)	(1,125)	(5,646)	(1,185)	(13,840)
Closing Net Book Value	<u>16,183</u>	<u>115,461</u>	<u>25,215</u>	<u>3,880</u>	<u>19,518</u>	<u>5,969</u>	<u>186,226</u>
As at 31 Dec, 2010							
Cost	16,569	139,427	42,161	7,011	58,173	20,235	283,576
Accumulated Depreciation/Amortisation	(386)	(23,966)	(16,946)	(3,131)	(38,655)	(14,266)	(97,350)
Net Book Value	<u>16,183</u>	<u>115,461</u>	<u>25,215</u>	<u>3,880</u>	<u>19,518</u>	<u>5,969</u>	<u>186,226</u>

Land

Land includes leasehold land of \$2.17 million and freehold land of \$14.40 million.

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6) PROPERTY, PLANT AND EQUIPMENT (continued)

Fair Value Land and Buildings

The fair value of Land and Buildings was estimated at \$187.5 million at 31 December, 2011.

7) INTANGIBLE ASSETS

	2011 \$'000	2010 \$'000
Year ended 31 December		
Opening Net Book Value	25,499	25,737
Additions	1,340	4,939
Depreciation Charge	<u>(6,010)</u>	<u>(5,177)</u>
Closing Net Book Value	<u>20,829</u>	<u>25,499</u>
As at 31 December		
Cost	49,311	47,971
Accumulated Depreciation	<u>(28,482)</u>	<u>(22,472)</u>
Net Book Value	<u>20,829</u>	<u>25,499</u>

8) FINANCIAL INSTRUMENTS

	Interest Rate	Term	2011 \$'000	2010 \$'000
Fixed-term funding	1.5%	Less than 1 year	2,284,305	2,282,200
Guaranteed Investment Certificate	12.6%	Less than 1 year	174,511	29,960
Guaranteed Investment Certificate	7.7%-12.6%	10-25 years	-	240,474
Long-term bond	8.0%	10 years	3,497	4,491
Long-term bond	8.0%	7.5 years	<u>113</u>	<u>188</u>
TOTAL			<u>2,462,426</u>	<u>2,557,313</u>

Fixed-term funding represents financial liabilities in the form of Investment Note Certificates. The Guaranteed Investment Certificate was retired in early January 2012.

The long-term interest bearing bonds represent debt raised by the subsidiary UTC Property Holdings Limited for financing the construction of two (2) of its properties. There have been no new borrowing costs capitalized since 2006.

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9) SINKING FUND LIABILITY

The Corporation is contractually obligated to generate minimum returns on two (2) sinking funds that it manages. The sum of \$7.805 million represents the shortfall of the actual balances with respect to the targeted balances as at 31 December, 2011.

10) INITIAL CAPITAL

Initial Capital is capital subscribed by the Initial Capital Contributors to the Trinidad and Tobago Unit Trust Corporation in accordance with Section 17 of the Act and invested in the Growth and Income Fund. Initial Capital at the end of the reporting period was \$4.77 million (2010: \$4.77 million).

11) UNIT CAPITAL

Unit Capital represents the capital value of units issued by the four (4) Investment Funds domiciled in Trinidad and Tobago and operated by the Corporation. 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.

	2011 \$'000	2010 \$'000
Growth and Income Fund	3,297,985	3,026,459
TT\$ Income Fund	10,556,777	10,138,221
Universal Retirement Fund	186,917	162,896
US\$ Income Fund	<u>4,098,404</u>	<u>4,140,491</u>
Total	<u>18,140,083</u>	<u>17,468,067</u>

12) FUND RESERVES

	2011 \$'000	2010 \$'000
Growth and Income Fund Guarantee Reserve	10,000	-
TT\$ Income Fund	35,961	32,758
US\$ Income Fund	<u>67,475</u>	<u>56,035</u>
Total	<u>113,436</u>	<u>88,793</u>

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12) FUND RESERVES (continued)

Allocations from the Growth and Income Fund, TT\$ Income Fund and US\$ Income Fund are made to reserves established at the Corporation for the respective Funds. Allocations from the Funds to the said reserves for 2011 totalled \$23.565 million as shown hereunder:

a) Growth and Income Fund Guarantee Reserve

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 2011 the Fund made allocations in the amount of \$11.0 million to the Guarantee Reserve, calls totalling \$27.4 million were made on the Fund, of which the Corporation met \$26.4 million. The Corporation will continue to meet any shortfalls in the reserve.

	2011	2010
	\$'000	\$'000
Fund reserve as at 1 January	-	-
Allocation to reserve (Growth and Income Fund)	11,000	1,000
Call on reserve	(27,371)	(51,812)
Allocation to reserve (Corporation)	<u>26,371</u>	<u>50,812</u>
Fund reserve as at 31 December	<u>10,000</u>	<u>-</u>

b) 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 has 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.

	2011	2010
	\$'000	\$'000
Fund reserve as at 1 January	32,758	26,037
Allocation to primary reserve	2,800	2,800
Allocation to secondary reserve	-	3,498
Interest earned on reserve	<u>403</u>	<u>423</u>
Fund reserve as at 31 December	<u>35,961</u>	<u>32,758</u>

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c) 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. 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.

	2011	2010
	\$'000	\$'000
Fund reserve as at 1 January	56,035	40,441
Allocation to primary reserve	7,620	8,689
Allocation to secondary reserve	2,145	6,624
Interest earned on reserve	<u>1,675</u>	<u>281</u>
Fund reserve as at 31 December	<u>67,475</u>	<u>56,035</u>

13) STATUTORY RESERVES

In accordance with Section 59(3)(d)(ii) of the Securities Industries Act, 1995 and Section 12(1)(a) and (b) of the Securities Industry By-Laws 1997, 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.

14) REVALUATION RESERVE

The revaluation reserve reflects unrealised capital appreciation and depreciation from changes in the fair values of available-for-sale financial instruments held by the Group. Foreign currency translation differences are also reflected therein. The revaluation of the investments held by the Investment Funds is reflected on the Statement of Financial Position of each of the Funds and is not included in this revaluation reserve.

15) NON-CONTROLLING INTEREST

Non-controlling interest represents the portion of the equity in UTC North America Fund Inc., and Unit Trust Corporation (Cayman) SPC Limited that is not owned by any entity within the UTC Group of companies. In both instances investors in the collective investment schemes are shareholders as the schemes are organized as legal entities within a corporate structure.

The movement in non-controlling interest is provided in the Consolidated Statement of Changes in Equity.

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16) MANAGEMENT CHARGE

	2011	2010
	\$'000	\$'000
Growth and Income Fund	66,740	61,355
TT\$ Income Fund	157,113	202,764
Universal Retirement Fund	3,679	3,196
US\$ Income Fund	<u>61,887</u>	<u>37,120</u>
Total	<u>289,419</u>	<u>304,435</u>

- a) 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 in the respective schemes and funds. The average management fee charged for the year was 1.8% (2010: 1.7%).
- b) In accordance with the prospectus governing the segregated portfolio funds of the Unit Trust Corporation (Cayman) SPC Limited, the Corporation may charge a management fee not exceeding 1.5% of funds under management. The management fee charged for the year was 1.3% (2010: 1.3%).

In addition to this management charge, the Group earned additional management charge of \$1.9 million (2010: \$3.3 million) from its foreign investment portfolios and other funds under management. This is recognized in other income in the Consolidated Statement of Income.

17) NET INVESTMENT INCOME – GROUP CONTINUING OPERATIONS

Net Investment Income – Group Continuing Operations - includes the contribution to revenue of Treasury operations and the subsidiaries. It comprises the following:

	2011	2010
	\$'000	\$'000
Interest and Other Fee Income	21,505	187,700
Interest Expense and Other Charges	<u>(1,626)</u>	<u>(66,968)</u>
Total	<u>19,879</u>	<u>120,732</u>

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18) FOREIGN EXCHANGE GAINS/(LOSSES)

The exchange differences credited to the Consolidated Statement of Income are included in Other Income as follows:

	2011 \$'000	2010 \$'000
Foreign exchange gains – continuing operations	<u>1,820</u>	<u>5,662</u>

19) IMPAIRMENT OF INVESTMENT SECURITIES

No impairment charges were recognized by the Group during 2011. The 2010 Impairment Charge of \$180.3 million recognized by the Corporation and its subsidiaries, is provided below with other relevant data.

Corporation and Subsidiaries

	2011 \$'000	2010 \$'000
Impairment	<u>-</u>	<u>165,948</u>
Carrying value of impaired investments	-	234,117
Fair value of collateral held for impaired investments	-	234,117

The impairment charges recognized in 2010 by the Corporation and subsidiaries represented securities past due and/or in receivership, for which there was a shortfall in the fair value of the collateral.

Total impairment of \$14.4 million was recognised within the portfolios of the investment funds during 2010.

Investment Funds

	2011 \$'000	2010 \$'000
Impairment	<u>-</u>	<u>14,380</u>
Carrying value of impaired investments	-	19,935
Fair value of collateral held for impaired investments	-	19,935

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20) ADMINISTRATIVE EXPENSES

Administrative expenses comprised:

	2011 \$'000	2010 \$'000
Audit fees	718	659
Building maintenance	4,704	4,292
Directors' fees	1,939	2,150
General administration	47,850	46,546
Insurance	2,040	2,431
Marketing and advertising	11,940	15,008
Professional services	19,656	29,913
Rental of premises	5,885	4,739
Security	12,422	12,432
Staff costs (Note 21)	<u>94,559</u>	<u>87,269</u>
TOTAL	<u>201,713</u>	<u>205,439</u>

21) STAFF COSTS

	2011 \$'000	2010 \$'000
Salaries and benefits	81,610	73,523
Pension costs	9,619	10,199
National insurance	<u>3,330</u>	<u>3,547</u>
Total	<u>94,559</u>	<u>87,269</u>
Number of employees	516	532

Salaries and benefits for 2010 reflect a reduction of the actual cost by \$15.0 million due to a 2009 provision reversal in 2010.

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22) FINANCE CHARGES

	2011	2010
	\$'000	\$'000
Long term bonds (Note 8)	132	225
Finance lease	<u>-</u>	<u>1,988</u>
Total	<u>132</u>	<u>2,213</u>

23) DISTRIBUTIONS

	2011	2010
	\$'000	\$'000
Growth and Income Fund	88,896	6,938
TT\$ Income Fund	188,313	231,753
US\$ Income Fund	<u>77,561</u>	<u>92,263</u>
Total	<u>354,770</u>	<u>330,954</u>

a) Growth and Income Fund

The Growth and Income Fund paid \$88.9 million to its unit holders in respect of its June and December 2011 distributions. Included in the \$88.9 million, referred to, are distributions to Initial Capital Contributors of \$0.35 million (2010: \$0.03 million).

b) TT\$ Income Fund

Distributions in the TT\$ Income Fund are made quarterly in February, May, August and November. Income accrued as at 31 December, 2011 for distribution in the quarter ending February 2012 amounted to \$12.8 million (2010: \$22.4 million).

c) US\$ Income Fund

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

24) NET LOSS FROM DISCONTINUED OPERATIONS

a. Unit Trust Corporation (Belize) Limited

During 2011 the Unit Trust Corporation (Belize) Limited ceased operations and appointed a Liquidator who has been disposing the assets of both the Fund and the company and repaying both unit holders and creditors. The Liquidator is due to submit his final report during 2012. The Corporation does not expect to

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24) NET LOSS FROM DISCONTINUED OPERATIONS continued

a) Unit Trust Corporation (Belize) Limited (continued)

recover either its investment of \$17.65 million or its advances outstanding at December 2011 - \$0.40 million. These losses have been recognized as a Loss on Discontinued Operations in the Income Statement.

b) Merchant Banking Department

During 2011 the Corporation disposed of 99% of its Merchant Banking Portfolio. The loss of the Merchant Banking Department for 2011 is provided below.

	2011 \$'000
Interest income	90,794
Other income	<u>2,508</u>
Investment income	<u>93,302</u>
Interest expense	(53,789)
Impairment	(17,517)
Administrative expenses	(17,203)
Loss on disposal of assets	(10,374)
Foreign exchange loss	<u>(1,192)</u>
Net Loss on Discontinued Operations	<u><u>(100,075)</u></u> <u>(6,773)</u>

25) FINANCIAL RISK MANAGEMENT

The Group's Collective Investment Schemes and proprietary investment activities expose it to a variety of financial risks, including security price risk, interest rate risk (fair value and cash flow), foreign exchange rate risk, credit risk, concentration risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The Board of Directors of the Trinidad and Tobago Unit Trust Corporation has overall responsibility for the management of the financial, operational and business risks faced by all lines. The Board is critically assisted in this regard by its Audit, Risk & Compliance Committee. This Committee meets on at least a quarterly basis in order to ensure that the overall risk profile and policy environment of the Corporation is consistent with its strategic objectives. It also has oversight of the key internal control systems affecting the Corporation's significant operating activities. The Committee also considers the specific risk issues highlighted by the Management Risk Committee, which is a management committee comprising the Corporation's executive leadership and chaired by the Executive Director.

The Management Risk Committee is supported in its deliberations by an independent risk management function led by the Vice President – Corporate Affairs. The risk management function drives risk management policy-setting, scenario and stress testing and risk exposure monitoring across all business and operating activities.

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25) FINANCIAL RISK MANAGEMENT (continued)

The risk management function, in consultation with relevant line management, may also make recommendations for the management and mitigation of financial and other risks. The risk management function reports to and is directed in its activities by the Management Risk Committee. The Investment Committee of the Board also

approves each collective investment scheme's investment policy statement which includes various constraints on the investment portfolios that take into account risk management considerations.

The disclosures on risk management that follow focus on the operating activities of the Corporation's collective investment scheme products (the Growth & Income Fund, the TT\$ Income Fund, the US\$ Income Fund, the Universal Retirement Fund, the UTC Energy Fund, the UTC European Fund, the UTC Asia-Pacific Fund, the UTC Latin American Fund, the UTC Global Bond Fund and the UTC North American Fund) as well as its proprietary corporate investment activities. The Group's other operating activities are not considered to have material financial risk exposures.

Strategy in using financial instruments

Financial risks arise from the acquisition of various classes of financial instruments including equity and debt instruments (traded and non-traded). With regard to its Collective Investment Scheme business, the Corporation's practice is to acquire financial assets that provide consistent risk-adjusted returns relative to specific investment objectives of the individual portfolios. In general, the investment activities of the Funds involve taking long positions in securities with a focus on medium term performance as opposed to short-term gains-taking. The Collective Investment Schemes neither use leverage nor sell securities short and have no financial liabilities arising out of their investment activities.

In respect of its Treasury function, the Corporation's strategy is to focus on cash management while earning intermediation income via the interest spread of its proprietary financial assets over its associated funding instruments.

Equity price risk

Collective Investment Schemes – Registered locally as Unit Trusts

The Growth & Income Fund and the Universal Retirement Fund may acquire equity instruments that are exposed to fluctuations in market value. These exposures create equity price risk for the portfolios and may contribute to substantial volatility in the value of their net assets. This risk is managed via careful asset allocation and security selection within specified limits.

Key influences on the asset allocation decision include domestic as well as global economic and financial market trends. In the case of equity, the security selection decision is typically influenced by consideration of fundamental and technical valuation factors as well as by the instrument's historical price sensitivity to the market. The amount of a particular security eventually acquired takes into account the need to maintain appropriate levels of diversification at the overall portfolio level.

The equity price risk exposure of the portfolios is monitored and measured via categorization of the stocks by their historical price sensitivity to the overall market. A historical price sensitivity below 90% is considered to

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25) FINANCIAL RISK MANAGEMENT (continued)

Equity Price Risk (continued)

be low whereas an historical price sensitivity above 110% is considered to be high. A historical price sensitivity between 90% and 110% is regarded as comparable to the overall market. The categorization of the portfolios' equity holdings is provided below both in dollar terms and as a percentage of total equity holdings in the relevant Fund:

	Lower than market \$'000	Comparable to market \$'000	Higher than market \$'000
At 31 December, 2011			
Growth & Income Fund	1,181,108 52.0%	686,758 30.2%	404,223 17.8%
Universal Retirement Fund	65,002 56.7%	12,998 11.3%	36,605 32.0%

	Lower than market \$'000	Comparable to market \$'000	Higher than market \$'000
At 31 December, 2010			
Growth & Income Fund	1,349,572 71.3%	311,534 16.5%	231,311 12.2%
Universal Retirement Fund	79,245 79.9%	12,985 13.1%	6,983 7.0%

The following Table presents the approximate sensitivity of the net asset value of the Growth & Income Fund and the Universal Retirement Fund to a 5% change in the TTSE Composite Index and the S&P 500 Composite Index respectively as at 31 December, 2011 and 31 December, 2010 with all other variables held constant. The sensitivity is provided in dollar amounts and as a percentage of net asset value:

	31 December, 2011	31 December, 2010
TTSE Composite Index		
Growth & Income Fund	\$67.19 million (2.0%)	\$51.39 million (1.7%)
Universal Retirement Fund	\$3.44 million (1.7%)	\$2.77 million (1.7%)
S&P 500 Composite Index		
Growth & Income Fund	\$30.23 million (0.9%)	\$24.03 million (0.8%)
Universal Retirement Fund	\$0.82 million (0.4%)	\$0.99 million (0.6%)

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25) FINANCIAL RISK MANAGEMENT (continued)

Equity Price Risk (Continued)

Collective Investment Schemes – Registered overseas as subsidiary open ended investment companies

The equity price risk exposure of the fund portfolios in the overseas subsidiary companies is also monitored and measured via categorization of the stocks by their historical price sensitivity to the overall market.

	Lower than market TTS'000	Comparable to market TTS'000	Higher than market TTS'000
At 31 December, 2011			
UTC Energy Fund	663 2.6%	6,178 24.6%	18,291 72.8%
UTC European Fund	1,383 26.2%	692 13.1%	3,207 60.7%
UTC Asia Pacific Fund	8,091 74.5%	1,432 13.2%	1,336 12.3%
UTC Latin American Fund	839 12.6%	2,992 45.1%	2,812 42.3%
UTC North American Fund	97,711 67.24%	30,207 21.00%	16,919 11.76%
	Lower than market TTS'000	Comparable to market TTS'000	Higher than market TTS'000
At 31 December, 2010			
UTC Energy Fund	6,297 23.0%	8,285 30.2%	12,813 46.8%
UTC European Fund	1,712 31.0%	1,347 24.4%	2,470 44.6%
UTC Asia Pacific Fund	5,390 52.1%	3,946 38.2%	1,005 9.7%
UTC Latin American Fund	1,051 15.4%	2,338 34.3%	3,436 50.3%
UTC North American Fund	77,470 45.4%	51,801 30.4%	41,383 24.2%

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25) FINANCIAL RISK MANAGEMENT (continued)

Equity Price Risk (continued)

As at 31 December, 2011 and 31 December 2010, using the S&P 500 Index, had US equity securities prices changed as a whole by 5% (with all other variables held constant), the respective net asset values would have changed in both dollar and percentage terms as follows:

	2011		2010	
	\$'000	%	\$'000	%
UTC Energy Fund	1,540	6.1	1,375	5.0
UTC European Fund	292	5.5	273	4.9
UTC Asia Pacific Fund	484	4.5	450	4.4
UTC Latin American Fund	353	5.3	355	5.2
UTC North American Fund	859	3.8	6,321	3.7

The Global Bond Fund does not hold equity positions.

Proprietary Investments

The Corporation holds shares/units in the collective investment schemes that it has registered as overseas investment companies. This aggregate shareholding was valued at the equivalent of TT\$152.23 million and as such the exposure to equity price risk is proportionate to that disclosed in the preceding section.

In addition, the Corporation holds strategic positions in four (4) unquoted equities with a total book value equivalent to TT\$83.7 million. These positions are assumed to be uncorrelated with recognized stock exchanges and as such equity price risk is deemed immaterial for these positions.

Interest rate risk

Collective Investment Schemes – Registered locally as Unit Trusts

The Collective Investment Schemes' holdings of listed and unlisted debt instruments are exposed to movements in market rates of interest. In general, rising interest rates expose the portfolios to deterioration in net assets arising out of lower carrying values for bonds (fair value interest rate risk). Conversely, falling interest rates can expose the portfolios to potential diminution in earnings on variable rate instruments (cash flow interest rate risk).

Given the general offsetting effect of exposures to fair value interest rate risk and cash flow interest rate risk, the overall interest rate risk is managed by making judicious adjustments of the overall weighted average term to maturity (i.e. duration) based on the relevant economic and financial market outlook.

Management monitors the duration of the portfolios by segregating the fixed income securities by the earlier of contractual maturity or interest rate reset dates that are less than or equal to one year, greater than one year but less than five years, and greater than or equal to five years. The degree of interest rate sensitivity in the overall portfolio is then reflected by the relative proportions in the given maturity terms/interest rate reset frequencies.

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25) FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

An interest rate re-pricing analysis (as defined by the earlier of the contractual maturity or interest fixing date for each instrument) is provided below for the Collective Investment Schemes' fixed income portfolio as at 31 December, 2011 and 31 December, 2010:

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
At 31 December, 2011				
Growth & Income Fund				
Debt instruments – traded	-	-	8,614	8,614
Debt instruments – non-traded	310,134	103,532	291,246	704,912
Cash & other net assets	<u>324,574</u>	-	-	<u>324,574</u>
	<u>634,708</u>	<u>103,532</u>	<u>299,860</u>	<u>1,038,100</u>
TTS Income Fund				
Debt instruments – traded	161,533	-	111,759	273,292
Debt instruments – non-traded	4,861,990	802,471	3,041,934	8,706,395
Cash & other net assets	<u>1,577,090</u>	-	-	<u>1,577,090</u>
	<u>6,600,613</u>	<u>802,471</u>	<u>3,153,693</u>	<u>10,556,777</u>
Universal Retirement Fund				
Debt instruments – traded	-	-	-	-
Debt instruments – non-traded	10,464	18,747	27,582	56,793
Cash & other net assets	<u>15,586</u>	-	-	<u>15,586</u>
	<u>26,050</u>	<u>18,747</u>	<u>27,582</u>	<u>72,379</u>
US\$ Income Fund				
Debt instruments – traded	-	107,628	-	107,628
Debt instruments – non-traded	2,616,106	346,701	697,393	3,660,200
Cash & other net assets	<u>573,643</u>	-	-	<u>573,643</u>
	<u>3,189,749</u>	<u>454,329</u>	<u>697,393</u>	<u>4,341,471</u>
	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
At 31 December, 2010				
Growth & Income Fund				
Debt instruments – traded	-	-	7,959	7,959
Debt instruments – non-traded	239,806	187,746	254,981	682,533
Cash & other net assets	<u>445,175</u>	-	-	<u>445,175</u>
	<u>684,981</u>	<u>187,746</u>	<u>262,940</u>	<u>1,135,667</u>
TTS Income Fund				
Debt instruments – traded	102,819	-	193,545	296,364
Debt instruments – non-traded	4,308,534	865,015	1,402,507	6,576,056
Cash & other net assets	<u>3,265,804</u>	-	-	<u>3,265,804</u>
	<u>7,677,157</u>	<u>865,015</u>	<u>1,596,052</u>	<u>10,138,224</u>
Universal Retirement Fund				
Debt instruments – traded	-	-	-	-
Debt instruments – non-traded	6,655	32,800	19,783	59,238
Cash & other net assets	<u>4,445</u>	-	-	<u>4,445</u>
	<u>11,100</u>	<u>32,800</u>	<u>19,783</u>	<u>63,683</u>
US\$ Income Fund				
Debt instruments – traded	636,871	35,519	408,831	1,081,221
Debt instruments – non-traded	1,810,015	410,000	113,599	2,333,614
Cash & other net assets	<u>725,657</u>	-	-	<u>725,657</u>
	<u>3,172,543</u>	<u>445,519</u>	<u>522,430</u>	<u>4,140,492</u>

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25) FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

As at 31 December, 2011 the Funds' TT dollar denominated fixed income positions were almost exclusively categorized as held-to-maturity and as a consequence changes in TT dollar interest rates would not have materially affected the net assets of the portfolios given that this category of financial asset is always carried at amortized cost in accordance with International Accounting Standards.

On the other hand, a number of US dollar denominated fixed income positions held by the local TT domiciled Funds are categorized as available-for-sale and as such changes in US dollar interest rates would affect the net assets of the portfolios given that this category of financial asset is always carried at fair value in accordance with International Accounting Standards.

With all other variables held constant, sensitivity analysis performed for a 100 basis point (i.e. 1%) increase and decrease in US interest rates as at 31 December, 2011 and 31 December, 2010 would have had the following estimated impact on the net assets of the individual portfolios:

100 basis point increase	31 December, 2011	31 December, 2010
Growth & Income Fund	(\$1.58 million)	(\$0.57 million)
TT\$ Income Fund	(\$18.22 million)	(\$12.48 million)
US\$ Income Fund	(\$23.47 million)	(\$22.72 million)
100 basis point decrease	31 December, 2011	31 December, 2010
Growth & Income Fund	\$1.71 million	\$0.64 million
TT\$ Income Fund	\$19.20 million	\$13.70 million
US\$ Income Fund	\$24.95 million	\$24.58 million

The Universal Retirement Fund had no exposure to US interest rate movements as at 31 December, 2011 or as at 31 December, 2010.

Collective Investment Schemes – Registered as overseas subsidiary open ended investment companies

The Funds' US dollar denominated fixed income positions are exclusively categorized as available-for-sale and as a consequence changes in US dollar interest rates would have materially affected the net assets of the portfolios given that this category of financial asset is always carried at fair value in accordance with International Accounting Standards.

An interest rate re-pricing analysis (as defined by the earlier of the contractual maturity or interest fixing date for each instrument) is provided below for the Funds' fixed income portfolio as at 31 December, 2011 and 31 December, 2010:

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25) FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

As at 31 December, 2011

	Up to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non-Interest bearing \$'000	Total \$'000
Assets					
<u>Investment securities</u>					
UTC Energy Fund	-	-	-	-	-
UTC European Fund	863	-	-	-	863
UTC Asia Pacific Fund	-	-	-	-	-
UTC Latin American Fund	-	-	-	-	-
UTC Global Bond Fund	82	51	118	-	251
UTC North American Fund	89	3,118	30,785	-	33,992
<u>Interest income receivable</u>					
UTC Energy Fund	11	-	-	-	11
UTC European Fund	43	-	-	-	43
UTC Asia Pacific Fund	5	-	-	-	5
UTC Latin American Fund	31	-	-	-	31
UTC Global Bond Fund	51	-	-	-	51
<u>Other receivables</u>					
- UTC Energy Fund	5,013	-	-	-	5,013
- UTC European Fund	-	-	-	-	-
- UTC Asia Pacific Fund	-	-	-	-	-
- UTC Latin American Fund	-	-	-	-	-
- UTC Global Bond Fund	-	-	-	-	-
<u>Cash</u>					
- UTC Energy Fund	10,037	-	-	-	10,037
- UTC European Fund	601	-	-	-	601
- UTC Asia Pacific Fund	1,368	-	-	-	1,368
- UTC Latin American Fund	602	-	-	-	602
- UTC Global Bond Fund	1,742	-	-	-	1,742
- UTC North American Fund	12,758	-	-	-	12,758

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25) FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

As at 31 December, 2010

	Up to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non-Interest bearing \$'000	Total \$'000
Assets					
<u>Investment securities</u>					
UTC Energy Fund	2,799	137	7,533	14,178	24,647
UTC European Fund	342	-	538	2,943	3,823
UTC Asia Pacific Fund	982	658	628	3,490	5,758
UTC Latin American Fund	1,349	-	260	2,611	4,220
UTC Global Bond Fund	3,661	584	2,002	1,316	7,563
UTC North American Fund	3,809	15,635	55,214	140,769	215,427
<u>Interest income receivable</u>					
UTC Energy Fund	195	-	-	-	195
UTC European Fund	15	-	-	-	15
UTC Asia Pacific Fund	24	-	-	-	24
UTC Latin American Fund	20	-	-	-	20
UTC Global Bond Fund	38	-	-	-	38
<u>Other receivables</u>					
- UTC Energy Fund	49	-	-	-	49
- UTC Global Bond Fund	12	-	-	-	12
<u>Cash</u>					
- UTC Energy Fund	6,058	-	-	-	6,058
- UTC European Fund	2,623	-	-	-	2,623
- UTC Asia Pacific Fund	3,741	-	-	-	3,741
- UTC Latin American Fund	2,555	-	-	-	2,555
- UTC Global Bond Fund	2,368	-	-	-	2,368

Sensitivity analysis was conducted to determine the effect had US interest rates increased or decreased by 100 basis points (i.e. 1%). With all other variables held constant, net assets attributable to unit holders and equity would have decreased or increased as at 31 December, 2011 and 31 December, 2010 as follows:

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25) FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

100 basis point (i.e. 1%) increase	31 December, 2011	31 December, 2010
	\$TT'000	TTS'000
UTC Energy Fund	-	-
UTC European Fund	(7)	(11)
UTC Asia Pacific Fund	-	(27)
UTC Latin American Fund	-	-
UTC Global Bond Fund	(62)	(58)
UTC North American Fund	(1,685)	(811)
100 basis point (i.e. 1%) decrease	TTS'000	TTS'000
UTC Energy Fund	-	-
UTC European Fund	7	11
UTC Asia Pacific Fund	-	28
UTC Latin American Fund	-	-
UTC Global Bond Fund	66	61
UTC North American Fund	1,806	867

Proprietary Investments

The Corporation's proprietary interest bearing asset and liability positions are exposed to movements in market rates of interest.

A surplus of interest bearing assets in relation to interest bearing liabilities exposes intermediation earnings to declines in market interest rates. Conversely, a deficit of interest bearing assets in relation to interest bearing liabilities exposes intermediation earnings to increases in market interest rates.

In general, the Corporation focuses on controlling the rate re-pricing mismatch between assets and liabilities so as to maintain a stable, consistent spread over its cost of funds. This is achieved by maintaining a reasonably substantial variable rate asset portfolio, by active management of the maturity profile of funding instruments and by holding a minimum level of readily tradable assets.

The interest rate re-pricing exposures of Corporation assets and liabilities are provided below as at 31 December, 2011 and 31 December, 2010:

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25) FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk (continued)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December, 2011					
Assets					
Cash & Cash Equivalents	308,035	-	-	-	308,035
Money Market Instruments	52,510	-	-	-	52,510
Fixed Income Securities	2,276,887	22,696	-	-	2,299,583
Equities & Mutual Funds	-	-	-	304,965	304,965
Liabilities					
Financial Instruments	(2,482,590)	-	-	-	(2,482,590)
Other Liabilities	(7,805)	-	-	-	(7,805)
Rate Re-pricing Position	<u>147,037</u>	<u>22,696</u>	<u>-</u>	<u>304,965</u>	<u>474,698</u>

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
At 31 December, 2010					
Assets					
Cash & Cash Equivalents	1,045,544	-	-	-	1,045,544
Fixed Income Securities	493,010	687,255	683,009	-	1,863,274
Equities & Mutual Funds	-	-	-	295,965	295,965
Liabilities					
Financial Instruments	(2,282,200)	(60,911)	(240,474)	-	(2,583,585)
Rate Re-pricing Position	<u>(743,646)</u>	<u>626,344</u>	<u>442,535</u>	<u>295,965</u>	<u>621,198</u>

Given the above rate re-pricing profile, an increase or decrease in short term market rates of interest of 100 basis points (i.e. 1%) effective from 31 December, 2011 would have modified net interest income over the coming twelve months by an estimated TT\$4.2 million (2010: TT\$4.8 million) with all other variables held constant.

Exchange Rate Risk

Collective Investment Schemes - Registered as local Unit Trusts

The net assets of the portfolios may fluctuate due to changes in foreign exchange rates. This risk is currently limited to the Growth & Income Fund, the TT\$ Income Fund and the Universal Retirement Fund as these TT dollar-denominated Funds may hold financial assets denominated in other currencies. As a consequence, the net assets and/or earnings of the TT\$ denominated portfolios could increase or decrease in value due to exchange rate fluctuations of individual currencies relative to the TT dollar. This risk is managed by restricting non-TT dollar holdings in the individual Funds to an appropriate proportion of net assets. The primary foreign exchange

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25) FINANCIAL RISK MANAGEMENT (continued)

Exchange Rate Risk (continued)

exposure in the Investment Funds is to the USD/TTD exchange rate given the negligible holdings of other currencies in the portfolios.

The portfolios' foreign currency holdings as at 31 December, 2011 and 31 December, 2010 were as follows:

	At 31 December, 2011		At 31 December, 2010	
	USD (Presented in TT\$) \$'000	OTHER (Presented in TT\$) \$'000	USD (Presented in TT\$) \$'000	OTHER (Presented in TT\$) \$'000
Growth & Income Fund				
Equities	768,187	20,814	705,809	18,057
Debt instruments - traded	8,614	-	7,959	-
Debt instruments – non-traded	66,334	-	149,812	-
Cash & other net assets	<u>269,699</u>	<u>-</u>	<u>320,588</u>	<u>-</u>
	<u>1,112,834</u>	<u>20,814</u>	<u>1,184,168</u>	<u>18,057</u>
TTS Income Fund				
Debt instruments - traded	273,292	-	296,364	-
Debt instruments – non-traded	399,987	-	225,693	-
Cash & other net assets	<u>82,039</u>	<u>-</u>	<u>209,410</u>	<u>-</u>
	<u>755,318</u>	<u>-</u>	<u>731,467</u>	<u>-</u>
Universal Retirement Fund				
Equities	36,679	-	39,567	-
Debt instruments - traded	-	-	-	-
Debt instruments – non-traded	5,467	-	8,692	-
Cash & other net assets	<u>10,716</u>	<u>-</u>	<u>1,763</u>	<u>-</u>
	<u>52,862</u>	<u>-</u>	<u>50,022</u>	<u>-</u>

A 1% increase or decrease in the TT dollar relative to the US dollar would have changed the net assets of the individual Funds as at 31 December, 2011 and 31 December, 2010 as follows:

	2011 \$'000	2010 \$'000
Growth & Income Fund	11,128	11,841
TTS Income Fund	7,579	7,315
Universal Retirement Fund	528	500

Collective Investment Schemes – Registered as overseas subsidiary companies

The reporting currency of the overseas subsidiaries is the US dollar. Moreover, the portfolio assets of the Funds issued by these subsidiaries are denominated exclusively in US dollars. As a result, there is no material exchange rate risk in those Funds. Moreover, the translation effect of the subsidiaries on the Group's Consolidated Financial Statements is considered minimal.

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25) FINANCIAL RISK MANAGEMENT (continued)

Exchange Rate Risk (continued)

Proprietary Investments

The proprietary foreign currency assets and liabilities of the Corporation as at 31 December, 2011 and as at 31 December, 2010 are as follows:

At 31 December, 2011	USD (Presented in TTD) \$'000	Other (Presented in TTD) \$'000
Assets		
Cash & Cash Equivalents	86,096	-
Money Market Instruments	52,510	-
Fixed Income Securities	1,700,569	-
Equities & Mutual Funds	248,950	-
Liabilities		
Financial Instruments	(1,802,843)	-
Other liabilities	-	-
Total	<u>285,282</u>	=

At 31 December, 2010	USD (Presented in TTD) \$'000	Other (Presented in TTD) \$'000
Assets		
Cash & Cash Equivalents	919,553	-
Money Market Instruments	-	-
Fixed Income Securities	819,466	-
Equities	234,911	-
Liabilities		
Financial Instruments	(1,766,312)	-
Other liabilities	-	-
Total	<u>207,618</u>	=

A 1% increase or decrease in the TT dollar relative to the US dollar as at that date would have affected the net income position of the Corporation by TT\$2.85 million as at 31 December, 2011 and by TT\$2.07 million as at 31 December, 2010.

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25) FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Collective Investment Schemes - Registered as local Unit Trusts

The Funds' holdings of debt instruments expose them to the risk that issuers or counterparties may default on their financial obligations, that is, fail to make full timely payments of scheduled interest and/or principal sums. Default risk has the potential to lower net asset value or fund earnings in the event that part or all of the scheduled cash flows become uncollectible after being past due for an extended period of time. This risk of loss may be tempered by the availability of realizable collateral that enhances the potential recovery value on the debt instrument.

Default risk is managed at the outset by subjecting all issuers/counterparties to a robust credit risk assessment process that results in the assignment of a credit score or rating. The acquisition or retention of a debt issue is subject to the credit rating limits and constraints contained in each Fund's investment policy statement, and any other relevant factors. It is the Corporation's policy that a credit rating review of each issuer/counterparty be performed at least annually.

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

The internal credit quality is mapped to comparable external rating grades as per the following table:

Agency	High									Moderate						Low	
	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B		B-
S&P	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC+ and below
Moody's	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1	B2	B3	Caa1 and below
Fitch	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC and below
CariCris	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	C+ and below

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25) FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The credit quality of the individual Funds' fixed income portfolio is given below:

	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
At 31 December, 2011				
Growth & Income Fund				
Cash & Cash Equivalents	324,574	-	-	324,574
Debt instruments - traded	-	-	8,614	8,614
Debt instruments - non-traded	<u>638,864</u>	<u>31,412</u>	<u>34,636</u>	<u>704,912</u>
	<u>963,438</u>	<u>31,412</u>	<u>43,250</u>	<u>1,038,100</u>
TT\$ Income Fund				
Cash & Cash Equivalents	1,577,091	-	-	1,577,091
Debt instruments - traded	1,262,502	66,018	32,809	1,361,329
Debt instruments - non-traded	<u>7,419,620</u>	<u>97,690</u>	<u>101,047</u>	<u>7,618,357</u>
	<u>10,259,213</u>	<u>163,708</u>	<u>133,856</u>	<u>10,556,777</u>
Universal Retirement Fund				
Cash & Cash Equivalents	15,587	-	-	15,587
Debt instruments - traded	-	-	-	-
Debt instruments - non-traded	<u>43,529</u>	<u>11,585</u>	<u>1,678</u>	<u>56,792</u>
	<u>59,116</u>	<u>11,585</u>	<u>1,678</u>	<u>72,379</u>
USS Income Fund				
Cash & Cash Equivalents	573,643	-	-	573,643
Debt instruments - traded	1,734,568	-	-	1,734,568
Debt instruments - non-traded	<u>1,364,714</u>	<u>178,376</u>	<u>490,170</u>	<u>2,033,260</u>
	<u>3,672,925</u>	<u>178,376</u>	<u>490,170</u>	<u>4,341,471</u>
	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
At 31 December, 2010				
Growth & Income Fund				
Cash & Cash Equivalents	292,284	-	152,891	445,175
Debt instruments - traded	-	-	7,959	7,959
Debt instruments - non-traded	<u>548,649</u>	<u>105,173</u>	<u>28,711</u>	<u>682,533</u>
	<u>840,933</u>	<u>105,173</u>	<u>189,561</u>	<u>1,135,667</u>
TT\$ Income Fund				
Cash & Cash Equivalents	3,210,349	-	55,455	3,265,804
Debt instruments - traded	162,465	104,668	29,232	296,365
Debt instruments - non-traded	<u>6,214,184</u>	<u>154,928</u>	<u>206,943</u>	<u>6,576,055</u>
	<u>9,586,998</u>	<u>259,596</u>	<u>291,630</u>	<u>10,138,224</u>
Universal Retirement Fund				
Cash & Cash Equivalents	3,222	-	1,223	4,445
Debt instruments - traded	-	-	-	-
Debt instruments - non-traded	<u>42,565</u>	<u>15,030</u>	<u>1,643</u>	<u>59,238</u>
	<u>45,787</u>	<u>15,030</u>	<u>2,866</u>	<u>63,683</u>
USS Income Fund				
Cash & Cash Equivalents	549,978	-	175,679	725,657
Debt instruments - traded	696,388	353,829	31,004	1,081,221
Debt instruments - non-traded	<u>1,800,911</u>	<u>382,701</u>	<u>150,002</u>	<u>2,333,614</u>
	<u>3,047,277</u>	<u>736,530</u>	<u>356,685</u>	<u>4,140,492</u>

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25) FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Collective Investment Schemes – Registered as overseas subsidiary companies

The corresponding credit quality of the Funds registered as overseas subsidiary companies is presented below for 31 December, 2011 and 31 December, 2010:

As at 31 December, 2011	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
Corporate debt Securities				
UTC Energy Fund	-	-	-	-
UTC Global Bond Fund	251	-	-	251
UTC European Fund	31	-	-	31
UTC Asia Pacific Fund	-	-	-	-
UTC Latin American Fund	-	-	-	-
UTC North American Fund	33,396	-	596	33,992
Treasury bills				
UTC Energy Fund	-	-	-	-
UTC Global Bond Fund	-	-	-	-
UTC European Fund	-	-	-	-
UTC Asia Pacific Fund	-	-	-	-
UTC Latin American Fund	-	-	-	-
UTC North American Fund	-	-	-	-
Interest income receivable				
UTC Energy Fund	11	-	-	11
UTC Global Bond Fund	43	-	-	43
UTC European Fund	5	-	-	5
UTC Asia Pacific Fund	31	-	-	31
UTC Latin American Fund	51	-	-	51
UTC North American Fund	-	-	-	-
Other assets				
UTC Energy Fund	1	-	-	1
UTC Global Bond Fund	10	-	-	10
UTC European Fund	6	-	-	6
UTC Asia Pacific Fund	7	-	-	7
UTC Latin American Fund	-	-	-	-
UTC North American Fund	-	-	-	-
Cash				
UTC Energy Fund	10,037	-	-	10,037
UTC Global Bond Fund	601	-	-	601
UTC European Fund	1,368	-	-	1,368
UTC Asia Pacific Fund	602	-	-	602
UTC Latin American Fund	1,742	-	-	1,742
UTC North American Fund	12,758	-	-	12,758

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25) FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

As at 31 December, 2010	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
Corporate Debt Securities				
UTC Energy Fund	-	13	122	135
UTC Global Bond Fund	1,404	656	871	2,931
UTC European Fund	506	-	-	506
UTC Asia Pacific Fund	653	-	-	653
UTC Latin American Fund	-	-	-	-
UTC North American Fund	17,103	6,550	-	23,653
Treasury Bills				
UTC Energy Fund	-	-	-	-
UTC Global Bond Fund	-	-	-	-
UTC European Fund	-	-	-	-
UTC Asia Pacific Fund	-	-	-	-
UTC Latin American Fund	-	-	-	-
UTC North American Fund	-	-	-	-
Interest Income Receivable				
UTC Energy Fund	-	-	-	-
UTC Global Bond Fund	29	-	-	29
UTC European Fund	5	-	-	5
UTC Asia Pacific Fund	9	-	-	9
UTC Latin American Fund	-	-	-	-
UTC North American Fund	-	-	-	-
Other Assets				
UTC Energy Fund	16	-	-	16
UTC Global Bond Fund	8	-	-	8
UTC European Fund	2	-	-	2
UTC Asia Pacific Fund	-	-	-	-
UTC Latin American Fund	10	-	-	10
UTC North American Fund	-	-	-	-
Cash				
UTC Energy Fund	7,021	-	-	7,021
UTC Global Bond Fund	2,517	-	-	2,517
UTC European Fund	742	-	-	742
UTC Asia Pacific Fund	2,927	-	-	2,927
UTC Latin American Fund	1,410	-	-	1,410
UTC North American Fund	1,367	-	-	1,367

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25) FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Past due, impaired or other distressed investments held by the Corporation's Collective Investment Schemes are monitored by management and reported to the Management Risk Committee, the Investment Committee and the Board. The carrying values of assets, past due but not impaired, at the 2011 year end for the Collective Investment Schemes were as follows (expressed in \$TT'000 equivalent):

	Days past due as at 31 December, 2011			
	1-30 days	31-90 days	91-180 days	Over 180 days
		TTS'000		TTS'000
USD Income Fund	-	44,398	-	105,483
TTD Income Fund	-	-	-	54,459
Growth & Income Fund	-	-	-	14,608
Universal Retirement Fund	-	-	-	1,415
Total	-	44,398	-	175,965

	Days past due as at 31 December, 2010			
	1-30 days	31-90 days	91-180 days	Over 180 days
				TTS'000
Energy Fund	-	-	-	122
USD Income Fund	-	-	-	190,146
TTD Income Fund	-	-	-	55,449
Growth & Income Fund	-	-	-	152,886
Universal Retirement Fund	-	-	-	1,223
Total	-	-	-	399,826

Proprietary Investments

During the course of its proprietary investment activities, the Corporation may incur credit exposures through its fixed income securities and cash holdings. These exposures as at 31 December, 2011 in all material aspects were with issuers/counterparties of a high credit quality i.e. rated at least BBB- equivalent by international credit rating agencies or having an internally determined credit score consistent with such a credit rating.

Impaired assets

Impairment provisions are based on objective evidence of impairment. An asset is considered impaired where there is no longer reasonable assurance of collection (within the contractually established timeframe) of the full amount of principal and interest due to deterioration in the credit quality of the counterparty or any other factor which may affect contractual performance. In other words, an asset is impaired if its estimated recoverable amount is less than its carrying amount.

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25) FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Corporation's policy requires the review for impairment of individual financial assets at each reporting period or more regularly when individual circumstances require. Impairment allowances are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to each financial asset on an individual basis. The assessment normally encompasses collateral held (including reconfirmation of its enforceability) and the anticipated receipts for that financial asset.

Collective Investment Schemes - Registered as local unit trust schemes

No impairment charge was required in respect of the local unit trusts as at 31 December, 2011. By comparison, one asset was impaired in 2010 across the Funds with the following losses recorded as a result:

	2011	2010
	\$'000	\$'000
Growth & Income Fund	-	-
TT\$ Income Fund	-	-
Universal Retirement Fund	-	2,000
US\$ Income Fund	-	-
Total	-	12,400
	=	14,400

Collective Investment Schemes - Registered as overseas subsidiary companies

With regard to these Funds, no impairment losses were recorded for the year ended 31 December, 2011. This compares with impairment losses of \$0.5 million for the year ended 31 December, 2010.

Proprietary Investments

No impairment charge was required for the proprietary investments of the Corporation in 2011 or 2010.

Concentration risk

Collective Investment Schemes – Registered as local unit trust schemes

During the normal course of investment activity, the Funds may build up concentrations in single entities, groups of related/affiliated entities, sectors/industries and countries. Domination of the Funds individually and collectively in any one security, entity/group of entities, industry/sector or country/geographic region has the potential *inter alia* to magnify the impact of idiosyncratic events on net assets or earnings. In some cases, such concentrations may restrict the ability of the Funds to exit security positions without sustaining substantial loss.

Statutory restrictions limit the exposure of the Funds to any issuer (i) to a maximum of 10% of the Fund's combined net assets and (ii) a maximum of 10% in securities in issue. This prevents the undue build up of issuer, sector and country concentrations in the Funds. As at 31 December, 2011 there were no exposures to any single entity or group of related entities exceeding 10% of the Funds' combined net assets.

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25) FINANCIAL RISK MANAGEMENT (continued)

Concentration risk (continued)

Collective Investment Schemes – Registered as overseas subsidiary companies

The collective investment scheme products issued by overseas subsidiary companies contain significant geographic, industry sector and/or asset class concentrations in compliance with regulatory prescriptions on fund nomenclature. In general, concentrations higher than 80% are usual in these Funds. As such there is significant concentration risk in the Fund portfolios of the overseas subsidiary companies.

Proprietary Investments

With respect to its proprietary financial assets, the Corporation is significantly exposed to TT government and government-owned entities. As at 31 December, 2011, its exposure to such entities totalled approximately TT\$2.3 billion. This exposure is deemed manageable by the Corporation.

Liquidity risk

Proprietary Investments

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Corporation's treasury management includes day-to-day funding which is managed by monitoring future cash flows to ensure that requirements can be met, by maintaining a portfolio of short-term investments that can be easily liquidated as protection against any unforeseen interruptions to cash flow and by managing the concentration and profile of debt maturities.

The Table below presents cash flows payable by the Group for financial liabilities. The amounts disclosed in the Table are the contractual undiscounted cash flows.

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25) FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
At 31 December, 2011			
Accounts Payable and Short Term Liabilities	-	-	-
Other Liabilities	-	-	-
Financial Instruments	2,482,590	-	-
Finance Lease	-	-	-
Total	<u>2,482,590</u>	<u>-</u>	<u>-</u>
	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
At 31 December, 2010			
Accounts Payable and Short Term Liabilities	30,021	-	-
Other Liabilities	-	-	-
Financial Instruments	2,282,200	-	301,385
Finance Lease	-	-	-
Total	<u>2,312,221</u>	<u>-</u>	<u>301,385</u>

Collective Investment Schemes - Registered as local unit trust schemes and as overseas subsidiaries

Units in the Growth & Income Fund, the TT\$ Income Fund and the US\$ Income Fund are redeemable upon demand by investors. This is also true of the Fund products issued by the overseas subsidiaries. Consequently, these Funds are exposed to daily unit redemptions. The Funds mitigate this risk by maintaining adequate portfolio liquidity through appropriate cash, near cash and other short-term investments. Given the tradable nature of a substantial proportion of the Fund portfolios, this risk is not deemed significant.

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26) INVESTMENT SECURITIES - GROWTH AND INCOME FUND (FIRST UNIT SCHEME)

Securities at market value:

	2011	2010
	\$	\$
Government Securities	507,913,805	425,647,463
Corporate Securities	135,966,121	264,844,439
Equity (Local and Foreign)	2,272,089,312	1,893,056,114
Short Term Investments	<u>69,647,285</u>	<u>-</u>
Total	<u>2,985,616,523</u>	<u>2,583,548,016</u>

The Portfolio of the Growth and Income Fund is represented by:

	2011	2010
	\$	\$
Held-to-Maturity Financial Assets	632,251,431	682,229,217
Available-for-Sale Financial Assets	<u>2,353,365,092</u>	<u>1,901,318,799</u>
Total	<u>2,985,616,523</u>	<u>2,583,548,016</u>

27) INVESTMENT SECURITIES - TT\$ INCOME FUND

Securities at market value:

	2011	2010
	\$	\$
Government Securities	2,804,114,100	1,911,137,212
Corporate Securities	2,274,209,006	1,298,241,987
Short Term Investments	<u>3,901,363,487</u>	<u>3,663,038,178</u>
Total	<u>8,979,686,593</u>	<u>6,872,417,377</u>

The Portfolio of the TT\$ Income Fund is represented by:

	2011	2010
	\$	\$
Held-to-Maturity Financial Assets	7,385,263,240	6,325,496,134
Available-for-Sale Financial Assets	<u>1,594,423,353</u>	<u>546,921,243</u>
Total	<u>8,979,686,593</u>	<u>6,872,417,377</u>

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28) INVESTMENT SECURITIES – UNIVERSAL RETIREMENT FUND

Securities at market value:

	2011	2010
	\$	\$
Government Securities	20,886,267	26,531,228
Corporate Securities	35,906,150	32,706,609
Short Term Investments	<u>114,585,195</u>	<u>99,213,032</u>
Total	<u>171,377,612</u>	<u>158,450,869</u>

The Portfolio of the Universal Retirement Fund is represented by:

	2011	2010
	\$	\$
Held-to-Maturity Financial Assets	56,792,417	59,237,837
Available-for-Sale Financial Assets	<u>114,585,195</u>	<u>99,213,032</u>
Total	<u>171,377,612</u>	<u>158,450,869</u>

29) INVESTMENT SECURITIES - US\$ INCOME FUND

Securities at market value:

	2011	2010
	\$	\$
Government Securities	231,155,193	339,373,926
Corporate Securities	1,649,415,666	1,445,161,162
Cash and Short Term Investments	<u>1,626,939,347</u>	<u>1,627,322,556</u>
Total	<u>3,507,510,206</u>	<u>3,411,857,644</u>

The Portfolio of the US\$ Income Fund is represented by:

	2011	2010
	\$	\$
Held-to-Maturity Financial Assets	2,053,123,566	2,139,590,691
Available-for-Sale Financial Assets	<u>1,454,386,640</u>	<u>1,272,266,953</u>
Total	<u>3,507,510,206</u>	<u>3,411,857,644</u>

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30) INVESTMENT IN SUBSIDIARIES

a) Local Subsidiaries

The Corporation established three (3) wholly-owned local subsidiary companies incorporated under the Companies Act of Trinidad & Tobago, Chapter 81:01 of the Laws of the Republic of Trinidad and Tobago, as follows:

Company	% Interest	Date of Incorporation
UTC Financial Services Limited	100%	23 March, 1999
UTC Trust Services Limited	100%	2 June, 1999
UTC Property Holdings Limited	100%	18 June, 2002

The UTC Financial Services Limited is a wholly-owned subsidiary of the Corporation and all the Directors of the company are Directors of the Corporation. The company carries on the business of a registrar and paying agent.

The UTC Property Holdings Limited is a wholly-owned subsidiary of the Corporation and all the Directors of this company are Directors of the Corporation. It currently owns buildings constructed for rental to the Corporation to house its customer service centers.

The assets, liabilities and results of operations of these subsidiaries have been fully incorporated in these Financial Statements. UTC Trust Services Limited was not audited for 2011 since there was no activity. The auditor for UTC Property Holdings Limited and UTC Financial Services Limited is PricewaterhouseCoopers.

b) Foreign Subsidiaries

The Corporation has five (5) foreign subsidiaries. These are:

Company	% Interest	Date of Incorporation	Country of Incorporation
UTC Fund Services, Inc.	100%	8 December, 1997	Delaware, USA
UTC Financial Services USA, Inc.	100%	8 June, 1999	Rhode Island, USA
Unit Trust Corporation (Cayman) SPC Limited	100% voting shares 31% segregated portfolio shares	31 July, 2006	Cayman Islands
UTC Energy Investment Limited	90%	31 May, 2007	Delaware, USA
UTC North American Fund Inc.	70%	24 October, 1990	Maryland, USA

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30) INVESTMENT IN SUBSIDIARIES (continued)

b) Foreign Subsidiaries (continued)

The auditors of these foreign subsidiaries are as follows:

Company	Auditors
UTC Financial Services USA, Inc Unit Trust Corporation (Cayman) SPC Limited	Mayer Hoffman McCann P.C. (formerly Kirkland, Russ, Murphy & Tapp, USA)
UTC North American Fund, Inc.	PricewaterhouseCoopers, Cayman Islands PricewaterhouseCoopers, Milwaukee

The UTC Energy Investment Limited and UTC Fund Services Inc., are not engaged in activities that require treatment as publicly traded entities and are not subject to any regulatory reporting; therefore, they do not require an audit opinion.

The Unit Trust Corporation (Cayman) SPC Limited was incorporated in 2006 and is authorised to issue voting and segregated portfolio shares. The Trinidad and Tobago Unit Trust Corporation has the sole right to hold 100% of the voting shares of the Company. As at 31 December, 2011, the Trinidad and Tobago Unit Trust Corporation held one voting share at a value of \$634.95 (2009 - \$620.65).

The segregated portfolio shares are held by various investors, including the Trinidad and Tobago Unit Trust Corporation, who have invested in the mutual funds issued by the Unit Trust Corporation (Cayman) SPC Limited. The Statement of Financial Position of this Company comprises the combined assets and liabilities of five mutual funds, plus the value of the voting shares. The Trinidad and Tobago Unit Trust Corporation invested seed capital of \$25 million across the five mutual funds, currently representing 31% (2010 - 38%) ownership of the segregated portfolio shares.

UTC Energy Investment Limited was incorporated in 2007 under the laws of Delaware, USA. In addition to the 90% of capital held by the Corporation, the Growth and Income Fund, holds the remaining 10% of the capital of this company. Since the assets of this investment fund are reflected in these Consolidated Financial Statements, all of the assets of this subsidiary are reported on the Consolidated Statement of Financial Position.

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

The 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. In December 2008, the Corporation acquired majority shareholding in the UTC North American Fund, Inc., when its shareholding grew to 70% of the outstanding shares of this Fund. The net assets of this Company are consolidated in these financial statements.

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31) SEGMENT INFORMATION

The Group's business activities during 2011 were such that, other than the Merchant Banking Department which was discontinued (see Note 24 (b)), all the Group's significant activities during 2011 were incidental to its main activity. There was therefore only one business segment.

	2011				
	\$'000				
	Merchant Banking	Treasury	Mutual Fund Services	Other	Group
Gross external revenues	-	-	736,326	-	736,326
Revenue from other segments	-	-	-	-	-
Total gross revenues	-	-	736,326	-	736,326
Total expenses	-	-	(634,866)	-	(634,866)
Net income before tax	-	-	101,460	-	101,460
Taxation	-	-	(5,802)	-	(5,802)
Net income for the year	-	-	95,658	-	95,658
Segment assets	-	-	21,717,171	-	21,717,171
Unallocated assets	-	-	-	-	-
Total assets	-	-	21,717,171	-	21,717,171
Segment liabilities	-	-	21,717,171	-	21,717,171
Unallocated liabilities	-	-	-	-	-
Total liabilities	-	-	21,717,171	-	21,717,171
Other segment items:					
Interest expense	-	-	31,669	-	31,669
Impairment	-	-	-	-	-
Depreciation	-	-	20,535	-	20,535

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31) SEGMENT INFORMATION (continued)

	2010 \$'000				
	Merchant Banking	Treasury	Mutual Funds Services	Other	Group
Gross external revenues	143,578	10,061	332,174	43,206	529,019
Revenue from other segments	-	79,650	-	-	79,650
Total gross revenues	143,578	89,711	332,174	43,206	608,669
Total expenses	(290,140)	(43,460)	(199,887)	(20,007)	(553,494)
Net income before tax	(146,562)	46,251	132,287	23,199	55,175
Taxation	-	-	(2,406)	(1,200)	(3,606)
Net income for the year	(146,562)	46,251	129,881	21,999	51,569
Segment assets	2,602,350	193,762	17,803,922	398,635	20,998,669
Unallocated assets	-	-	-	-	-
Total assets	2,602,350	193,762	17,803,922	398,635	20,998,669
Segment liabilities	(438,043)	(2,260,506)	(18,231,299)	(68,821)	(20,998,669)
Unallocated liabilities	-	-	-	-	-
Total liabilities	(438,043)	(2,260,506)	(18,231,299)	(68,821)	(20,998,669)
Other segment items:					
Interest expense	105,007	38,299	-	-	143,306
Impairment	165,849	-	557	-	166,406
Depreciation	-	-	17,364	1,653	19,017

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32) RETIREMENT BENEFIT PLAN ASSETS

Prior to 1 January, 2001 the Unit Trust Corporation Pension Fund Plan (the Plan) had been a defined benefit plan. The Plan received formal approval during 2002 for conversion to a defined contribution plan with effect from 1 January, 2001 with pre-1 January, 2001 benefits guaranteed. Retirement benefits are currently paid out of the Fund and are guaranteed for life. The defined benefits comprise a small portion of plan benefits and the pension expense is faithfully represented by cash contributions from the Corporation. This is due to the limitation required by IAS 19 section 58 (b)(ii) which prohibits recognition of the pension plan surplus unless it is available to the Corporation via reduction of its future contributions. For the financial year 2011, the Corporation contributed \$9.6 million (2010: \$10.2 million) to the Plan. This is in excess of the current service costs, but this excess will never be available to the Corporation and must be used to preserve members' contributions.

33) TAXATION

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

	2011	2010
	\$'000	\$'000
Net income from continuing operations before taxation	<u>101,460</u>	<u>55,175</u>
Corporation tax rate 0%	-	-
Corporate tax at 25% for local subsidiaries	905	845
Corporate tax for foreign subsidiaries	232	110
Withholding tax	4,153	2,150
Business Levy payments	23	23
Green Fund Levy payments	<u>489</u>	<u>478</u>
Tax charge	<u>5,802</u>	<u>3,606</u>

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34) DEFERRED TAX

Deferred taxes are calculated on all temporary differences under the liability method using the current rate of 25%.

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

	2011	2010
	\$'000	\$'000
Tax losses carried forward	(2,768)	(3,009)
Accelerated tax depreciation	<u>5,917</u>	<u>5,253</u>
Net deferred liability	<u>3,149</u>	<u>2,244</u>

The movement in deferred tax assets and liabilities during the year was as follows:

Deferred Tax Liability	Accelerated Tax Depreciation	Total
	\$'000	\$'000
Balance at 1 January 2010	4,527	4,527
Charged to the Consolidated Income Statement 2010	<u>726</u>	<u>726</u>
Balance as at 31 December 2010	5,253	5,253
Charged to the Consolidated Income Statement 2011	<u>664</u>	<u>664</u>
Balance as at 31 December 2011	<u>5,917</u>	<u>5,917</u>

Deferred Tax Asset	Tax Losses	Total
	\$'000	\$'000
Balance at 1 January 2010	(3,128)	(3,128)
Charged to the Consolidated Income Statement 2010	<u>119</u>	<u>119</u>
Balance as at 31 December 2010	(3,009)	(3,009)
Charged to the Consolidated Income Statement 2011	<u>241</u>	<u>241</u>
Balance as at 31 December 2011	<u>(2,768)</u>	<u>(2,768)</u>

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35) RELATED-PARTY TRANSACTIONS

Related parties are persons or entities that are related to the Corporation. A person is related to the Corporation when that person or a close member of that person's family either

- has significant influence over the Corporation; or
- 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 is a post employment benefit plan of either the Corporation or one of its related entities.

Balances and transactions between the Corporation and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a) Loans

	2011	2010
	\$'000	\$'000
Key management personnel	<u>957</u>	<u>1,004</u>
Loans to key management of the Group:		
Balance at beginning of year	1,004	1,577
Loans advanced during year	531	559
Loan repayments received during year	(578)	(1,132)
Interest income during year	28	49
Interest received during year	<u>(28)</u>	<u>(49)</u>
Balance at end of year	<u>957</u>	<u>1,004</u>
b) Key management compensation:		
Salaries and other short-term benefits	15,785	16,939
c) Consultancy fees to Directors	1,820	2,552

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

36) RESTATEMENTS AND RECLASSIFICATIONS

Certain changes in presentation have been made in these Financial Statements. The changes had no effect on the operating results or profit after tax for the previous year.

37) COMMITMENTS

At 31 December, 2011, the Group had contractual obligations for capital contributions under two contracts. Under the first contract there was a capital commitment of \$14.6 million payable over the next six (6) years (2010: \$19.2 million). Under the second contract there was a contractual obligation in the amount of \$26.2 million.

38) EVENTS AFTER THE REPORTING PERIOD

During January 2012, the Corporation disposed of 25.5% of its holdings in Eastern Caribbean Gas Pipeline Company Limited.

39) CONTINGENT LIABILITIES

As at 31 December, 2011 a claim was instituted against the Corporation on the Dellis Cay project. The statement of claim stated that the Corporation owed a duty of care to all project investors (actual and potential) to ensure that the representations made with respect to the financial health, progress or status of the project were accurate.

Legal counsel has advised that though the claim has not been quantified, it may be substantial. Counsel has further advised however that the claim has little probability of success. Accordingly, no provision has been made in these financial statements in respect of the claim.

40) APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors and authorized for issue on 23 February, 2012.

41) ADDITIONAL INFORMATION

Subsequent to the Board approving and authorizing the financial statements for issue on 23 February 2012, the Growth and Income Fund, the TT Dollar Income Fund and the US Dollar Income Fund agreed to the restructuring terms offered by a regional government on its sovereign debt. In summary under the restructured terms the Collective Investment Schemes relinquished their rights to the collateral held at 31 December, 2011 and accepted new bonds in the amount of US\$19.2 million which represented approximately 50% of the carrying value of the sovereign debt held at 31 December, 2011. The transaction resulted in losses to: the Growth and Income Fund in the amount of \$6.6 million, the TT Dollar Income Fund in the amount of \$64.6 million and the US Dollar Income Fund in the amount of \$50.8 million.

Trinidad and Tobago Unit Trust Corporation
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2011

Expressed in Trinidad and Tobago dollars

ADDITIONAL INFORMATION

Trinidad and Tobago Unit Trust Corporation
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF FINANCIAL POSITION
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

ASSETS	Notes	31-Dec-11 \$ '000	31-Dec-10 \$ '000
Investment Securities	26	2,985,616	2,583,547
Cash and Cash Equivalents		420,768	327,747
Interest Receivable		21,580	19,258
Other Receivables		10,060	154,795
Total Assets		<u><u>3,438,025</u></u>	<u><u>3,085,347</u></u>
 LIABILITIES			
Amount Due to Corporation		44,177	31,054
Distribution Payable		67,901	6,776
Other Liabilities		15,753	14,869
		<u><u>127,831</u></u>	<u><u>52,699</u></u>
 RESERVES			
Undistributed Income		7,443	1,423
Total Liabilities and Reserves		<u><u>135,274</u></u>	<u><u>54,122</u></u>
 NET ASSETS		<u><u>3,302,751</u></u>	<u><u>3,031,225</u></u>
 CAPITAL ACCOUNT		2,527,868	2,451,435
UNREALISED CAPITAL APPRECIATION		774,883	579,790
		<u><u>3,302,751</u></u>	<u><u>3,031,225</u></u>

Trinidad and Tobago Unit Trust Corporation
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

INVESTMENT INCOME	Notes	31-Dec-11	31-Dec-10
		\$ '000	\$ '000
Dividends		63,938	64,463
Interest		70,487	48,463
Realised Capital Gains		42,013	42,469
Total Investment Income		<u>176,437</u>	<u>155,395</u>
 EXPENSES			
Management Charge	16	(66,740)	(61,355)
Other Expenses		(41)	(74)
Total Expenses		<u>(66,781)</u>	<u>(61,429)</u>
NET INVESTMENT INCOME		109,656	93,966
Withholding Taxes		(3,741)	(1,837)
UNDISTRIBUTED INCOME/(LOSS) AT BEGINNING OF YEAR		<u>1,423</u>	<u>(82,768)</u>
		<u>107,339</u>	<u>9,361</u>
 DISTRIBUTION :			
Distribution Paid to Initial Contributors \$0.37 per unit (2010 - \$0.04 per unit)		(353)	(29)
Distribution Paid to Unitholders \$0.37 per unit (2010 - \$0.04 per unit)		(88,543)	(6,909)
Total Distribution	23(a)	<u>(88,896)</u>	<u>(6,938)</u>
UNDISTRIBUTED INCOME BEFORE RESERVES		18,443	2,423
Allocation to Guarantee Reserve Fund	12(a)	(11,000)	(1,000)
UNDISTRIBUTED INCOME AT END OF YEAR		<u><u>7,443</u></u>	<u>1,423</u>

Trinidad and Tobago Unit Trust Corporation
GROWTH AND INCOME FUND
(FIRST UNIT SCHEME)
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	31-Dec-11	31-Dec-10
	\$ '000	\$ '000
OPERATING ACTIVITIES		
Net Investment Income	109,656	93,966
<i>Adjustments to reconcile Net Investment Income to Net Cash</i>		
<i>Flow From Operating Activities:</i>		
Taxation Paid	(3,741)	(1,837)
	105,915	92,129
<i>Movements in Working Capital</i>		
Decrease/(Increase) in receivables	142,413	(146,993)
Increase/(Decrease) in payables	75,132	(28,950)
Net Cash Flow From/(Used In)From Operating Activities	323,460	(83,814)
INVESTING ACTIVITIES		
Purchase of Investment Securities	(883,930)	(319,431)
Disposal of Investment Securities	676,955	603,010
Net Cash (Used In)/Flow From Investing Activities	(206,975)	283,579
FINANCING ACTIVITIES		
Subscriptions	151,644	93,783
Redemptions	(75,212)	(204,349)
Distributions	(88,896)	(6,938)
Allocation to Guarantee Reserve Fund	(11,000)	(1,000)
Net Cash Used In Financing Activities	(23,464)	(118,504)
NET INCREASE IN CASH AND CASH EQUIVALENTS	93,021	81,261
Cash and Cash Equivalents at beginning of year	327,747	246,486
Cash and Cash Equivalents at end of year	420,768	327,747

Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF FINANCIAL POSITION
As at 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-11 \$ '000	31-Dec-10 \$ '000
ASSETS			
Investments	27	8,979,687	6,872,417
Cash and Cash Equivalents		1,374,500	3,080,605
Interest Receivable		84,952	66,535
Other Receivables		506,297	642,353
Total Assets		10,945,436	10,661,910
LIABILITIES			
Amount Due to Corporation		32,168	9,995
Provision for Distribution	23 (b)	12,782	22,380
Other Liabilities		333,792	481,396
		378,742	513,771
RESERVES			
Reserves		9,918	9,918
Total Liabilities and Reserves		388,660	523,689
NET ASSETS		10,556,776	10,138,221
CAPITAL ACCOUNT		10,611,076	10,164,662
UNREALIZED CAPITAL DEPRECIATION		(54,300)	(26,441)
		10,556,776	10,138,221

Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-11 \$ '000	31-Dec-10 \$ '000
INVESTMENT INCOME			
Interest		360,604	456,816
Total Investment Income		360,604	456,816
EXPENSES			
Management Charge	16	(157,113)	(202,764)
Impairment	19	-	(2,035)
Commissions		(11,669)	(13,225)
Other Expenses		(709)	(741)
Total Expenses		(169,491)	(218,765)
NET INVESTMENT INCOME AVAILABLE FOR DISTRIBUTION		191,113	238,051
Distribution		(175,531)	(209,372)
Provision for Distribution	23 (b)	(12,782)	(22,381)
Total Distribution	23	(188,313)	(231,753)
UNDISTRIBUTED INCOME BEFORE TRANSFER TO RESERVES		2,800	6,298
Allocation to Primary Reserve	12 (b)	(2,800)	(2,800)
Allocation to Secondary Reserve	12 (b)	-	(3,498)
UNDISTRIBUTED INCOME AT END OF YEAR		-	-

Trinidad and Tobago Unit Trust Corporation
TT DOLLAR INCOME FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	31-Dec-11 \$ '000	31-Dec-10 \$ '000
OPERATING ACTIVITIES		
Net Investment Income	191,113	238,051
<i>Adjustments to reconcile Net Investment Income to Net Cash</i>		
<i>Flow From Operating Activities:</i>		
Impairment	-	2,035
	191,113	240,086
<i>Movements in Working Capital</i>		
Decrease/(Increase) in Receivables	117,639	(122,115)
(Decrease)/Increase in Payables	(135,029)	99,722
	173,723	217,693
Net Cash Flow From Operating Activities		
INVESTING ACTIVITIES		
Purchase of Investment Securities	(7,664,074)	(4,526,668)
Disposal of Investment Securities	5,528,945	5,732,142
	(2,135,129)	1,205,474
Net Cash (Used In)/Flow From Investing Activities		
FINANCING ACTIVITIES		
Subscriptions	2,317,352	1,973,107
Redemptions	(1,870,938)	(2,160,627)
Distributions	(188,313)	(231,753)
Reserves	(2,800)	(6,298)
	255,301	(425,571)
Net Cash Flow From/(Used In) Financing Activities		
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,706,105)	997,596
Cash and Cash Equivalents at beginning of year	3,080,605	2,083,009
Cash and Cash Equivalents at end of year	1,374,500	3,080,605

Trinidad and Tobago Unit Trust Corporation
UNIVERSAL RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION
As at 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-11 \$ '000	31-Dec-10 \$ '000
<u>ASSETS</u>			
Investment Securities	28	171,378	158,451
Cash and Cash Equivalents		14,187	2,576
Income Receivable		1,115	958
Other Receivables		483	1,227
Total Assets		187,163	163,212
<u>LIABILITIES</u>			
Amount Due to Corporation		197	171
Other Payables		48	145
NET ASSETS OF THE FUND		186,917	162,896
CAPITAL ACCOUNT		162,449	150,578
UNREALISED CAPITAL APPRECIATION		24,468	12,318
		186,917	162,896

Trinidad and Tobago Unit Trust Corporation
UNIVERSAL RETIREMENT FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-11 \$ '000	31-Dec-10 \$ '000
INVESTMENT INCOME			
Dividends		3,141	2,922
Interest		4,929	4,901
Realised Capital Gains		222	1,698
Total Investment Income		8,292	9,521
EXPENSES			
Management Charge	16	(3,680)	3,196
Impairment		-	0
Other Expenses		(2)	2
Total Expenses		(3,682)	3,198
Net Investment Income		4,610	6,323
Withholding Tax		(135)	(103)
NET INCOME FOR CAPITALISATION		4,475	6,220

Trinidad and Tobago Unit Trust Corporation
UNIVERSAL RETIREMENT FUND
STATEMENT OF CASH FLOWS
For the year ended December 31, 2011
Expressed in Trinidad and Tobago Dollars

	31-Dec-11	31-Dec-10
	\$ '000	\$ '000
OPERATING ACTIVITIES		
Net Investment Income	4,610	6,323
<i>Adjustments to reconcile Net Investment Income to Net Cash</i>		
<i>Flow From Operating Activities:</i>		
Impairment	-	-
Taxation Paid	(135)	(103)
	4,475	6,220
<i>Movements in Working Capital</i>		
Decrease/(Increase) in Receivables	587	(991)
(Decrease)/Increase in Payables	(70)	314
	4,992	5,543
Net Cash Flow From Operating Activities		
INVESTING ACTIVITIES		
Purchase of Investment Securities	(41,998)	(42,768)
Disposal of Investment Securities	41,221	20,315
	(777)	(22,453)
Net Cash Used In Investing Activities		
FINANCING ACTIVITIES		
Subscriptions	20,136	19,466
Redemptions	(12,740)	(12,142)
	7,396	7,324
Net Cash Flow From Financing Activities		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
	11,611	(9,586)
Cash and Cash Equivalents at beginning of year	2,576	12,162
	14,187	2,576
Cash and Cash Equivalents at end of year		

Trinidad and Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF FINANCIAL POSITION
As at 31 December, 2011

Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-11 \$'000	31-Dec-10 \$'000
ASSETS			
Investment Securities	29	3,507,510	3,411,858
Cash and Cash Equivalents		461,180	524,632
Interest Receivable		31,482	33,003
Other Receivables		251,286	264,096
Total Assets		4,251,458	4,233,589
LIABILITIES			
Amount Due to Corporation		38,716	13,351
Distribution Payable		20,665	20,784
Other Liabilities		93,495	58,817
		152,876	92,952
RESERVES			
Reserves		179	146
Total Liabilities and Reserves		153,055	93,098
NET ASSETS		4,098,403	4,140,491
CAPITAL ACCOUNT		4,335,138	4,220,253
UNREALIZED CAPITAL DEPRECIATION		(236,735)	(79,762)
		4,098,403	4,140,491

Trinidad and Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	Notes	31-Dec-11 \$'000	31-Dec-10 \$'000
INVESTMENT INCOME			
Interest		150,693	158,781
Realised Capital Gains			
Total Investment Income		<u>150,693</u>	<u>158,781</u>
EXPENSES			
Management Charge	16	(61,887)	(37,120)
Impairment	19	-	(12,345)
Commissions		(1,165)	(1,559)
Other Expenses		(315)	(181)
Total Expenses		<u>(63,367)</u>	<u>(51,205)</u>
NET INVESTMENT INCOME AVAILABLE FOR DISTRIBUTION		87,326	107,576
Undistributed Income at start of year		-	-
Undistributed Income at start of period		-	-
Distribution	23 (c)	<u>(77,561)</u>	<u>(92,263)</u>
		<u>(77,561)</u>	<u>(92,263)</u>
UNDISTRIBUTED INCOME BEFORE TRANSFER TO RESERVES		9,765	15,313
Allocation to Primary Reserve	12 (c)	(7,620)	(8,689)
Allocation to Secondary Reserve	12 (c)	(2,145)	(6,624)
UNDISTRIBUTED INCOME AT END OF YEAR		<u><u>-</u></u>	<u><u>-</u></u>

Trinidad and Tobago Unit Trust Corporation
US DOLLAR INCOME FUND
STATEMENT OF CASH FLOWS
For the year ended 31 December, 2011
Expressed in Trinidad and Tobago Dollars

	31-Dec-11	31-Dec-10
	\$'000	\$'000
OPERATING ACTIVITIES		
Net Investment Income	87,326	107,576
<i>Adjustments to reconcile Net Investment Income to Net Cash</i>		
<i>Flow From Operating Activities:</i>		
Impairment	-	12,345
	<u>87,326</u>	<u>119,921</u>
<i>Movements in Working Capital</i>		
Decrease/(Increase) in Receivables	22,631	(29,116)
Increase/(Decrease) in Payables	56,356	(48,530)
Net Cash Flow from Operating Activities	<u>166,313</u>	<u>42,275</u>
INVESTING ACTIVITIES		
Purchase of Investment Securities	(1,816,805)	(1,726,524)
Disposal of Investment Securities	1,644,593	2,524,969
Net Cash (Used In)/Flow From Investing Activities	<u>(172,212)</u>	<u>798,444</u>
FINANCING ACTIVITIES		
Subscriptions	1,129,237	1,333,589
Redemptions	(1,111,548)	(2,035,350)
Distributions	(77,561)	(92,263)
Reserves	(9,765)	(15,313)
Net Cash Used In Financing Activities	<u>(69,637)</u>	<u>(809,337)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(75,536)	31,383
Cash and Cash Equivalents at beginning of year	524,633	494,027
Translation Adjustment	12,083	(779)
Cash and Cash Equivalents at end of year	<u>461,180</u>	<u>524,632</u>