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MERCHANT BANK LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

ANSA MERCHANT BANK LIMITED

CHAIRMAN'S STATEMENT FOR 31ST DECEMBER 2018

ANSA Merchant Bank and its Subsidiaries, TATIL, Tatil Life and Consolidated Finance Company, ("AMBL") delivered encouraging results in 2018 despite the subdued local and regional economic climate.

Consolidated Group Operating Income closed the year at $925.4 million, 7% shy of the $1 Billion mark and just below 2017 Operating Income.

Profit Before Tax in 2018 of $261 Million reflected a decrease of 16.9% over 2017 primarily reflecting the impact of the Barbados economy and increased domestic General Insurance claims. Total Equity increased by $45 Million or 2% year over year to $2.367 Billion, while our Total Assets ended 2018 at $8 Billion. Our Earnings per Share in 2018 was $2.41 compared to 2017 of $2.71.

Our Banking business produced a Profit Before Tax of $174 Million compared to $214 Million in 2017. This however, was isolated to specific provisioning taken on our Barbados exposures and our mitigation of associated risks to our Barbados subsidiaries. Our Private Wealth Management Service gained further momentum complementing our Institutional Investment Services Division and we are quite encouraged by the market's favourable response to same. Our Asset Finance business remains best in class with our innovative vehicle and equipment product bundles. The Investment Banking Division continues to structure and deliver competitive products tailored to the specific requirements of large corporates and sovereigns, with total transactions arranged in excess of $27 Billion.

Our investment portfolios delivered superior performance against their objectives of both investment income and capital growth within our active risk management framework. Notable also was our TT Income Mutual Fund which delivered a 12 month return of 2.13% to December 31, 2018, continuing to secure the #1 position.

TATIL PBT declined by 5% given the one-off claims experience in relation to the domestic Flood and Earthquake events. Its Motor and Property books in 2018 closed with an increase in Net Premium Income of $19 Million or 9.6% and Tatil remains with a best in class rating by A.M. Best of A- (Excellent). Tatil Life produced a Profit Before Tax of $48.6 Million compared to the $67.6 Million in the corresponding period in 2017 and delivered growth in its Mortgage and Life portfolios.

Our Barbados subsidiary company, Consolidated Finance Co. ("CFC") maintained strong market share throughout 2018, notwithstanding the difficult economic conditions being faced in that economy and the financial impact of same on our 2018 results. Our offering of both Banking and Insurance in Barbados is yielding enhanced benefits to all our loyal clients in Barbados.
The macro economic conditions in our markets continue to pose challenges, however we are confident in the future and in our businesses to deliver another strong performance in 2019 with further value creation for our customers, shareholders and employees.

The Directors have approved a Final Dividend of $1.00 per share which brings the total Dividend for the year-ended 31st December 2018 to $1.20. The Final Dividend will be paid on 24th May 2019 to shareholders on the register as at 15th May 2019.

A. Norman Sabga, LLD (Hon.) UWI
CHAIRMAN

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Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate and consolidated financial statements of ANSA Merchant Bank Limited ("Parent") and its subsidiaries ("the Group"), which comprise the separate and consolidated statements of financial position as at 31 December 2018, and the separate and consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Parent and Group as at 31 December 2018 and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate and consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate and consolidated financial statements.

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Key Audit Matters
(Continued)

Key Audit Matters	How our audit addressed the Key Audit Matter
Estimates used in the calculation of Insurance Contracts' Liabilities	
Refer to Notes 2xix, 21 and 22. The Group has significant insurance liabilities of $1.49 billion representing 27% of the Group's total liabilities. The valuation of insurance contract liabilities involves extensive judgement and is dependent on a number of subjective assumptions, including primarily the timing and ultimate settlement value of long-term policyholder liabilities as well as the estimation of claims incurred, whether reported or not, for short-term insurance contracts. Various economic and non-economic key assumptions are being used to estimate the long-term liabilities. Specifically, the Group estimates the expected number and timing of deaths, persistency, future expenses and future investment income arising from the assets backing long-term insurance contracts. For short-term insurance contracts, in calculating the estimated cost of unpaid claims (both reported and incurred but not reported (IBNR)), the Group uses a combination of loss-ratio-based estimates and estimates based upon actual claims experience. The Group uses valuation models to support the calculations of these insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models. Considering the significance of the insurance contracts' liabilities and the complexity and estimates involved in the actuarial valuations, we determined this to be a key audit matter in our audit of the consolidated financial statements.	We involved our EY actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Assessment of the key assumptions applied including consideration of emerging trends and studies on mortality and morbidity, voluntary terminations, persistency, interest rate, policy maintenance and administrative expenses, inflation, tax and lapse rates. • Recalculation of technical provisions produced by the models on a sample basis. • An assessment of the internal controls regarding the maintenance of the policyholder database. • An analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience. • We considered whether the Group's disclosures in the consolidated financial statements in relation to insurance contact liabilities were compliant with IFRS.
Allowance for Expected Credit Losses (ECLs)	
Refer to Notes 2vi(b), 3, 5, 6, 7 and 39. Net investments in leased assets, loans and advances and other financial assets not held at fair value through statement of income (FVSI) represent 72% of the total assets of the Group (Parent: 67%) amounting to $5.68 billion (Parent: $2.55 billion). The adoption of Phase 2 - Impairment of IFRS 9 'Financial Instruments' has fundamentally changed the Group's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVSI, together with investment in leased assets. The appropriateness of ECLs is a highly subjective area due to the level of judgement applied by management, involving various assumptions and factors, such as the estimate of the likelihood of default and the potential loss given default. Management also applied adjustments, or overlays, where they believe the data driven parameters and calculations were not appropriate, either due to emerging trends or models not capturing the risks in the portfolios. These overlays required significant judgement. Other significant areas of judgement included: • the interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models; • the application of assumptions where there was limited or incomplete data; • the identification of exposures with a significant deterioration in credit quality; • assumptions used in the ECL model such as the financial condition of the counterparty or valuation of security; and • the need to apply overlays, the quantification of which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model. Given the combination of inherent subjectivity in the valuation, and the material nature of the balance, we considered the measurement of ECLs to be a key audit matter in our audit of the separate and consolidated financial statements.	We understood and critically assessed the methodology and assumptions used by the Group in its ECL models while evaluating its compliance with IFRS 9 requirements. We separately reviewed the ECL impact as at 1 January 2018 and at 31 December 2018 in the Group's statement of financial position. We tested the completeness and accuracy of the inputs used within the models, including the Probabilities of Default (PDs), recoveries and the associated Loss Given Defaults (LGDs) and Exposures At Default (EADs). We also considered whether all relevant risks were reflected in the ECL calculation, and where not, whether overlays appropriately reflected those risks. The aging of the portfolios and other qualitative factors were assessed to determine the staging and thus indication of a significant deterioration in credit risk in accordance with IFRS 9. Independent testing on PD and LGD inputs was performed through validation to international external credit rating agencies, where these were used, as well as typical collateral, historical loss trends and other borrower characteristics. For ECLs calculated on an individual basis, we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default. We utilised our EY valuation specialists to assess the appropriateness of the key assumptions used in the models. In relation to the Group's exposure to the Government of Barbados, we ensured that these assets were appropriately accounted for under the restructuring agreements, and that the new assets were recognized at fair value based on the cash flows of the new instruments issued, present valued at estimated market yields post restructure. Finally we focused on the adequacy of the Group's financial statement disclosures as to whether it appropriately reflected the requirements of the IFRSs.
Fair value measurement of investments securities and related disclosures	
Refer to Notes 2vii, 3, 7 and 38. The Group invests in various investment securities, of which $821 million (Parent: $165 million) is carried at fair value in the statement of financial position. Additionally, the fair values are disclosed for $3.2 billion (Parent: $896 million) of investment securities carried at amortised cost in the statement of financial position. Of these assets, $2.3 billion (Parent: $560 million) are related to investments for which no published prices in active markets are available and have been classified as Level 2 and Level 3 assets within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the determination of fair value of Level 2 and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. The fair value of these assets cannot be measured reliably and are therefore held at cost, being the fair value of the consideration paid on acquisition. These assets are regularly assessed for impairment. As the determination of the fair value for certain investments securities is a key source of estimation uncertainty, is subject to differing underlying assumptions and represents a material balance and disclosure, we deemed this to be a key audit matter in our audit of the separate and consolidated financial statements.	We independently tested the pricing on quoted securities, and we used our valuation specialists to assess the appropriateness of pricing models used by the Group. This included: • An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines. • Testing of the inputs used, including cash flows and other market based data. • An evaluation of the reasonableness of other assumptions applied such as credit spreads. • The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. • An assessment of management's impairment analysis. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk.

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Other information included in the Parent's and Group's 2018 Annual Report

Other information consists of the information included in the Parent's and Group's 2018 Annual Report, other than the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Parent's and Group's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the separate and consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee for the Separate and Consolidated Financial Statements

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

In preparing the separate and consolidated financial statements, management is responsible for assessing the Parent's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent or Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Parent's and Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent and Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Pria Narinesingh.

EY

Port of Spain,

TRINIDAD:

ANSA MERCHANT BANK LIMITED
SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

Parent			Notes	Group	
31 Dec 2017	31 Dec 2018			31 Dec 2018	31 Dec 2017
		Assets			
267,887	280,710	Cash and short-term funds	4	625,343	643,185
–	–	Fixed deposits		57,628	110,897
1,078,103	1,112,102	Net investment in leased assets and other instalment loans	5	1,483,554	1,445,858
205,229	381,431	Loans and advances	6	619,855	434,920
860,257	1,059,249	Investment securities	7	4,048,924	3,793,910
8,138	9,676	Interest receivable		34,697	33,976
–	–	Insurance receivables	9	38,625	35,619
20,027	102,570	Other debtors and prepayments	10	129,848	32,400
–	–	Reinsurance assets	21	167,311	175,125
1,219	1,103	Taxation recoverable		1,572	2,435
810,320	810,320	Investment in subsidiaries	11	–	–
–	–	Investment properties	12	143,291	139,268
1,242	3,081	Property and equipment	13	182,240	184,054
12,288	28,740	Intangible assets	14	171,725	153,417
17,675	32,002	Deferred tax asset	15	41,069	21,782
8,354	7,587	Employee benefit asset	16	133,715	128,775
3,290,739	**3,828,571**	**Total assets**		**7,879,397**	**7,335,621**
		Liabilities			
949,469	1,556,064	Customers' deposits and other funding instruments	18	2,652,900	2,128,296
–	–	Bank overdraft	4	–	–
55,498	74,284	Accrued interest and other payables	17	142,884	128,886
904,324	803,414	Debt securities in issue	19	803,414	904,324
9,235	9,915	Taxation payable		11,046	14,412
5,312	3,718	Deferred tax liability	15	139,068	155,688
483	762	Employee benefit obligation	16	7,052	5,582
–	–	Investment contract liabilities	20	269,117	234,503
–	–	Insurance contract liabilities	21	1,486,463	1,441,760
1,924,321	**2,448,157**	**Total liabilities**		**5,511,944**	**5,013,451**
		Equity			
667,274	667,274	Stated capital	23	667,274	667,274
176,632	190,603	Statutory reserve fund		206,546	192,576
–	(5,273)	Fair value reserve		(5,470)	–
–	–	Statutory surplus reserve		66,539	63,220
5,508	5,796	General loan loss reserve		14,081	5,512
1,219	1,185	Foreign currency reserve/(deficit)		(1,245)	112
515,785	520,829	Retained earnings		1,419,137	1,392,915
1,366,418	1,380,414	Equity attributable to the equity holders of the parent		2,366,862	2,321,609
–	–	Non-controlling interest		591	561
1,366,418	**1,380,414**	**Total equity**		**2,367,453**	**2,322,170**
3,290,739	**3,828,571**	**Total liabilities and equity**		**7,879,397**	**7,335,621**

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

These financial statements were approved by the Board of Directors and authorised for issue on 19 March 2019 and signed on its behalf by:

A. Norman Sabga
Director

Gregory N. Hill
Director

ANSA MERCHANT BANK LIMITED
SEPARATE AND CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

Parent			Notes	Group	
2017	2018			2018	2017
–	–	Net insurance revenue	24	363,315	398,570
147,484	156,424	Finance charges, loan fees and other interest income	25	191,799	186,959
74,280	96,724	Investment income	26	231,000	235,813
38,366	25,989	Revenue from contracts with customers	27	6,187	17,975
39,967	31,788	Other income	28	133,159	142,484
300,097	310,925	**Total operating income**		925,460	981,801
–	–	Net insurance benefits and claims incurred	29	(281,339)	(309,698)
(55,649)	(59,268)	Interest expense	30	(91,663)	(91,063)
4,041	(18,157)	Credit loss expense of net investment in leased assets, loans and advances, and investments	31	(50,370)	970
248,489	233,500	**Net operating income**		502,088	582,010
(18,552)	(7,714)	Marketing and policy expenses	32	(64,797)	(60,462)
(26,008)	(21,307)	Personnel expenses	33	(83,879)	(86,174)
(497)	(538)	Depreciation and amortisation	13, 14	(38,784)	(37,628)
(2,160)	(2,160)	Management fees		(8,705)	(8,542)
(10,335)	(12,867)	General administrative expenses	34	(45,329)	(75,642)
(57,552)	(44,586)	**Total selling and administration expenses**		(241,494)	(268,448)
190,937	188,914	**Net profit before taxation**		260,594	313,562
(47,639)	(49,204)	Taxation	35	(54,579)	(81,283)
143,298	139,710	**Profit for the year**		206,015	232,279
		Profit attributable to:			
143,298	139,710	Equity holders of the Parent		205,985	232,238
–	–	Non-controlling interest		30	41
143,298	139,710			206,015	232,279
		Basic and diluted earning per share ($ per share)		2.41	2.71
		Weighted average number of shares ('000)		85,605	85,605

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

ANSA MERCHANT BANK LIMITED
SEPARATE AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

Parent			Notes	Group	
2017	2018			2018	2017
143,298	139,710	**Profit for the year**		206,015	232,279
		Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
297	(34)	Net gain/(loss) on investment securities at fair value through other comprehensive income		–	–
(1,096)	(939)	Experience losses on defined benefit plans	16 (b)	(661)	(5,244)
329	282	Income tax effect	15	(321)	1,527
(767)	(657)			(982)	(3,717)
(470)	(691)			(982)	(3,717)
		Other comprehensive income that may be reclassified subsequently to profit and loss, net of tax			
		Debt instruments at fair value through other comprehensive income			
–	(5,273)	Net change in fair value during the year		(5,470)	–
–	1,131	Changes in allowance for expected credit losses		1,199	–
–	1,921	Income tax effect	15	1,921	–
–	(2,221)			(2,350)	–
–	–	Exchange differences on translation of foreign operations		(1,385)	(1,655)
142,828	136,798	**Total comprehensive income for the year, net of tax**		201,298	226,907
		Attributable to:			
142,828	136,798	Equity holders of the Parent		201,268	226,866
–	–	Non-controlling interest		30	41
142,828	136,798			201,298	226,907

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

Parent	Stated capital	Statutory reserve fund	General loan loss reserve	Fair value reserve	Foreign currency reserve	Retained earnings	Total equity
Balance as at 31 December 2016	667,274	162,303	5,366	–	922	490,451	1,326,316
Profit for the year	–	–	–	–	–	143,298	143,298
Other comprehensive income for the year	–	–	–	–	297	(767)	(470)
Transfer to general loan loss reserve	–	–	142	–	–	(142)	–
Transfer to statutory reserve fund	–	14,329	–	–	–	(14,329)	–
Dividends (Final 2016 and Interim 2017) (Note 44)	–	–	–	–	–	(102,726)	(102,726)
Other reserve movements	–	–	–	–	–	–	–
Balance as at 31 December 2017 as previously reported	667,274	176,632	5,508	–	1,219	515,785	1,366,418
Net impact of adopting IFRS 9 and IFRS 15 (Note 2)	–	–	–	–	–	(27,226)	(27,226)
Restated balance as at 1 January 2018	667,274	176,632	5,508	–	1,219	488,559	1,339,192
Profit for the year	–	–	–	–	–	139,710	139,710
Other comprehensive income for the year	–	–	–	(5,273)	(34)	2,395	(2,912)
Transfer to general loan loss reserve	–	–	288	–	–	(288)	–
Transfer to statutory reserve fund	–	13,971	–	–	–	(13,971)	–
Dividends (Final 2017 and Interim 2018) (Note 44)	–	–	–	–	–	(102,726)	(102,726)
Other reserve movements	–	–	–	–	–	7,150	7,150
Balance as at 31 December 2018	667,274	190,603	5,796	(5,273)	1,185	520,829	1,380,414

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

ANSA MERCHANT BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)
(Continued)

Group	Stated capital	Statutory reserve fund	Statutory surplus reserve	General loan loss reserve	Fair value reserve	Foreign currency reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance as at 31 December 2016	667,274	178,247	57,327	5,366	–	1,767	1,291,663	2,201,644	520	2,202,164
Profit for the year	–	–	–	–	–	–	232,238	232,238	41	232,279
Other comprehensive income for the year	–	–	–	–	–	(1,655)	(3,717)	(5,372)	–	(5,372)
Other life insurance reserve movements	–	–	–	–	–	–	(4,766)	(4,766)	–	(4,766)
Transfer to general loan loss reserve	–	–	–	142	–	–	(142)	–	–	–
Transfer to statutory reserve fund	–	14,329	5,893	–	–	–	(20,222)	–	–	–
Dividends (Final 2016 and Interim 2017) (Note 44)	–	–	–	–	–	–	(102,726)	(102,726)	–	(102,726)
Other reserve movements	–	–	–	4	–	–	587	591	–	591
Balance as at 31 December 2017	667,274	192,576	63,220	5,512	–	112	1,392,915	2,321,609	561	2,322,170
Balance as at 31 December 2017 as previously reported	667,274	192,576	63,220	5,512	–	112	1,392,915	2,321,609	561	2,322,170
Net impact of adopting IFRS 9 and IFRS 15 (Note 2)	–	–	–	–	–	–	(52,980)	(52,980)	–	(52,980)
Restated balance as at 1 January 2018	667,274	192,576	63,220	5,512	–	112	1,339,935	2,268,629	561	2,269,190
Profit for the year	–	–	–	–	–	–	205,985	205,985	30	206,015
Other comprehensive income for the year	–	–	–	–	(5,470)	(1,385)	2,138	(4,717)	–	(4,717)
Other life insurance reserve movements	–	–	–	–	–	–	(3,968)	(3,968)	–	(3,968)
Transfer to general loan loss reserve	–	–	–	8,566	–	–	(8,566)	–	–	–
Transfer to statutory reserve fund	–	13,970	3,319	–	–	–	(17,289)	–	–	–
Dividends (Final 2017 and Interim 2018) (Note 44)	–	–	–	–	–	–	(102,726)	(102,726)	–	(102,726)
Other reserve movements	–	–	–	3	–	28	3,628	3,659	–	3,659
Balance as at 31 December 2018	667,274	206,546	66,539	14,081	(5,470)	(1,245)	1,419,137	2,366,862	591	2,367,453

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

(Expressed in thousands of Trinidad and Tobago dollars)

Parent 2017	Parent 2018		Notes	Group 2018	Group 2017
		Cash flows from operating activities			
190,937	188,914	Profit before taxation		260,594	313,562
		Adjustments for:			
371	485	Employee benefits	16(b)	(2,217)	(3,473)
–	–	Gain on disposal of property and equipment		(5,642)	(6,078)
497	538	Depreciation and amortisation	13, 14	38,784	37,628
(7,430)	8,597	(Credit loss recovery)/credit loss expense on investments	31	32,037	(8,034)
2,891	5,629	Amortisation of investment securities and interest capitalised		(719)	(3,717)
–	–	(Credit loss recovery)/credit loss expense on insurance receivables	31	–	–
–	–	Credit loss expense on reinsurance assets	31	–	–
6,854	(8,676)	Credit loss expense/ (credit loss recovery) on leases, loans and advances	31	18,333	12,127
(4,545)	2,958	(Gain)/loss on revaluation of investments	26	17,240	(30,361)
627	(8,151)	Loss/(gain) on sale of investment securities		(9,322)	(4,478)
(48,809)	(69,112)	Interest income		(230,310)	(178,395)
55,649	59,268	Finance costs	30	91,663	91,063
(900)	(1,439)	Foreign exchange gains		(10,206)	(3,159)
196,142	179,011	Operating profit before working capital changes		200,235	216,685
196,142	179,011	Carried forward operating profit before working capital changes		200,235	216,685
463,736	(235,486)	Decrease/(increase) in investment in leased assets and loans and advances		(291,072)	411,273
31,845	(82,544)	Decrease/(increase) in other receivables, debtors and prepayments		(92,639)	44,596
(176,086)	606,595	Increase/(decrease) in customers' deposits and other funding instruments		524,604	(176,945)
(13,333)	15,421	(Decrease)/increase in accruals and other payables		11,269	(6,636)
33,130	(15,253)	Decrease/(increase) in Central Bank reserve account		(8,840)	32,552
–	–	Increase in insurance and investment contracts		79,317	86,835
535,434	467,744			422,874	608,360
(58,141)	(55,904)	Finance costs paid		(88,934)	(95,260)
47,337	67,575	Interest received on investments		229,587	173,527
(42,996)	(48,237)	Taxes paid		(70,278)	(74,144)
481,634	431,178	Cash generated from operating activities		493,249	612,483
		Cash flows from investing activities			
–	–	Placement of fixed deposits		(98,251)	(167,643)
–	–	Maturity of fixed deposits		151,577	181,719
–	–	Proceeds from sale of fixed assets		23,311	22,120
(12,676)	(18,830)	Additions to fixed assets and investment properties	13, 14	(74,072)	(77,205)
(1,190,213)	(1,763,541)	Purchase of investments		(2,578,796)	(1,984,821)
939,749	1,552,780	Sale or maturity of investments		2,260,315	1,526,473
(263,140)	(229,591)	Net cash used in investing activities		(315,916)	(499,357)
		Cash flows from financing activities			
–	–	Issue of debt securities		–	–
(100,767)	(101,289)	Repayment of debt securities		(101,289)	(100,767)
(102,726)	(102,726)	Dividends paid	44	(102,726)	(102,726)
(203,493)	(204,015)	Net cash used in financing activities		(204,015)	(203,493)
15,001	(2,429)	**Net increase/(decrease) in cash and cash equivalents**		(26,682)	(90,367)
200,472	215,473	**Cash and cash equivalents at the beginning of the year**		567,616	657,983
215,473	213,044	**Cash and cash equivalents at the end of the year**		540,934	567,616
		Represented by:			
215,473	213,044	Cash and cash equivalents	4	540,934	567,616
215,473	213,044			540,934	567,616
		Supplemental information:			
47,366	67,575	Interest and dividends received		392,918	379,344
58,141	55,904	Interest paid		88,934	95,260

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

1. Principal activities of the Group

ANSA Merchant Bank Limited (the 'Bank' or 'Parent') is domiciled and was incorporated in the Republic of Trinidad and Tobago on 3 March 1977. Its registered office is located at ANSA Centre, 11 Maraval Road, Port of Spain. The Bank is licensed under the provisions of the Financial Institutions Act 2008 to carry on the following classes of business:

- Confirming House/Acceptance House
- Finance House/Finance Company
- Leasing Corporation
- Mortgage Institution
- Merchant Bank
- Trust Company
- Unit Trust
- Financial Services

The Bank has also been granted full Authorised Dealer Status by the Central Bank of Trinidad and Tobago under Section 5 of the Exchange Control Act, Chapter 79:50 and is authorised to take deposits, grant credit facilities and otherwise deal in foreign currency consistent with the terms of its licence.

The Bank has a primary listing on the Trinidad & Tobago Stock Exchange and was registered by the Trinidad and Tobago Securities and Exchange Commission as a reporting issuer on 18 December 1997. On 6 May 1999 under the Securities Industries Act 1995 the Bank was registered to conduct business as a securities company.

The ANSA Merchant Bank Group (the 'Group') is a financial services group comprising of the Parent and six subsidiaries at 31 December 2018. A full listing of the Group's subsidiaries is detailed in Note 11. The Group is engaged in a wide range of banking and financial related activities and carries on all classes of long-term and short-term insurance business and the rental of property in Trinidad and Tobago and the Caribbean. The ultimate parent of the Group is ANSA McAL Limited ('Ultimate Parent') which is incorporated in the Republic of Trinidad and Tobago.

2. Significant accounting policies

i) Basis of preparation

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities, investment properties and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.

The financial statements are presented in Trinidad and Tobago dollars (TT$) which is the functional currency of the Parent and all values are rounded to the nearest thousand, except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

2. Significant accounting policies (continued)

i) Basis of preparation (continued)

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The Group presents its statement of financial position broadly in order of liquidity. An analysis of recovery or settlement in the 12 months after the statement of financial position date (current) and greater than 12 months after the statement of financial position date (non-current) is presented in Note 41.

Basis of consolidation

The consolidated financial statements comprise the financial statements of ANSA Merchant Bank Limited and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. Significant accounting policies (continued)

i) Basis of preparation (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Bank established open-ended mutual funds in the following periods:

- 2005: ANSA Secured Fund
- 2007: ANSA US$ Secured Fund
- 2010: ANSA TT$ Income Fund and ANSA US$ Income Fund

The Bank acts as the sponsor, investment manager, administrator and distributor of the Funds.

These mutual funds are financed through the issue of units to investors in the funds. The Group generates fees from managing the assets of the mutual funds and the Group's retirement benefit plans on behalf of third party interests. For the year ended 31 December 2018, the Group earned $7.5 million (2017: $7 million) in management fees from the retirement plans and $17 million (2017: $17.9 million) from the mutual funds.

The Group holds an interest of $68 million in sponsored funds as at 31 December 2018 (2017: $68 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Group.

The Bank re-assessed whether or not it controls any investee in accordance with IFRS 10, 'Consolidated Financial Statements.' This assessment also extended to the Bank's open-ended mutual funds. The criteria for control includes:

- The power to govern the financial and operating policies;
- Exposure, or rights, to variable returns from its involvement; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

Based on the application of this criteria, the Bank has consolidated the Funds into these financial statements. 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. The Parent accounts for investments in subsidiaries on a cost basis.

ii) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017 except for the adoption of new standards and interpretations noted below.

2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2018, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

Amendments to IAS 40 'Investment Property' – Effective 1 January 2018

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 4 'Insurance Contracts' – Effective 1 January 2018

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The Group did not apply these exemptions.

IFRS 9 'Financial Instruments' – Effective 1 January 2018

The Group early adopted Phase 1 - Classification and and measurement of financial instruments, of IFRS 9 in its financial statements for the year ended 31 December 2011. Effective 1 January 2018, Phase 2 and 3 became effective for the Group.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised directly in the retained earnings as of 1 January 2018 and are disclosed in this Note.

The adoption of Phase 2 - Impairment of IFRS 9 has fundamentally changed the Group's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through the statement of income, together with investment in leased assets. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Group's impairment method are disclosed in Note 2 (vi) (b).

The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed below.

(Expressed in thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' – Effective 1 January 2018 (continued)

IFRS 7R 'Financial Instruments – Disclosures Revised' – Effective 1 January 2018

To reflect the differences between IFRS 9 and IAS 39, IFRS 7R Financial Instruments - Disclosures Revised was updated and the Group has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in this table.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained earnings, including the effect of replacing the incurred credit loss calculations under IAS 39 with the ECL calculation under IFRS 9.

Parent

A reconciliation between the carrying amounts as originally stated as at 31 December 2017 and the adoption of IFRS 9 as of 1 January 2018 is, as follows:

	IAS 39 measurement	ECL remeasurement	Other	IFRS 9 measurement
Net investment in leased assets and other instalment loans	1,078,103	(14,661)	–	1,063,442
Loans and advances	205,229	(12,165)	–	193,064
Investment securities	737,876	(4,145)	–	733,731
Deferred tax asset	17,675	–	9,514	27,189
	2,038,883	(30,971)	9,514	2,017,426

Group

A reconciliation between the carrying amounts as originally stated as at 31 December 2017 and the adoption of IFRS 9 as of 1 January 2018 is, as follows:

	IAS 39 measurement	ECL remeasurement	Other	IFRS 9 measurement
Net investment in leased assets and other instalment loans	1,445,858	(17,542)	–	1,428,316
Loans and advances	434,920	(10,445)	–	424,475
Investment securities	2,937,803	(33,530)	–	2,904,273
Insurance receivables	35,619	(2,308)	–	33,311
Reinsurance assets	175,125	–	–	175,125
Deferred tax asset	21,782	–	16,614	38,396
	5,051,107	(63,825)	16,614	5,003,896

The ECL remeasurement and its related deferred tax impact is recognised in retained earnings in the statement of changes in equity.

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2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' – Effective 1 January 2018 (continued)

As at 1 January 2018, the Group reclassified a portion of its previous fair value through statement of income (FVSI) debt instruments to fair value through other comprehensive income (FVOCI) amounting to $778 million. These instruments met the conditions of the Group's business model whose objective is to both collect contractual cash flows and sell the financial assets. The fair value of these instruments that the Group still held at 31 December 2018 have been recorded in OCI.

The following table reconciles the aggregate opening financial asset provisions under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in Notes 5, 6 and 7.

Parent

	Financial asset provision under IAS 39 at 31 December 2017	Remeasurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for:			
Net investment in leased assets and other instalment loans	26,403	14,661	41,064
Loans and advances	–	12,165	12,165
Investment securities	2,643	4,145	6,788
	29,046	30,971	60,017

Group

	Financial asset provision under IAS 39 at 31 December 2017	Remeasurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for:			
Net investment in leased assets and other instalment loans	28,818	17,542	46,360
Loans and advances	69,552	10,445	79,997
Investment securities	2,642	33,530	36,172
Insurance receivables	3,000	2,308	5,308
Reinsurance assets	–	–	–
	104,012	63,825	167,837

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2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 15 'Revenue from Contracts with Customers' – Effective 1 January 2018

IFRS 15 supersedes IAS 18, 'Revenue' and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted IFRS 15 using the modified retrospective method of adoption with a date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts not completed at this date. The Group also aggregated the effect of all of the modifications that occurred in contracts that were modified before 1 January 2018 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related interpretations.

The effect of adopting IFRS 15 as at 1 January 2018 was as follows:

Parent and Group

Impact on the statement of financial position	Balance at 31 December 2017	Increase/ (decrease)	Balance under IFRS 15 at 1 January 2018
Asset finance promotional items	(9,143)	(8,242)	(17,385)
Deferred tax asset	–	2,473	2,473
	(9,143)	(5,769)	(14,912)

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2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 15 'Revenue from Contracts with Customers' – Effective 1 January 2018 (continued)

Before the adoption of IFRS 15, the Group recognised an expense in marketing expenses for commission rebates over two years and not over the useful life of the asset to which the rebates relate.

Upon adoption of IFRS 15, the Group recognised refund liabilities of $8.2 million for the expected future commission rebates as at 1 January 2018, with a corresponding adjustment to retained earnings (as highlighted below).

The impact of transition to IFRS 9 and IFRS 15 on retained earnings is, as follows:

Parent

	Retained Earnings
Initial recognition of IFRS 9 ECLs	(30,971)
Impact on adoption of IFRS 15	(8,242)
Deferred tax in relation to adjustments above	11,987
	(27,226)

Group

	Retained Earnings
Initial recognition of IFRS 9 ECLs	(63,825)
Impact on adoption of IFRS 15	(8,242)
Deferred tax in relation to adjustments above	19,087
	(52,980)

IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' – Effective 1 January 2018

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

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2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 1 and IAS 8 – Definition of Material – Effective 1 January 2020
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement – Effective 1 January 2019
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures – Effective 1 January 2019
- Amendments to IFRS 3 – Definition of a Business - Effective 1 January 2020
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- IFRS 16, 'Leases' – Effective 1 January 2019
- IFRS 17, 'Insurance Contracts' – Effective 1 January 2022
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Effective 1 January 2019

iii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39, 'Financial Instruments: Recognition and Measurement,' is measured at fair value with the changes in fair value recognised in the statement of income.

2. Significant accounting policies (continued)

iii) Business combinations and goodwill (continued)

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that is expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in this circumstance is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

iv) Cash and short-term funds

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original contractual maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

v) Statutory deposits with Central Banks

Pursuant to the provisions of Trinidad and Tobago, the Central Bank Act 1964 and the Financial Institutions Act 2008, the Bank is required to maintain with the Central Bank of Trinidad and Tobago statutory balances in relation to deposit liabilities and certain funding instruments of the institutions.

In addition, Consolidated Finance Co. Limited, a subsidiary of the Group, is required to maintain with the Central Bank of Barbados statutory deposit balances in relation to deposit liabilities. Those funds are not available to finance the subsidiary's day-to-day operations.

2. Significant accounting policies (continued)

vi) Financial instruments

Financial assets

a) Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost and effective interest method

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt instruments that are designated as at fair value through the statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in the statement of income and is included in Note 26.

Financial assets at fair value through other comprehensive income (FVOCI)

Equity instruments at fair value through other comprehensive income (FVOCI)

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

a) Initial recognition and subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (FVOCI) (continued)

Equity instruments at fair value through other comprehensive income (FVOCI) (continued)

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the statement of income on disposal of the investments.

The Group does not have any equity instruments that are carried at FVOCI on initial application of IFRS 9, Financial Instruments.

Debt instruments at fair value through other comprehensive income (FVOCI)

The Group applied the FVOCI category under IFRS 9, for debt instruments measured at fair value through other comprehensive income when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- the contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

Financial assets at fair value through statement of income (FVSI)

Investments in equity instruments are classified as FVSI, unless the Group designates an investment that is not held for trading as fair value through other comprehensive income (FVOCI) on initial recognition. The Group has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured as FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as FVSI are measured at FVSI. A debt instrument may be designated as FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

a) Initial recognition and subsequent measurement (continued)

Financial assets at fair value through statement of income (FVSI) (continued)

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as FVSI on initial recognition is not allowed. The Group has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of income. The net gain or loss recognised in the statement of income is included in Note 26. Fair value is determined in the manner described in Note 38.

Interest income on debt instruments designated at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of income when the Group's right to receive the dividends is established in accordance with IFRS 15, Revenue and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore:

- for financial assets that are classified as FVSI, the foreign exchange component is recognised in the statement of income;
- for equity instruments that are designated as FVOCI, any foreign exchange component is recognised in other comprehensive income;
- for debt instruments that are designated as FVOCI, any foreign exchange component is recognised in the statement of income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'investment income' line item in the statement of income.

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2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

b) Impairment of financial assets

Under IFRS 9 (policy applicable from 1 January 2018)

The adoption of IFRS 9 - Phase 2 has fundamentally changed the Group's financial assets' impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVSI, together with investment in leased assets, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Group uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Group's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility/investment to the watch list to non-investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

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2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

b) Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Calculation of Expected Credit Losses (ECLs)

When estimating the ECLs, the Group considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered, including the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD):

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD):

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

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2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

b) Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Calculation of Expected Credit Losses (ECLs) (continued)

The mechanics of the ECL calculations are outlined below and the key elements are as follows: (continued)

Loss Given Default (LGD):

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

For investments, the Group primarily relies on international external credit rating agencies to provide data for PDs and LGDs. PDs and LGDs for other financial assets such as leased assets and loans and advances were derived based on historical loss trends in the portfolios, recoveries, typical collateral and other borrower characteristics.

Collateral valuation

To mitigate its credit risks on financial instruments, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables and other non-financial assets. The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed on a periodic basis.

To the extent possible, the Bank uses active market data for valuing financial instruments held as collateral. Other financial instruments which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on independent valuations data provided by third parties such as mortgage brokers, or independent valuations.

Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the valuation cost of the asset.

In its normal course of business should the Group physically repossess assets in its retail portfolio, it sometimes engages external agents to recover the asset, to settle outstanding debt. Any surplus funds are returned to the customers/obligors.

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2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

b) Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Write offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

Forward looking information

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

Stage 1
The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2
When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3
For financial instruments considered credit-impaired (as defined in Note 2vi b above), the Group recognises the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual loan or investment basis, including discounting the expected cash flows at the original EIR. In limited circumstances within the Group, where portfolios were small and the products homogenous with minimal history of defaults, a simplified ECL approach was applied using historical loss rates. These portfolios included premium receivables, policy loans and reinsurance receivables.

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2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

b) Impairment of financial assets (continued)

Under IAS 39 (policy applicable before 1 January 2018)

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not yet been incurred) reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of income. Interest income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

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2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

c) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of other comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

Financial liabilities

a) Initial recognition and subsequent measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. The Group's financial liabilities include other payables, bank overdrafts, deposit liabilities and debt securities in issue. The Group has not designated any financial liabilities upon initial recognition as at fair value through statement of income.

b) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

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2. Significant accounting policies (continued)

vii) Fair value measurement

The Group measures certain financial instruments at fair value at each year end. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 38. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Insurance contracts

With the exception of insurance contracts which are specifically excluded under IFRS 7, 'Financial Instruments' the estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Group would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated. The fair value information is based on information available to management as at the dates presented.

Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for the purposes of these financial statements and, therefore, the current estimates of the fair value may be significantly different from the amounts presented herein.

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and short-term funds, fixed deposits, interest receivable and insurance receivable and other debtors, customer deposits and other funding instruments, accrued interest and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

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2. Significant accounting policies (continued)

vii) Fair value measurement (continued)

Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the yield to worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration using the internal rate of return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

Loans and advances

The estimated fair value for performing loans is computed as the future cash flows discounted and the yield to maturity based on the carrying values as the inherent rates of interest in the portfolio as those rates approximate market conditions. When discounted, the cash flow values are equal to the carrying value.

Debt securities in issue

The Group values the debt and asset-backed securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and liquidity discounts.

Determination of fair value and fair value hierarchies

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. Significant accounting policies (continued)

vii) Fair value measurement (continued)

Determination of fair value and fair value hierarchies (continued)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

viii) Repurchase and reverse repurchase agreements

Securities sold subject to a linked repurchase agreement ('repo') are retained in the financial statements as trading securities and the counterparty liability is included in amounts due to other banks, deposits from banks or other deposits as appropriate. Securities purchased under an agreement to resell ('reverse repo') are recorded as loans and advances to other banks. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield.

2. Significant accounting policies (continued)

ix) Product classification

Insurance contracts

IFRS 4, 'Insurance Contracts' defines insurance contracts as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Long-term insurance contracts include those contracts with and without discretionary participation features ('DPF'). For insurance contracts with DPFs, the guaranteed element has not been recognised separately. Changes to the insurance contract liability are recognised in the statement of income as an item of expense.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts

Any insurance contracts not considered to be transferring significant risk are, under IFRS, classified as investment contracts. Deposits collected and benefit payments under investment contracts are not accounted for through the statement of income, but are accounted for directly through the statement of financial position as a movement in the investment contract liability. Changes in the fair value of financial assets backing investment contracts are recognised in the statement of income as investment income.

x) Interest bearing debt and borrowings

Borrowings and interest bearing debt are initially recognised at the fair value of the consideration received, net of transaction costs incurred. After initial recognition, these borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any transaction cost discount or premium on issue. Gains and losses are recognised in the statement of income when the liabilities are derecognised, as well as through the amortisation process.

xi) Insurance receivables

Insurance receivables are recognised when due. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

xii) Reinsurance assets

The Group cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

The benefit to which the Group is entitled under its reinsurance contract held is recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contract.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and it can be measured reliably.

2. Significant accounting policies (continued)

xiii) Taxation (continued)

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all applicable taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax losses can be utilised.

Current and deferred tax shall be recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside profit or loss, either in other comprehensive income or directly in equity and a business combination.

xiv) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property, at the time that cost is incurred, if the recognition criteria is met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are measured annually by fair values either by way of Directors' internal valuations or by an accredited external, independent valuator. Directors use discounted cash flow models and assumptions which reflect the market conditions at the reporting date. External valuators apply valuation models recommended by the International Valuation Standards Committee. Each property is externally valued at least once every three years.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

(Expressed in thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xiv) Investment properties (continued)

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected. Any gain or loss arising on disposal is recognised in the statement of income.

Transfers are made to or from investment property only when there is a change in use. If owner occupied property becomes investment property, the Group accounts for such property in accordance with the policy under property and equipment up to the date of change in use.

xv) Property, equipment and leased assets

Property and equipment are stated at historical cost net of accumulated depreciation and/or accumulated impairment loss, if any. Depreciation is provided on the straight line or reducing balance method at various rates sufficient to write off the cost of the assets over their estimated useful lives. Leasehold improvements are provided on a straight-line basis. All other repair and maintenance costs are recognised in the statement of income as incurred.

The rates used are as follows:	% per annum
Building	2
Motor vehicles	20 - 33⅓
Computer equipment	25 - 33⅓
Leasehold improvements	10 - 20
Office furniture, machinery and equipment	10 - 33⅓
Leased vehicles and equipment	20

Depreciation is computed over the estimated useful life of the asset. The estimated useful lives of property and equipment are reviewed annually and adjusted prospectively if appropriate. Investment property which is owner occupied is accounted for as property and equipment. Where the carrying value of an item of property and equipment exceeds the recoverable amount, the excess would be immediately taken to the statement of income. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of income.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the asset's fair value less cost to sell and the value in use.

Repossessed stock, are valued at the lower of the carrying amount and fair value less estimated cost to sell.

2. Significant accounting policies (continued)

xvi) Leases

Finance leases (Group as lessor)

Leases where the Group is the lessor and transfers substantially all the risks and rewards of ownership of the leased asset to the lessee is treated as a finance lease. The amount due from customers under such finance lease arrangements is presented in the statement of financial position as net investment in leased assets.

Operating leases (Group as lessor)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to the statement of income over the period of the lease. Renewal of operating leases is based on mutual agreement between parties prior to the expiration date.

Assets leased out under operating leases are included in leased assets in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar property and equipment.

xvii) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. Significant accounting policies (continued)

xvii) Intangible assets (continued)

Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed ten (10) years.

xviii) Employee benefits

The ANSA McAL Pension Plan for Monthly Paid Employees is a hybrid plan with both defined benefit and defined contribution characteristics for its members. It is governed by trust deed and rules dated 17 September 1965 and encompass all eligible full time employees of the ANSA McAL Group of Companies. The Plan was registered to carry on business in Trinidad and Tobago on 31 October 1973.

The Trustees of the plan have elected to fund the benefits by means of a Segregated Asset Plan with Tatil Life Assurance Limited by way of an agreement dated 1 October 1984. Effective 1 January 2009, the name of the plan was changed to the ANSA McAL Pension Plan for Monthly Paid Employees from Alston's Pension Fund Plan and from this date all new entrants to the Plan were admitted to a defined contribution scheme.

Defined benefit plan

The pension accounting costs for the defined benefit plan are assessed using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. The maximum economic benefits available, as limited by the asset ceiling will crystallise in the form of reductions in future contributions.

2. Significant accounting policies (continued)

xviii) Employee benefits (continued)

Defined benefit plan (continued)

Past service costs are recognised in the statement of income on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'general administration expenses' in the statement of income (by function) Note 34:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

Other post-employment benefit plan

The Group also provides other post-employment benefits to their retirees. These benefits are unfunded. The entitlement to these benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for the defined benefit plans.

Defined contribution plan

Under the defined contribution plan, the Group has no further payment obligations once the contributions have been paid. Contributions are recognised as an expense when they are due.

xix) Insurance contract liabilities

Life insurance contract liabilities

The provision for a life insurance contract is calculated on the basis of a cash flow matching method where the expected cash flows are based on prudent assumptions depending on the circumstances prevailing. The liability is determined as the sum of the discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the actual gross premiums that would be paid over the expected future lifetime of the contract. The liability is based on best estimate assumptions as to mortality, persistency, investment income and maintenance expenses that are expected to prevail over the life of the contract. A margin for adverse developments is added to each best estimate assumption to provide a prudent estimate of possible future claims. Adjustments to the liabilities at each end of reporting period are recorded in the statement of income as an expense.

General insurance contract liabilities

General insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at year end, whether reported or not. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, therefore the ultimate cost cannot be known with certainty at the statement of financial position date.

2. Significant accounting policies (continued)

xix) Insurance contract liabilities (continued)

Provision for unearned premiums

The proportion of written premiums attributable to subsequent periods is deferred as unearned premiums. The change in the provision for unearned premium is taken to the statement of income in the order that revenue is recognised over the period of risk.

Liability adequacy test

In accordance with IFRS 4, 'Insurance Contracts' reserving for liabilities existing as at the statement of financial position date from property and casualty lines of business has been tested for adequacy by independent actuarial consultants using the Bornhuetter-Fergusson model.

The Bornhuetter-Fergusson model can be summarised as follows:

- This valuation method makes an independent estimate of the gross ultimate claims to a corresponding premium for each underwriting year based on expectations of claims arising from the gross premiums written in that year;
- It estimates a claim run-off pattern of how claims emerge year by year until all is known about the total ultimate claim;
- From the independent estimate of gross ultimate claims, the portion that relates to past periods is removed and the resultant balance is the gross claims yet to emerge.

The independent actuaries concluded in their report dated 6 February 2019 that the carrying amounts of the insurance liabilities of the general insurance subsidiary as at 31 December 2018, in respect of incurred but not reported (IBNR) claims and claims from unexpired contracts were adequate.

Provision for unexpired risk

Provision for unexpired risk is computed as a percentage of the provision for unearned premiums at the end of the year. At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of the insurance liabilities. Any deficiency is charged to the statement of income by subsequently establishing a provision for losses arising from the liability adequacy tests (the unexpired risk provision).

xx) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

2. Significant accounting policies (continued)

xx) Provisions (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

xxi) Guarantee reserve fund

The Bank has guaranteed 100% return of the principal invested in ANSA Secured Fund and ANSA US$ Secured Fund, subject to minimum period of investment and a fixed minimum yield on the units held subject to a defined period of time, established at the time of purchase.

The Bank establishes a guarantee reserve fund as a liability on its statement of financial position through the statement of income for any shortfalls that may arise under the guarantee, as required. At each end of reporting period, the Bank values these guarantees and any changes required are adjusted accordingly through the statement of income.

xxii) Revenue recognition

Revenue is considered to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment was made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes. The following specific recognition criteria must also be met before revenue is recognised.

Loans and advances

Income from loans, including origination fees, is recognised on an amortised basis. Interest is accounted for on the accruals basis except where a loan contractually becomes three months in arrears at which point the accrued interest is suspended and subsequently accounted for on a cash basis until the arrears are cleared.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

2. Significant accounting policies (continued)

xxii) Revenue recognition (continued)

Investment income

The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

Rental income

Rental income from investment property under operating leases is recognised in the statement of income on a straight line basis over the term of the lease.

Premium income

Premiums from life insurance contracts are recognised as revenue when payable by the policyholders. For single premium business this is the date from which the policy becomes effective. For non-life business, premiums written are recognised on policy inception and earned on a pro-rata basis over the term of the related policy coverage.

Premiums written on general insurance policies are recognised on policy inception and earned on a pro-rata basis over the term of the related policy coverage. For single premium business this is the date from which the policy is effective.

Reinsurance premiums

Reinsurance premiums are recognised when the right to receive the gross premium is recognised in accordance with the relevant reinsurance contract.

Fees and commissions

Unless included in the effective interest calculation, fees are recognised on an accrual basis as the service is provided. Fees and commissions not integral to the effective interest arising from negotiating or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contract.

Other income and expenditure

Other income and expenditure, inclusive of borrowing costs, are brought into account on the accruals basis.

2. Significant accounting policies (continued)

xxii) Revenue recognition (continued)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the performance obligation is met at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

A refund liability is the sum of the contribution received from the customer to cover the costs associated with the product sold. The Group updates its balance of refund liabilities at the end of each reporting period with the monthly amortisation of the contribution used to offset the cost relating to the product sold.

xxiii) Deposit insurance contribution

The Central Bank of Trinidad and Tobago and the Financial Institutions (Non-Banking) (Amendment) Act 1986 of Trinidad and Tobago established a Deposit Insurance Fund for the protection of depositors. An annual premium of 0.2% is levied on the average deposit liability outstanding at the end of each quarter of the preceding year.

The Barbados Deposit Insurance Corporation in accordance with the Deposit Insurance Act 2006-29 of Barbados established a Deposit Insurance Fund for the protection of depositors. An annual premium of 0.05% is levied on the average deposit liability outstanding at the end of each quarter of the preceding year.

xxiv) Benefits and claims

Life insurance

Life insurance business claims reflect the cost of all claims incurred during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

General insurance

Reported outstanding general insurance claims comprise the estimated costs of all claims incurred but not settled at the end of the reporting period, less any reinsurance recoveries. In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from adjusters and information on the cost of settling claims with similar characteristics in previous periods. Provision is made for claims incurred but not reported (IBNR) until after the end of the reporting period. Differences between the provisions for outstanding claims and subsequent revisions and settlement are included in the statement of income in the year the claims are settled.

Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant reinsurance contract.

2. Significant accounting policies (continued)

xxv) Lapses - Life insurance

Policies will lapse and the Group's liability will cease:

i. At the end of the grace period (30 days) for any unpaid premium unless the premium or part of it is advanced under the automatic premium loan provision or the policy is changed to paid up or;

ii. At the end of the pro-rated period for which insurance is provided if part of an unpaid premium was advanced under the automatic loan provision; or

iii. At the end of the 30 day period following the mailing of a lapse notice indicating that the indebtedness equals or exceeds the gross cash value.

xxvi) Foreign currency translation

Functional and presentation currency

The individual financial statements of each group entity is presented in the currency of the primary economic environment, in which the entity operates (its functional currency). The separate and consolidated financial statements are expressed in Trinidad and Tobago dollars, which is the functional currency of the parent.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago Dollars at rates of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of income.

Foreign entities

On consolidation, the assets and liabilities of foreign operations are translated into Trinidad and Tobago dollars at the rate of exchange prevailing at 31 December and their statements of income are translated at an average exchange rate. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

xxvii) Equity movements

Stated capital

Ordinary stated capital is classified within equity and is recognised at the fair value of the consideration received by the Group. Incremental costs directly attributable to the issue of new shares are shown as a reduction in equity, net of tax. As equity is repurchased, the amount of consideration paid is recognised as a charge to equity and reported in the statement of financial position as treasury shares.

Dividends on ordinary share capital

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors. Dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the end of reporting date.

Significant accounting policies (continued)

xxviii) Statutory reserve fund

The Financial Institutions Act 2008 of Trinidad and Tobago requires that not less than 10% of the net profit of the Bank after deduction of taxes in each year be transferred to a statutory reserve fund until the balance standing to the credit of this reserve is equal to the paid up capital of the Bank.

The Financial Institutions Act 1996 of Barbados, requires that a minimum of 15% of annual net income be appropriated to a reserve fund until the balance of such funds equals the stated capital of Consolidated Finance Co Limited.

xxix) Catastrophe reserve

On an annual basis, the Group determines an amount that is transferred to a catastrophe reserve. This is treated as an appropriation of retained earnings and is disclosed as part of the statutory reserve fund in the statement of financial position.

xxx) Statutory surplus reserve

As required by Section 171 of the Insurance Act 1980 of Trinidad and Tobago at least 25% of an insurance company's profit from general insurance business, for the preceding year is to be appropriated towards a statutory surplus reserve until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies. This reserve is not distributable.

xxxi) General loan loss reserve

The Bank has established a general reserve for loan losses in accordance with the guidelines issued by the Central Bank of Trinidad and Tobago. The reserve has been calculated at one half of one percent of the loan balance at the year-end and encompasses hire purchase loans, finance leases and premium financing loans after deducting unearned finance charges. This reserve has been accounted for as an appropriation of retained earnings and is disclosed in the statement of changes in equity.

xxxii) Earnings per share

Earnings per share have been calculated by taking the profit income for the year attributable to shareholders over the weighted average number of ordinary shares outstanding during the year net of treasury shares (2018: $2.41; 2017: $2.71). There are no dilutive ordinary shares in issue.

xxxiii) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). Salvage is recognised on a cash receipts basis.

The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2. Significant accounting policies (continued)

xxxiv) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

3. Significant accounting judgements and estimates in applying Group policies

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments risk management (Note 39)
- Capital management (Note 40)

i) Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Finance lease commitments – Group as lessor (Note 5)

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

Operating lease commitments – Group as lessor (Note 12)

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3. Significant accounting judgements and estimates in applying Group policies (continued)

i) Judgements (continued)

Property and equipment (Note 13)

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgement is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

Revenue from contracts with customers (Note 27)

The Group has determined that the performance obligation from contracts with customers has been satisfied at a point in time, i.e. when the service is rendered to a customer.

The amount recognised in the statement of income would be the consideration received amortised over the useful life of the product sold to the customer.

Impairment of financial instruments (policy applicable under IFRS 9)

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- The segmentation of financial instruments when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Impairment of financial instruments (policy applicable under IAS 39)

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

Assessment of control

Management uses judgement in performing a control assessment review on all mutual funds and retirement plans sponsored by the Group and its subsidiaries. This assessment revealed that the Group is able to exercise control, as defined by IFRS 10, 'Consolidated Financial Statements' over the activities of the funds. However this control does not extend to the Group's retirement plans.

(Expressed in thousands of Trinidad and Tobago dollars)

3. Significant accounting judgements and estimates in applying Group policies (continued)

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of goodwill (Note 14)

The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. The Group performs its annual impairment test of goodwill as at 31 December. Previously recorded impairment losses for goodwill are not reversed in future periods.

When goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operation to determine the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the cash-generating units retained.

Deferred taxation (Note 15)

In calculating the provision for deferred taxation, management uses judgement to determine the possibility that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Pension and other post-employment benefits (Note 16)

The cost of defined benefit pension plans and other post-employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Insurance contract liabilities (Note 21)

The estimation of the ultimate liability arising from claims made under life and general insurance contracts is an accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately pay for those claims.

3. Significant accounting judgements and estimates in applying Group policies (continued)

ii) Estimates and assumptions (continued)

Insurance contract liabilities (Note 21) (continued)

For the life insurance contracts, estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group based these estimates on standard industry mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's unique risk exposure. The number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, both epidemic, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure. All of this results in even more uncertainty in estimating the ultimate liability.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each end of reporting period, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of a reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of a reporting period. It can take a significant period of time before the ultimate claims costs can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claims settlement estimates. At each end of reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Revenue from contracts with customers (Note 27)

Revenue from contracts with customers relates to investment management and arrangement fees and spread income. The performance obligation for each is as follows:

- Investment management fees is satisfied over time and payment is due quarterly in arrears.
- Arrangement fees is satisfied upon disbursement of the relevant loan and payment is due at that time.
- Spread income is satisfied upon the disbursement of the interest payment to investors and payment is due at that time.

3. Significant accounting judgements and estimates in applying Group policies (continued)

ii) Estimates and assumptions (continued)

Valuation of investments (Note 38)

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgment and applying judgment in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

4. Cash and short-term funds

Parent			Group	
2017	**2018**		**2018**	**2017**
		Cash and short-term funds		
93,499	133,655	Cash in hand and at bank	336,097	353,461
121,974	79,389	Short-term deposits with other banks	204,837	214,155
215,473	213,044		540,934	567,616
52,414	67,666	Central Bank Reserve	84,409	75,569
267,887	280,710		625,343	643,185

Cash held at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

4. Cash and short-term funds (continued)

The Central Bank Reserve balance represents the amounts held at the Central Bank of Trinidad and Tobago and the Central Bank of Barbados as required under the respective regulatory pronouncements. The Central Bank of Trinidad and Tobago reserve account represents 9% of average deposit liabilities and is non-interest bearing. The Central Bank of Barbados reserve account represents 5% of average deposit liabilities and earned interest of 0.10% (2017: 0.10%).

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

Parent			Group	
2017	**2018**		**2018**	**2017**
93,499	133,655	Cash in hand and at bank	336,097	353,461
121,974	79,389	Short-term deposits with other banks	204,837	214,155
215,473	213,044		540,934	567,616
–	–	Bank overdraft	–	–
215,473	213,044		540,934	567,616

(Expressed in thousands of Trinidad and Tobago dollars)

5. Net investment in leased assets and other instalment loans

a) Net investment in leased assets and other instalment loans

Parent 2017	Parent 2018		Group 2018	Group 2017
1,027,821	1,082,304	Hire purchase	1,534,926	1,483,768
228,397	223,761	Finance leases	222,841	226,785
1,256,218	1,306,065	Performing	1,757,767	1,710,553
69,375	69,735	Non-performing	71,926	70,640
1,325,593	1,375,800	Future minimum lease payments	1,829,693	1,781,193
(221,087)	(210,554)	Future finance charges and loan fees	(289,294)	(306,517)
1,104,506	1,165,246	Present value of minimum lease payments	1,540,399	1,474,676
(26,403)	(53,144)	Allowance for ECLs	(56,845)	(28,818)
1,078,103	1,112,102	Net investment in leased assets net of provision	1,483,554	1,445,858

b) New business less unearned income

Parent 2017	Parent 2018		Group 2018	Group 2017
402,939	419,002	New business less unearned income	544,384	523,018

5. Net investment in leased assets and other instalment loans (continued)

c) Present value of minimum lease payments has the following sectorial breakdown:

Parent 2017	Parent 2018		Group 2018	Group 2017
448,506	514,814	Personal	802,158	731,627
656,000	650,432	Commercial	738,241	743,049
1,104,506	1,165,246		1,540,399	1,474,676

d) Present value of minimum lease payments has the following maturity profile:

Parent 2017	Parent 2018		Group 2018	Group 2017
61,555	60,276	Within 1 year	68,754	73,200
807,968	797,673	1 to 5 years	998,018	990,779
234,983	307,297	Over 5 years	473,627	410,697
1,104,506	1,165,246		1,540,399	1,474,676

e) Future minimum lease payments has the following maturity profile:

Parent 2017	Parent 2018		Group 2018	Group 2017
63,485	62,171	Within 1 year	70,876	75,402
957,879	929,760	1 to 5 years	1,162,793	1,172,804
304,229	383,869	Over 5 years	596,024	532,987
1,325,593	1,375,800		1,829,693	1,781,193

5. Net investment in leased assets and other instalment loans (continued)

The movement in provision for leases and other instalment loans under IAS 39 is as follows:

Parent 2017		Group 2017
19,323	Balance at 1 January 2017	22,110
9,044	Charge for the year	11,140
(1,964)	Amounts written back	(4,432)
26,403	**At 31 December 2017**	28,818

Repossessed collateral

As at 31 December 2018, the Group held repossessed vehicles with a fair value of $5.9 million (2017: $2.8 million). Repossessed vehicles are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

Impairment allowance for leased assets and other instalment loans

The table below shows the staging of net investment in leased assets and the related ECLs based on the Group's criteria as explained in Note 2vi b).

Parent
Net Investment in Leased Assets

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	1,048,352	51,240	65,654	1,165,246
ECL allowance as at 31 December 2018	(12,851)	(1,273)	(39,020)	(53,144)
Net exposure as at 31 December 2018	**1,035,501**	**49,967**	**26,634**	**1,112,102**
Gross carrying amount as at 1 January 2018	985,231	55,241	64,034	1,104,506
ECL allowance as at 1 January 2018	(13,470)	(1,191)	(26,403)	(41,064)
Net exposure as at 1 January 2018	**971,761**	**54,050**	**37,631**	**1,063,442**

5. Net investment in leased assets and other instalment loans (continued)

Impairment allowance for leased assets and other instalment loans (continued)

Parent
Net Investment in Leased Assets (continued)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(13,470)	(1,191)	(26,403)	(41,064)
ECL on new instruments issued during the year	(4,600)	(153)	(238)	(4,991)
Other credit loss movements, repayments etc.	4,179	(97)	(10,927)	(6,845)
Charge-offs and write-offs	1,040	168	(1,452)	(244)
At 31 December 2018	**(12,851)**	**(1,273)**	**(39,020)**	**(53,144)**

Group
Net Investment in Leased Assets

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	1,401,263	70,620	68,516	1,540,399
ECL allowance as at 31 December 2018	(14,821)	(1,480)	(40,544)	(56,845)
Net exposure as at 31 December 2018	**1,386,442**	**69,140**	**27,972**	**1,483,554**
Gross carrying amount as at 1 January 2018	1,332,389	74,246	68,041	1,474,676
ECL allowance as at 1 January 2018	(16,070)	(1,472)	(28,818)	(46,360)
Net exposure as at 1 January 2018	**1,316,319**	**72,774**	**39,223**	**1,428,316**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(16,070)	(1,472)	(28,818)	(46,360)
ECL on new instruments issued during the year	(5,239)	(363)	(779)	(6,381)
Other credit loss movements, repayments etc.	5,448	160	(14,706)	(9,098)
Charge-offs and write-offs	1,040	195	3,759	4,994
At 31 December 2018	**(14,821)**	**(1,480)**	**(40,544)**	**(56,845)**

(Expressed in thousands of Trinidad and Tobago dollars)

6. Loans and advances

Parent 2017	Parent 2018		Group 2018	Group 2017
–	–	Policy loans	10,407	11,067
–	–	Mortgage loans	186,070	175,697
205,229	387,001	Other loans and advances	406,189	220,779
205,229	387,001	Performing loans and advances	602,666	407,543
–	2,757	Non-performing loans and advances	36,847	96,929
205,229	389,758		639,513	504,472
–	(8,327)	Allowance for ECLs	(19,658)	(69,552)
205,229	381,431		619,855	434,920

2017	2018	Sectorial analysis of advances	2018	2017
2,301	2,170	Personal	178,845	154,092
933	2,429	Retail/distribution/manufacturing	4,880	21,325
–	–	Hotel and restaurant	8,176	30,628
48,294	114,684	Construction and real estate	123,482	70,692
25,229	25,250	Financial	25,250	25,229
36,871	75,810	Utilities	75,810	36,871
91,601	169,415	Other	223,070	165,635
205,229	389,758		639,513	504,472

Loans and advances have the following maturity profile

2017	2018		2018	2017
110,219	173,688	Within 1 year	193,336	184,924
28,657	61,540	1 to 5 years	73,516	44,825
66,353	154,530	Over 5 years	372,661	274,723
205,229	389,758		639,513	504,472

6. Loans and advances (continued)

The movement in specific provision for non-performing advances under IAS 39 is analysed as follows:

Parent 2017		Group 2017
–	Balance at 1 January 2017	66,782
–	Charge for the year	2,770
–	At 31 December 2017	69,552

Impairment allowance for loans and advances

The table below shows the staging of loans and advances and the related ECLs based on the Group's criteria as explained in Note 2vi b).

Parent
Other Loans and Advances

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	293,286	93,715	2,757	389,758
ECL allowance as at 31 December 2018	(668)	(7,659)	–	(8,327)
Net exposure as at 31 December 2018	**292,618**	**86,056**	**2,757**	**381,431**
Gross carrying amount as at 1 January 2018	103,522	101,163	544	205,229
ECL allowance as at 1 January 2018	(204)	(11,961)	–	(12,165)
Net exposure as at 1 January 2018	**103,318**	**89,202**	**544**	**193,064**

6. Loans and advances (continued)

Impairment allowance for loans and advances (continued)

Parent
Other Loans and Advances (continued)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(204)	(11,961)	–	(12,165)
Translation adjustments	5	–	–	5
ECL on new instruments issued during the year	511	–	–	511
Other credit loss movements, repayments etc.	(979)	3,623	–	2,644
Charge-offs and write-offs	(1)	679	–	678
At 31 December 2018	**(668)**	**(7,659)**	**–**	**(8,327)**

Group
Loans and advances

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	491,265	111,401	36,847	639,513
ECL allowance as at 31 December 2018	(722)	(5,555)	(13,381)	(19,658)
Net exposure as at 31 December 2018	**490,543**	**105,846**	**23,466**	**619,855**
Gross carrying amount as at 1 January 2018	294,166	113,377	96,929	504,472
ECL allowance as at 1 January 2018	(275)	(10,170)	(69,552)	(79,997)
Net exposure as at 1 January 2018	**293,891**	**103,207**	**27,377**	**424,475**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(275)	(10,170)	(69,552)	(79,997)
Translation adjustments	6	–	(44)	(38)
ECL on new instruments issued during the year	507	–	–	507
Other credit loss movements, repayments etc.	(974)	4,668	(7,017)	(3,323)
Charge-offs and write-offs	14	(53)	63,232	63,193
At 31 December 2018	**(722)**	**(5,555)**	**(13,381)**	**(19,658)**

7. Investment securities

Investment securities are stated net of impairment provisions for both the Parent and Group and comprise of investment securities designated as at fair value through statement of income, investment securities measured at amortised cost and investment securities measured at fair value through statement of other comprehensive income.

Parent 2017	Parent 2018		Group 2018	Group 2017
		Investment securities		
102,091	3,922	Designated at fair value through statement of income	676,685	856,107
737,876	894,478	Amortised cost	3,228,404	2,937,803
20,290	160,849	Fair value through other comprehensive income	143,835	–
860,257	1,059,249	Total investment securities	4,048,924	3,793,910
		Investment securities designated at fair value through statement of income		
26,144	3,818	Equity securities	505,417	590,831
582	104	Government bonds	15,977	16,781
3,660	–	State-owned company securities	70,328	80,467
71,705	–	Corporate bonds	84,963	168,028
102,091	3,922		676,685	856,107
		Investment securities measured at amortised cost		
10,144	10,155	Government bonds	536,292	534,926
211,059	260,577	State-owned company securities	917,494	844,591
516,673	623,746	Corporate bonds	1,774,618	1,558,286
737,876	894,478		3,228,404	2,937,803

(Expressed in thousands of Trinidad and Tobago dollars)

7. Investment securities (continued)

Parent 2017	Parent 2018		Group 2018	Group 2017
		Investment securities designated and measured at FVOCI		
20,290	20,256	Equity securities	–	–
–	14,817	Government bonds	18,059	–
–	18,566	State-owned company securities	18,566	–
–	107,210	Corporate bonds	107,210	–
20,290	160,849		143,835	–
860,257	1,059,249	**Total investment securities**	4,048,924	3,793,910

Equity securities listed under investment securities designated and measured at fair value through other comprehensive income relates to the Bank's investment in the mutual funds.

The movement in specific provision for non-performing investment securities under IAS 39 is analysed as follows:

Parent 2017		Group 2017
10,073	Balance at 1 January 2017	10,676
(7,430)	Amounts written back	(8,047)
–	Charge for the year	13
2,643	At 31 December 2017	2,642

7. Investment securities (continued)

Impairment allowance for investment securities

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit rating system, aging and year-end stage classification.

Parent
Investment securities measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	830,540	56,109	21,664	908,313
ECL allowance as at 31 December 2018	(2,501)	(750)	(10,584)	(13,835)
Net exposure as at 31 December 2018	**828,039**	**55,359**	**11,080**	**894,478**
Gross carrying amount as at 1 January 2018	592,382	126,056	22,081	740,519
ECL allowance as at 1 January 2018	(514)	(3,631)	(2,643)	(6,788)
Net exposure as at 1 January 2018	**591,868**	**122,425**	**19,438**	**733,731**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(514)	(3,631)	(2,643)	(6,788)
Translation adjustments	(1)	(4)	–	(5)
ECL on new instruments issued during the year	(1,512)	–	–	(1,512)
Other credit loss movements, repayments etc.	(474)	2,885	(7,941)	(5,530)
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(2,501)**	**(750)**	**(10,584)**	**(13,835)**

7. Investment securities (continued)

Impairment allowance for investment securities (continued)

Group
Investment securities measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	2,831,109	385,973	56,378	3,273,460
ECL allowance as at 31 December 2018	(5,414)	(7,067)	(32,575)	(45,055)
Net exposure as at 31 December 2018	**2,825,696**	**378,907**	**23,803**	**3,228,405**
Gross carrying amount as at 1 January 2018	2,423,511	493,587	23,347	2,940,445
ECL allowance as at 1 January 2018	(2,432)	(29,868)	(3,872)	(36,172)
Net exposure as at 1 January 2018	**2,421,079**	**463,719**	**19,475**	**2,904,273**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(2,432)	(29,868)	(3,872)	(36,172)
Translation adjustments	(1)	(5)	–	(6)
ECL on new instruments issued during the year	(2,482)	(1,671)	(20,761)	(24,914)
Other credit loss movements, repayments etc.	(575)	8,927	(7,942)	410
Charge-offs and write-offs	76	15,550	–	15,626
At 31 December 2018	**(5,414)**	**(7,067)**	**(32,575)**	**(45,056)**

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	140,593	–	–	140,593
ECL allowance as at 31 December 2018	(1,131)	–	–	(1,131)
Net exposure as at 31 December 2018	**139,462**	**–**	**–**	**139,462**
Gross carrying amount as at 1 January 2018	–	–	–	–
ECL allowance as at 1 January 2018	–	–	–	–
Net exposure as at 1 January 2018	**–**	**–**	**–**	**–**

7. Investment securities (continued)

Impairment allowance for investment securities (continued)

Parent
Investment securities designated and measured at FVOCI (continued)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	–	–	–	–
Translation adjustments	–	–	–	–
ECL on new instruments issued during the year	(1,131)	–	–	(1,131)
Other credit loss movements, repayments etc.	–	–	–	–
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(1,131)**	**–**	**–**	**(1,131)**

Group
Investment securities designated and measured at FVOCI

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	143,835	–	–	143,835
ECL allowance as at 31 December 2018	(1,199)	–	–	(1,199)
Net exposure as at 31 December 2018	**142,636**	**–**	**–**	**142,636**
Gross carrying amount as at 1 January 2018	–	–	–	–
ECL allowance as at 1 January 2018	–	–	–	–
Net exposure as at 1 January 2018	**–**	**–**	**–**	**–**

(Expressed in thousands of Trinidad and Tobago dollars)

7. Investment securities (continued)

Impairment allowance for investment securities (continued)

Group
Investment securities designated and measured at FVOCI (continued)

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	–	–	–	–
Translation adjustments	–	–	–	–
ECL on new instruments issued during the year	(1,199)	–	–	(1,199)
Other credit loss movements, repayments etc.	–	–	–	–
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(1,199)**	**–**	**–**	**(1,199)**

8. Assets pledged

Parent 2017	Parent 2018		Group 2018	Group 2017
–	–	Cash and short-term funds	106,086	150,947
–	–	Loans and advances	185,750	170,691
–	–	Bonds and debentures	1,251,318	1,103,914
–	–	Equities	387,422	434,282
–	–	Real estate	30,000	25,300
–	–		1,960,576	1,885,134

Under the provisions of the Insurance Act 1980, the Group has established and maintains a statutory fund and a statutory deposit of which the assets are pledged and held to the order of the Inspector of Financial Institutions.

9. Insurance receivables

Parent 2017	Parent 2018		Group 2018	Group 2017
–	–	Premiums receivable	33,526	26,105
–	–	Reinsurance receivables	5,099	9,514
–	–		38,625	35,619

10. Other debtors and prepayments

Parent 2017	Parent 2018		Group 2018	Group 2017
4,241	5,613	Fees and rent receivable	504	1,031
–	88,399	Proceeds from investments	109,654	51
675	652	Prepayments	5,873	5,111
757	1,057	VAT receivable	1,573	3,307
6,144	3,218	Insurance prepayments	3,218	6,144
5,300	1,907	Client funds receivable	230	3,945
–	1,724	Other related party balances	2,090	152
–	–	Other receivables on leased vehicles & equipment	1,849	2,650
2,910	–	Other receivables	4,857	10,009
20,027	102,570		129,848	32,400

11. Investment in subsidiaries

	Parent 2018	Parent 2017
At beginning of the period	810,320	810,320
Acquisitions during the year	–	–
At end of the period	810,320	810,320

The consolidated financial statements include the subsidiaries listed in the following table:

Name of Company	Country of incorporation and operation	Proportion of issued capital held 31-Dec-18	Proportion of issued capital held 31-Dec-17
Trinidad and Tobago Insurance Limited	Trinidad and Tobago	100%	100%
TATIL Life Assurance Limited	Trinidad and Tobago	99.93%	99.93%
TATIL Re Limited	St. Lucia	100%	100%
ANSA Securities Limited	Trinidad and Tobago	100%	100%
ANSA Financial Holdings (Barbados) Limited	Barbados	100%	100%
Consolidated Finance Co. Limited	Barbados	100%	100%

The transfer of assets from the subsidiaries to the parent is subject to approval by the relevant governance committees including the Board of Directors of the individual subsidiaries. Further, TATIL Life Assurance Limited requires approval by the Central Bank of Trinidad and Tobago for instances of a distribution of capital approved by the Board of Directors.

12. Investment properties

Parent 2017	Parent 2018		Group 2018	Group 2017
–	–	Valuation at beginning of the year	139,268	139,268
–	–	Additions during the year	4,988	–
–	–	Gain from revaluation	(965)	–
–	–	Valuation at close of the year	143,291	139,268
–	–	Rental income from properties	13,710	15,366
–	–	Direct operating expenses arising from investment properties that generated rental income during the period	7,272	9,689

Operating leases

The Group's policy is to rent investment properties to tenants through operating leases. Minimum future rentals to be received on non-cancellable operating leases of the Group's investment properties are receivable in the following periods:

	2018	2017
No later than 1 year	17,803	15,055
Later than 1 year but not later than 5 years	70,995	66,408
Later than 5 years	56,566	62,895
	145,364	144,358

The Group has no restrictions on the realisability of its investment properties and no contractual obligation to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

(Expressed in thousands of Trinidad and Tobago dollars)

13. Property and equipment

Parent 2018	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
Cost					
At beginning of the period	1,590	6,715	1,304	3,012	12,621
Additions	71	221	–	2,080	2,372
At end of the period	1,661	6,936	1,304	5,092	14,993
Accumulated depreciation					
At beginning of the period	1,214	6,202	1,000	2,963	11,379
Current depreciation	44	307	68	114	533
At end of the period	1,258	6,509	1,068	3,077	11,912
Net book value	403	427	236	2,015	3,081

Parent 2017	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
Cost					
At beginning of the period	1,543	6,383	1,304	3,003	12,233
Additions	47	332	–	9	388
At end of the period	1,590	6,715	1,304	3,012	12,621
Accumulated depreciation					
At beginning of the period	1,174	5,843	912	2,953	10,882
Current depreciation	40	359	88	10	497
At end of the period	1,214	6,202	1,000	2,963	11,379
Net book value	376	513	304	49	1,242

13. Property and equipment (continued)

Group 2018	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
Cost							
At beginning of the period	35,844	30,661	4,990	8,023	18,741	243,922	342,181
Additions	770	8,726	464	4,176	–	39,162	53,298
Transfers	(20,652)	13,191	–	7,471	–	–	10
Disposals	(902)	(100)	(1,106)	–	–	(48,728)	(50,836)
Exchange differences on translation of foreign operations	2	–	1	2	2	148	155
Assets written off	–	–	–	–	–	–	–
At end of the period	15,062	52,478	4,349	19,672	18,743	234,504	344,808

Group 2018	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
Accumulated depreciation							
At beginning of the period	11,127	26,745	2,892	6,494	5,086	105,783	158,127
Current depreciation	747	2,107	610	1,150	114	34,037	38,765
Disposals	(7)	(59)	(914)	–	–	(33,415)	(34,395)
Transfers	(2,078)	–	–	2,083	–	–	5
Exchange differences on translation of foreign operations	–	(1)	–	2	1	64	66
Assets written off	–	–	–	–	–	–	–
At end of the period	9,789	28,792	2,588	9,729	5,201	106,469	162,568
Net book value	5,273	23,686	1,761	9,943	13,542	128,035	182,240

13. Property and equipment (continued)

Group 2017	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
Cost							
At beginning of the period	20,484	30,875	4,764	7,091	18,880	248,150	330,244
Additions	13,447	1,667	821	1,480	–	40,135	57,550
Transfers	1,903	619	–	–	(163)	–	2,359
Disposals	(5)	–	(600)	–	–	(45,491)	(46,096)
Exchange differences on translation of foreign operations	15	13	5	17	24	1,128	1,202
Assets written off	–	(2,513)	–	(565)	–	–	(3,078)
At end of the period	35,844	30,661	4,990	8,023	18,741	243,922	342,181

Group 2017	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
Accumulated depreciation							
At beginning of the period	8,225	24,775	2,431	6,215	5,119	100,681	147,446
Current depreciation	1,298	1,039	766	262	130	34,133	37,628
Disposals	(2)	–	(115)	(207)	–	(29,730)	(30,954)
Transfers	1,605	918	–	–	(163)	–	2,360
Exchange differences on translation of foreign operations	1	13	(190)	224	–	699	747
Assets written off	–	–	–	–	–	–	–
At end of the period	11,127	26,745	2,892	6,494	5,086	105,783	158,127
Net book value	24,717	3,916	2,098	1,529	13,655	138,139	184,054

As at 31 December 2018, the Parent's gross carrying amount of fully depreciated assets still in use amounted to $4.1 million (2017: $3.8 million) and the Group $19.7 million (2017: $19.2 million). There were no property and equipment retired, held for disposal, restrictions on title or pledged as security for liabilities as well as no contractual commitments for the acquisition of property and equipment as at 31 December 2018 and at 31 December 2017 for both the Parent and the Group.

14. Intangible assets

Group 2018	Goodwill	Computer software & work in progress	Total
Gross carrying amounts			
At beginning of the period	133,762	19,655	153,417
Acquisitions during the year	–	19,764	19,764
At end of the period	133,762	39,419	173,181
Accumulated impairment and amortisation			
At beginning of the period	–	–	–
Transfer from property and equipment	–	1,430	1,430
Exchange differences on translation of foreign operations	–	7	7
Impairment charge for the year	–	19	19
At end of the period	–	1,456	1,456
Net carrying amounts	133,762	37,963	171,725
2017			
Net carrying amounts			
Goodwill at carrying value	133,762	19,655	153,417

Parent includes an amount of $28.8 million (2017: $12.3 million) relating to computer software in development as at 31 December 2018.

Goodwill

On 1 January 2004, the Bank acquired 100% of the issued ordinary shares of Trinidad and Tobago Insurance Limited.

The cost of acquisition was $622.5 million, resulting in goodwill of $133.8 million. The purchase consideration was discharged by the issuance of 54,605,263 new ordinary shares of the Bank at a price of $11.40 per share, which was the publicly listed price at 31 December 2003. As at 30 September 2010, the Bank invested $10 million into its subsidiary ANSA Securities Limited which represents 100% of its shareholding.

(Expressed in thousands of Trinidad and Tobago dollars)

14. Intangible assets (continued)

Computer software

Intangible assets also include the internal development cost arising from the development of computer software for the Group which was recognised at fair value at the capitalisation date. Subsequent to initial recognition, computer software will be carried at cost, less amortisation and impairment losses where necessary. This software is still in development and a useful life has not been determined in which to amortise the asset.

Impairment testing of intangible assets

Goodwill

In accordance with IFRS 3, 'Business Combinations,' all assets that gave rise to goodwill were reviewed for impairment at 31 December 2018 using the 'value in use' method. Based on the results of this review no impairment expense was required.

The following table highlights the goodwill and impairment information for each cash-generating unit:

TATIL

Carrying amount of Goodwill:	133,762
Basis for recoverable amount:	Value in use
Discount rate:	11%
Cash flow projection term:	Five years to perpetuity
Growth rate (extrapolation period):	2%

No significant or material events occurred from the date of acquisition to the statement of financial position date which would give rise to indicators of impairment. In accordance with IAS 36, 'Impairment of Assets,' management intends to carry out the annual review for impairment within the first year of acquisition and on each anniversary date thereafter.

15. Deferred taxation

Parent	2017	Impact of IFRS 9 (Note 2 (ii))	Credit/(charge) to Income	Credit/(charge) to OCI	2018
Property and equipment	249	–	(75)	–	174
Employee benefit obligation	146	–	6	78	230
Finance leases	17,281	–	1,568	–	18,849
Provisions	–	11,987	(1,151)	339	11,175
Unrealised investment losses	(1)	–	(7)	1,582	1,574
Total deferred tax asset	17,675	11,987	341	1,999	32,002
Employee benefit asset	(2,506)	–	26	204	(2,276)
Unrealised investment gains	(2,806)	–	1,364	–	(1,442)
Total deferred tax liability	(5,312)	–	1,390	204	(3,718)

Parent	2016	Credit/(charge) to Income	Credit/(charge) to OCI	2017
Property and equipment	288	(39)	–	249
Employee benefit obligation	117	6	23	146
Finance leases	19,262	(1,981)	–	17,281
Unrealised investment losses	512	(513)	–	(1)
Total deferred tax asset	20,179	(2,527)	23	17,675
Employee benefit asset	(2,812)	–	306	(2,506)
Unrealised investment gains	(1,527)	(1,279)	–	(2,806)
Total deferred tax liability	(4,339)	(1,279)	306	(5,312)

15. Deferred taxation (continued)

Group	2017	Impact of IFRS 9 (Note 2 (ii))	Credit/(charge) to Income	Credit/(charge) to OCI	Life and other reserve movement	2018
Employee benefit obligation	1,500	–	(91)	293	34	1,736
Unrealised foreign exchange losses	75	–	–	–	–	75
Property and equipment	1,788	–	(75)	–		1,713
Finance leases	17,280	–	1,515	–		18,795
Tax losses	950	–	–	–	–	950
Unrealised investment losses	–	–	306	1,582	–	1,888
Provisions	189	19,087	(3,478)	331	(217)	15,912
Total deferred tax asset	21,782	19,087	(1,823)	2,206	(183)	41,069
Life insurance reserves	(50,805)	–	–	–	(4,781)	(55,586)
Unrealised foreign exchange gains	(1,508)	–	–	–	–	(1,508)
Employee benefit asset	(35,371)	–	716	(614)	–	(35,269)
Finance leases	–	–	–	–	–	–
Property and equipment	(25,031)	–	16,895	–	–	(8,136)
Unrealised investment gains	(42,973)	–	3,583	8	813	(38,569)
Total deferred tax liability	(155,688)	–	21,194	(606)	(3,968)	(139,068)

Group	2016	Movement from business combination	Credit/(charge) to Income	Credit/(charge) to OCI	Life and other reserve movement	2017
Employee benefit obligation	1,252	–	85	163	–	1,500
Unrealised foreign exchange losses	–	75	–	–	–	75
Property and equipment	2,304	–	(516)	–	–	1,788
Finance leases	19,261	–	(1,981)	–	–	17,280
Tax losses	950	–	–	–	–	950
Unrealised investment losses	607	–	(607)	–	–	–
Provisions	–	–	189	–	–	189
Total deferred tax asset	24,374	75	(2,830)	163	–	21,782
Life insurance reserves	(47,801)	–	–	–	(3,004)	(50,805)
Unrealised foreign exchange gains	–	(1,508)	–	–	–	(1,508)
Employee benefit asset	(35,783)	–	(952)	1,364	–	(35,371)
Finance leases	–	–	–	–	–	–
Property and equipment	(25,973)		942	–	–	(25,031)
Unrealised investment gains	(39,561)	–	(1,650)	–	(1,762)	(42,973)
Total deferred tax liability	(149,118)	(1,508)	(1,660)	1,364	(4,766)	(155,688)

16. Employee benefits

The level of pension benefits provided under the defined benefit plans depends on the member's length of service and salary at retirement age. The defined benefit pension plan requires contributions to be made to a separately administered fund. The fund has a separate legal form and is governed by the Board of Trustees who are responsible for the administration of the plan assets and for the definition of the investment strategy.

The Board of Trustees periodically reviews the level of funding in the pension plan. Such a review includes the asset-liability matching strategy and investment risk management policy which considers the term of the pension obligation while simultaneously remaining compliant with the requirements of the Pensions Act. The pension plans are exposed to inflation, interest rate risks and changes in the life expectancy for pensioners in the relevant jurisdictions. As the plan assets include significant investments in quoted equity shares, the Group is also exposed to equity market risk.

a) Amounts recognised in the statement of financial position

	Defined benefit pension plan 2018	Defined benefit pension plan 2017	Post-retirement health benefits 2018	Post-retirement health benefits 2017
Parent				
Present value of defined benefit obligation	15,859	16,740	762	483
Fair value of plan assets	(23,446)	(25,094)	–	–
(Asset)/liability recognised in the statement of financial position	(7,587)	(8,354)	762	483
Group				
Present value of defined benefit obligation	115,450	113,835	7,052	5,582
Fair value of plan assets	(249,165)	(242,610)	–	–
(Asset)/liability recognised in the statement of financial position	(133,715)	(128,775)	7,052	5,582

(Expressed in thousands of Trinidad and Tobago dollars)

16. Employee benefits (continued)

b) Changes in defined benefit obligation and fair value of plan assets

The changes in the benefit obligations and fair value of plan assets are analysed below.

Parent	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
Balance at 1 January 2018	16,740	(25,094)	(8,354)	483
Pension cost charged to statement of income				
Current service cost	825	–	825	26
Net interest cost	710	(1,116)	(406)	24
Administrative expenses	16	–	16	–
Past service costs	–	–	–	–
Total charge/(credit) to statement of income	1,551	(1,116)	435	50
Experience (gains)/losses in OCI				
Experience losses - demographic	604	–	604	259
Experience losses - financial	–	76	76	–
Total charge/(credit) to OCI	604	76	680	259
Other movements				
Contributions by employee	348	(348)	–	–
Contributions by employer	–	(348)	(348)	–
Transfers	(2,895)	2,895	–	–
Administrative expenses	(16)	16	–	–
Benefits paid	(473)	473	–	(30)
Total other movements	(3,036)	2,688	(348)	(30)
Balance at 31 December 2018	15,859	(23,446)	(7,587)	762

16. Employee benefits (continued)

b) Changes in defined benefit obligation and fair value of plan assets (continued)

Group	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
Balance at 1 January 2018	113,835	(242,610)	(128,775)	5,582
Pension cost charged to statement of income				
Current service cost	3,517	–	3,517	345
Net interest cost	5,933	(12,513)	(6,580)	340
Past service cost	–	–	–	–
Administrative expenses	16	146	162	–
Total charge/(credit) to statement of income	9,466	(12,367)	(2,901)	685
Experience (gains)/losses in OCI				
Experience (gains)/losses - demographic	(2,850)	–	(2,850)	1,003
Experience losses - financial	–	2,508	2,508	–
Total charge/(credit) to OCI	(2,850)	2,508	(342)	1,003
Other movements				
Contributions by employee	1,448	(1,448)	–	–
Contributions by employer	–	(1,691)	(1,691)	–
Transfers	(1,875)	1,875	–	–
Administrative expenses	(16)	16	–	–
Exchange differences	2	(8)	(6)	–
Benefits paid	(4,560)	4,560	–	(218)
Total other movements	(5,001)	3,304	(1,697)	(218)
Balance at 31 December 2018	115,450	(249,165)	(133,715)	7,052

16. Employee benefits (continued)

b) Changes in defined benefit obligation and fair value of plan assets (continued)

Parent	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
Balance at 1 January 2017	10,977	(20,351)	(9,374)	385
Pension cost charged to statement of income				
Current service cost	765	–	765	19
Net interest cost	751	(1,208)	(457)	19
Administrative expenses	16	–	16	–
Past service costs	9	–	9	–
Total charge/(credit) to statement of income	1,541	(1,208)	333	38
Experience (gains)/losses in OCI				
Experience losses - demographic	676	–	676	77
Experience losses - financial	–	343	343	–
Total charge/(credit) to OCI	676	343	1,019	77
Other movements				
Contributions by employee	332	(332)	–	–
Contributions by employer	–	(332)	(332)	–
Transfers	3,750	(3,750)	–	–
Administrative expenses	(16)	16	–	–
Benefits paid	(520)	520	–	(17)
Total other movements	3,546	(3,878)	(332)	(17)
Balance at 31 December 2017	16,740	(25,094)	(8,354)	483

16. Employee benefits (continued)

b) Changes in defined benefit obligation and fair value of plan assets (continued)

Group	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
Balance at 1 January 2017	99,414	(228,503)	(129,089)	4,525
Pension cost charged to statement of income				
Current service cost	3,259	63	3,322	309
Net interest cost	5,893	(13,912)	(8,019)	283
Past service cost	529	–	529	–
Administrative expenses	16	87	103	–
Total charge/(credit) to statement of income	9,697	(13,762)	(4,065)	592
Experience (gains)/losses in OCI				
Experience losses - demographic	2,539	–	2,539	614
Experience losses - financial	–	2,091	2,091	–
Total charge/(credit) to OCI	2,539	2,091	4,630	614
Other movements				
Contributions by employee	1,378	(1,450)	(72)	–
Contributions by employer	–	(1,625)	(1,625)	–
Transfers	5,057	(5,057)	–	–
Administrative expenses	(16)	16	–	–
Exchange differences	21	(55)	(34)	5
Benefits paid	(4,255)	5,735	1,480	(154)
Total other movements	2,185	(2,436)	(251)	(149)
Balance at 31 December 2017	113,835	(242,610)	(128,775)	5,582

(Expressed in thousands of Trinidad and Tobago dollars)

16. Employee benefits (continued)

c) Movements in net (asset)/liability recognised in the statement of financial position

	Defined benefit pension plan 2018	Defined benefit pension plan 2017	Post-retirement health benefits 2018	Post-retirement health benefits 2017
Parent				
Net (asset)/liability at the start of the year	(8,354)	(9,374)	483	385
Net expense recognised in the statement of income	435	333	50	38
Net income/(expense) recognised in the statement of other comprehensive income	680	1,019	259	77
Contributions paid	(348)	(332)	(30)	(17)
Net (asset)/liability recognised at the end of the year	(7,587)	(8,354)	762	483
Group				
Net (asset)/liability at the start of the year	(128,775)	(129,089)	5,582	4,525
Net (income)/expense recognised in the statement of income	(2,901)	(4,065)	685	592
Net income/(expense) recognised in the statement of other comprehensive income	(342)	4,630	1,003	614
Contributions paid	(1,697)	(251)	(218)	(149)
Net (asset)/liability recognised at the end of the year	(133,715)	(128,775)	7,052	5,582

16. Employee benefits (continued)

d) Actual return on plan assets

	2018	2017
Parent	1,040	865
Group	10,005	10,056

e) Major categories of plan assets as a percentage of total plan assets

Parent and Group	Defined benefit pension plan 2018	Defined benefit pension plan 2017
Local equities	31%	32%
Local bonds	39%	40%
Foreign investments	23%	21%
Real estate/mortgages	2%	2%
Short-term securities	5%	5%
	100%	100%

f) Principal actuarial assumptions

Parent and Group	Defined benefit pension plan 2018	Defined benefit pension plan 2017
Discount rate	5%	5%
Future salary increases	3%	3%
Medical costs trend rates	3%	3%

Shown below is quantitative sensitivity analysis for the impact of significant assumptions on the defined benefit obligation:

Parent

Assumptions	Discount rate		Future salary increases		Future medical claims inflation	
Sensitivity level	**+1%**	**-1%**	**+1%**	**-1%**	**+1%**	**-1%**
At 31 December 2018	(1,601)	2,013	553	(491)	106	(85)
At 31 December 2017	(2,003)	2,557	851	(740)	66	(53)

16. Employee benefits (continued)

g) Principal actuarial assumptions (continued)

Group

Assumptions	Discount rate		Future salary increases		Future medical claims inflation	
Sensitivity level	**+1%**	**–1%**	**+1%**	**–1%**	**+1%**	**–1%**
At 31 December 2018	(12,874)	15,919	4,170	(3,703)	1,032	(822)
At 31 December 2017	(12,231)	15,466	4,337	(3,836)	553	(443)

The sensitivity analyses above have been determined on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

As advised by the consulting actuary, the Group is expected to contribute $1.76 million to its defined benefit plan in 2019 and the average duration of the defined benefit obligation at the end of the reporting period is 12 years (2017: 15 years).

Defined contribution plan

Certain employees of the Group are enrolled in the defined contribution pension plan which is operated by the ultimate parent – ANSA McAL Limited. The Group's contributions recognised in the statement of income is shown below:

Parent 2017	Parent 2018	Group 2018	Group 2017
191	363	1,594	597

17. Accrued interest and other payables

Parent 2017	Parent 2018		Group 2018	Group 2017
17,406	20,770	Interest payable	24,553	21,824
10,760	4,755	Accrued expenses	11,597	17,499
5,948	1,254	Client funds held for investment	4,538	15,908
71	533	Due to statutory authorities	6,344	3,914
–	–	Distributions payable	1,346	1,673
–	17	Deferred fee income	117	–
–	–	Unapplied premiums	6,566	6,315
–	–	Commissions payable	4,877	5,142
1,622	1,208	Stale-dated cheques	3,632	3,221
–	–	Due to reinsurers	25,580	28,464
9,143	31,409	Asset finance promotional items	31,409	9,143
8,543	4,974	Related party balances	7,098	9,962
2,005	9,364	Other creditors	15,227	5,821
55,498	74,284		142,884	128,886

18. Customers' deposits and other funding instruments

Sectorial analysis of customers' deposits and other funding instruments

Parent 2017	Parent 2018		Group 2018	Group 2017
166,801	100,210	Individuals	919,790	1,069,399
92,550	390,864	Pension funds/credit unions/ trustees	521,228	223,483
690,118	1,064,990	Private companies/estates/ financial institutions	1,211,882	835,414
949,469	1,556,064		2,652,900	2,128,296

(Expressed in thousands of Trinidad and Tobago dollars)

19. Debt securities in issue

Parent 2017	Parent 2018		Group 2018	Group 2017
904,324	803,414	Medium and long-term notes	803,414	904,324
–	–	Promissory notes	–	–
904,324	803,414		803,414	904,324

US$ denominated notes

On 2 August 2011, the Bank issued US$50 million medium-term notes in three tranches, two of which matured in 2014 and in 2016. The remaining US$15 million which represents the last tranche matured in 2018. Interest was fixed at 5.20% for Tranche 3. In September 2015, the Bank issued an additional US$30 million medium-term note maturing on 17 September 2021. Interest was set at a fixed rate of 4% per annum.

TT$ denominated notes

In November 2014, the Bank issued a TT$250 million medium-term note maturing on 28 November 2022. Interest was set at a fixed rate of 3.35% per annum. An additional TT$350 million medium-term note was issued on 5 June 2015 also maturing 28 November 2022 with the interest set at a fixed rate of 3.75% per annum.

20. Investment contract liabilities

	Group 2018	Group 2017
At the beginning of year	234,503	224,936
Premiums received	30,063	19,003
Interest credited	10,510	9,899
Liabilities realised for payment on death, surrender and other terminations in the year	(10,248)	(18,714)
Other movements	4,289	(621)
	269,117	234,503

These investment contracts have neither reinsurance arrangements nor discretionary participation features (DPF).

21. Insurance contract liabilities

	Notes	Group 2018 Insurance contract liabilities	2018 Reinsurers' share of liabilities	2018 Net	2017 Insurance contract liabilities	2017 Reinsurers' share of liabilities	2017 Net
Life insurance contracts	21 (b)	1,139,517	(11,213)	1,128,304	1,100,026	(19,842)	1,080,184
General insurance contracts	21 (c)	346,946	(156,098)	190,848	341,734	(155,283)	186,451
Total insurance contract liabilities		1,486,463	(167,311)	1,319,152	1,441,760	(175,125)	1,266,635

a) Reinsurance assets

	2018	2017
Life insurance contract	11,213	19,842
General insurance contracts:		
Premiums	54,701	43,015
Claims	101,397	112,268
	167,311	175,125

21. Insurance contract liabilities (continued)

b) Life insurance contract liabilities may be analysed as follows:

	Group 2018 Insurance contract liabilities	2018 Reinsurers' share of liabilities	2018 Net	2017 Insurance contract liabilities	2017 Reinsurers' share of liabilities	2017 Net
With DPF	219,814	–	219,814	227,152	–	227,152
Without DPF	888,695	(11,213)	877,482	847,729	(19,842)	827,887
	1,108,509	(11,213)	1,097,296	1,074,881	(19,842)	1,055,039
Outstanding claims	31,008	–	31,008	25,145	–	25,145
Total life insurance contract liabilities	1,139,517	(11,213)	1,128,304	1,100,026	(19,842)	1,080,184
At 1 January	1,100,026	(19,842)	1,080,184	1,011,806	(17,355)	994,451
Premiums received	166,430	(13,333)	153,097	221,584	(13,678)	207,906
Liabilities realised for payment on death, surrender and other terminations in the year	(126,939)	21,962	(104,977)	(133,364)	11,191	(122,173)
At 31 December	1,139,517	(11,213)	1,128,304	1,100,026	(19,842)	1,080,184

21. Insurance contract liabilities (continued)

c) General insurance contracts may be analysed as follows:

	Group 2018 Insurance contract liabilities	2018 Reinsurers' share of liabilities	2018 Net	2017 Insurance contract liabilities	2017 Reinsurers' share of liabilities	2017 Net
Claims reported and IBNR	189,631	(101,397)	88,234	199,425	(112,268)	87,157
Provisions for unearned premiums and unexpired risk	157,315	(54,701)	102,614	142,309	(43,015)	99,294
Total at end of year	346,946	(156,098)	190,848	341,734	(155,283)	186,451

(Expressed in thousands of Trinidad and Tobago dollars)

21. Insurance contract liabilities (continued)

c) General insurance contracts may be analysed as follows: (continued)

i) Claims reported and IBNR

	Group					
	2018			**2017**		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Provisions for claims reported by policy holders	160,489	(89,947)	70,542	172,609	(95,285)	77,324
Provisions for claims incurred but not reported (IBNR)	38,937	(22,321)	16,616	42,266	(23,820)	18,446
	199,426	(112,268)	87,158	214,875	(119,105)	95,770
Cash paid for claims settled in the year	(156,439)	30,888	(125,551)	(131,293)	28,151	(103,142)
Claims incurred	146,644	(20,017)	126,627	115,843	(21,314)	94,529
Total at end of year	189,631	(101,397)	88,234	199,425	(112,268)	87,157
Provisions for claims reported by policy holders	152,652	(81,151)	71,501	160,487	(89,947)	70,540
Provisions for claims incurred but not reported (IBNR)	36,979	(20,246)	16,733	38,938	(22,321)	16,617
	189,631	(101,397)	88,234	199,425	(112,268)	87,157

21. Insurance contract liabilities (continued)

c) General insurance contracts may be analysed as follows: (continued)

ii) Provisions for unearned premiums and unexpired risk

	Group					
	2018			**2017**		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Provisions for unearned premiums	126,524	(38,235)	88,289	122,525	(40,929)	81,596
Provisions for unexpired risk	15,786	(4,780)	11,006	15,286	(5,116)	10,170
	142,310	(43,015)	99,295	137,811	(46,045)	91,766
Increase in the period	387,413	(173,875)	213,538	351,552	(153,361)	198,191
Release in the period	(372,408)	162,189	(210,219)	(347,054)	156,391	(190,663)
Total at end of year	157,315	(54,701)	102,614	142,309	(43,015)	99,294
Provisions for unearned premiums	139,836	(48,623)	91,213	126,524	(38,236)	88,288
Provisions for unexpired risk	17,479	(6,078)	11,401	15,785	(4,779)	11,006
	157,315	(54,701)	102,614	142,309	(43,015)	99,294

21. Insurance contract liabilities (continued)

c) General insurance contracts may be analysed as follows: (continued)

ii) Provisions for unearned premiums and unexpired risk (continued)

The development table of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Trinidad and Tobago Insurance Limited reports this claims information by underwriting year of account.

21. Insurance contract liabilities (continued)

Claims development table

The risks associated with these insurance contracts and in particular, casualty insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group has no known or reported latent claims such as disease or asbestosis and therefore no actuarial analysis is made. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends.

				Group			
Accident year - Gross	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of ultimate claims costs (gross):							
- at end of accident year	91,281	92,421	157,401	120,579	118,617	157,855	
- one year later	94,982	96,461	169,457	126,999	122,555	–	
- two years later	97,232	92,333	164,935	123,191	–	–	
- three years later	94,749	91,152	161,788	–	–	–	
- four years later	96,502	88,957	–	–	–	–	
- five years later	110,414	–	–	–	–	–	
Current estimate of cumulative claims incurred	110,414	88,957	161,788	123,191	122,555	157,855	764,760
Cumulative payments to date	(91,256)	(85,307)	(98,104)	(111,390)	(108,414)	(117,637)	(612,108)
Liability recognised in the statement of financial position	19,158	3,650	63,684	11,801	14,141	40,218	152,652
Liability in respect of prior years							36,979
Total liability included in the statement of financial position							189,631

(Expressed in thousands of Trinidad and Tobago dollars)

21. Insurance contract liabilities (continued)

Claims development table (continued)

The risks associated with these insurance contracts and in particular, casualty insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. This table shows net claims expenses by underwriting year over a six year period. We have made the assumption that all Health claims are settled within three months after reported and therefore this does not result in any long outstanding claims liabilities.

				Group			
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
Estimate of outstanding claims (net):							
- at end of accident year	73,573	75,408	77,882	89,913	89,765	132,882	–
- one year later	78,636	79,779	83,604	97,417	97,956	–	–
- two years later	80,685	79,761	83,168	94,918	–	–	–
- three years later	77,958	76,087	81,509	–	–	–	–
- four years later	79,336	74,383	–	–	–	–	–
- five years later	89,356	–	–	–	–	–	–
Current estimate of cumulative claims incurred	89,356	74,383	81,509	94,918	97,956	132,882	571,004
Cumulative payments to date	(77,375)	(71,255)	(73,638)	(85,936)	(86,804)	(104,495)	(499,503)
Liability recognised in the statement of financial position	11,981	3,128	7,871	8,982	11,152	28,387	71,501
Liability in respect of prior years							16,733
Total liability included in the statement of financial position							88,234

22. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities

a) Life insurance contracts and investment contracts

Terms and conditions

The Group offers a combination of individual life, pension, annuity and group life contracts with and without discretionary participation features. These contracts are determined by actuaries and all subsequent valuation assumptions are determined by independent consulting actuaries.

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions relating to both life insurance contracts and investment contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Assumptions are determined as appropriate and prudent estimates are made at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

For insurance contracts, estimates are made in two stages. Firstly, at inception of the contract, the Group determines the assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Secondly, at the end of each reporting period, new estimates are developed to determine whether the liabilities are appropriate in light of the latest current estimates.

For investment contracts, assumptions used to determine the liabilities are also updated at the end of each reporting period to reflect latest estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

22. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities (continued)

a) Life insurance contracts and investment contracts (continued)

Key assumptions (continued)

Mortality and morbidity rates

Assumptions are based on underlying experience as well as standard industry mortality tables, according to the type of contract written. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected future mortality improvements. Assumptions are differentiated by sex, underwriting class and contract type.

Mortality rates higher than expected will lead to a larger number of insurance claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

Investment return

The weighted average rate of return is derived from a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

Expenses

Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

22. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities (continued)

a) Life insurance contracts and investment contracts (continued)

Key assumptions (continued)

Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and changes in policyholders' circumstances.

The impact of a decrease in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

Sensitivities

The table below illustrates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process. It demonstrates the effect of change in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumption changes had to be done on an individual basis. It should also be stressed that the relationships between assumptions are non linear and larger or smaller impacts cannot easily be gleaned from these results.

Assumption change	**Required increase in insurance contract liabilities**	
	2018	**2017**
2% Increase in mortality	7,700	7,200
5% Increase in expenses	9,400	9,000
10% Change in lapse rates	7,800	7,700
1% Decrease in investment earnings	127,600	125,100

(Expressed in thousands of Trinidad and Tobago dollars)

22. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities (continued)

b) General insurance contracts

Terms and conditions

The major classes of general insurance written by the Group include motor, property, casualty, marine, general accident and other miscellaneous types of general insurance. Risks under these policies usually cover a 12 month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of the reporting period.

The provisions are refined as part of a regular ongoing process and as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of average claim costs and claim numbers for each accident year. Claims provisions are separately analysed by geographical area and class of business. In addition, larger claims are usually separately assessed by loss adjusters. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates, as well as testing reported claims subsequent to the end of the reporting period.

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process and other factors is not possible to quantify. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim provisions are not known with certainty at the end of the reporting period.

22. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities (continued)

b) General insurance contracts (continued)

Sensitivities

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

23. Stated capital

Parent			Group	
2017	**2018**		**2018**	**2017**
		Authorised		
		An unlimited number of shares		
		Issued and fully paid		
		2018: 85,605,263 (2017: 85,605,263)		
667,274	667,274	ordinary shares of no par value	667,274	667,274

24. Net insurance revenue

Parent			Group	
2017	**2018**		**2018**	**2017**
–	–	Gross insurance contracts premium revenue	553,842	573,137
–	–	Reinsurers' share of insurance contracts premium revenue	(187,208)	(167,039)
–	–	Net insurance contracts premium revenue	366,634	406,098
–	–	Gross change in unearned premium provision and unexpired risks	(15,005)	(4,498)
–	–	Reinsurers' share of change in unearned premium provision and unexpired risks	11,686	(3,030)
–	–	Net change in unearned premium provision and unexpired risks	(3,319)	(7,528)
–	–	**Net insurance revenue**	363,315	398,570

25. Finance charges, loan fees and other interest income

Parent			Group	
2017	**2018**		**2018**	**2017**
119,732	115,527	Finance charges earned	149,618	156,519
16,729	13,714	Interest income on loans and advances	13,714	16,729
11,023	27,183	Other income	28,467	13,711
147,484	156,424		191,799	186,959

26. Investment income

Parent			Group	
2017	**2018**		**2018**	**2017**
28,424	5,029	Interest income from investments designated at fair value through statement of income	15,610	40,737
–	3,338	Interest income from investments designated at fair value through statement of comprehensive income	3,338	–
–	–	Interest income on impaired financial assets	–	(2,448)
3,656	47,031	Interest income from financial assets measured at amortised cost	197,648	123,377
34,138	34,009	Dividend income	20,805	32,569
3,517	10,275	Realised gains on sale of investment securities	10,839	11,217
4,545	(2,958)	Unrealised (losses)/gains on investments held at year-end designated fair value through statement of income	(17,240)	30,361
74,280	96,724		231,000	235,813

27. Revenue from contracts with customers

Parent			Group	
2017	**2018**		**2018**	**2017**
17,697	5,207	Arrangement fees	5,207	17,697
18,540	18,295	Investment management fees	678	27
2,129	2,487	Other	302	251
38,366	25,989		6,187	17,975

(Expressed in thousands of Trinidad and Tobago dollars)

28. Other income

Parent			Group	
2017	2018		2018	2017
399	279	Administrative fees and commissions	25,194	21,360
33,487	29,673	Foreign exchange trading and gains	34,381	37,840
703	380	Lease sales and recoveries	1,747	4,172
–	–	Property rental	59,201	62,824
–	–	Trustee and other fiduciary fees	8,923	8,102
5,378	1,456	Other	3,713	8,186
39,967	31,788		133,159	142,484

29. Net insurance benefits and claims incurred

There are no insurance benefits and claims incurred by the Parent. The following table represents the insurance benefits and claims incurred by the Group.

	Group					
	General insurance		Life insurance		Total	
	2018	2017	2018	2017	2018	2017
Gross insurance contracts benefits and claims incurred	157,555	115,843	109,637	124,972	267,192	240,815
Reinsurers' share of gross insurance benefits and claims paid	(30,888)	(21,314)	(3,806)	(2,129)	(34,694)	(23,443)
Net change in insurance contract liabilities	–	–	48,841	92,326	48,841	92,326
	126,667	94,529	154,672	215,169	281,339	309,698

30. Interest expense

Parent			Group	
2017	2018		2018	2017
19,149	26,579	Customers' deposits	58,974	54,563
36,500	32,689	Debt securities in issue	32,689	36,500
55,649	59,268		91,663	91,063

31. Credit loss expense/(recovery)

Parent			Group	
2017	2018		2018	2017
–	11,836	Net investment in leased assets	15,479	–
6,854	(3,160)	Loans and advances	2,854	12,127
(10,895)	9,481	Investments	32,037	(13,097)
–	–	Insurance receivables	–	–
–	–	Reinsurance asset	–	–
(4,041)	18,157		50,370	(970)

32. Marketing and policy expenses

Parent			Group	
2017	2018		2018	2017
–	–	Agents and brokers commissions	44,698	41,034
–	–	Agents allowance and bonus	5,968	4,973
–	–	Agents policy expenses	1,479	1,090
15,297	4,997	Asset finance promotional expense	4,057	4,531
3,255	2,717	Advertising costs	8,595	8,834
18,552	7,714		64,797	60,462

33. Personnel expenses

Parent			Group	
2017	2018		2018	2017
24,893	21,415	Salaries and bonus	80,704	82,095
49	21	Health, life and pension benefits	(767)	(661)
1,066	(129)	Other staff cost	3,942	4,740
26,008	21,307		83,879	86,174

34. General administrative expenses

Parent			Group	
2017	2018		2018	2017
1,661	2,155	Professional insurance	3,089	2,543
2,321	2,592	Property related expenses	6,764	8,577
2,570	2,007	Subscriptions & donations	2,273	4,327
673	824	Finance charges	1,005	1,119
253	388	Travel & entertainment	3,630	2,984
838	836	Communications, printing & stationery	4,584	5,211
2,019	4,065	General expenses	23,984	50,881
10,335	12,867		45,329	75,642

(Expressed in thousands of Trinidad and Tobago dollars)

35. Taxation

Parent 2017	Parent 2018		Group 2018	Group 2017
42,025	50,779	Corporation tax	70,958	71,296
		Under/(over) provision to		
–	(1,411)	prior year tax charge	(1,041)	308
192	290	Withholding tax	496	232
3,806	(1,731)	Deferred tax (Note 15)	(19,371)	4,490
1,616	1,277	Green Fund levy	3,537	4,957
47,639	49,204		54,579	81,283
		Reconciliation between taxation expense and accounting profit		
		Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:		
190,937	188,914	Net profit before taxation	260,594	313,563
57,213	56,674	Tax at applicable statutory tax rates	73,044	88,732
		Tax effect of items that are adjustable in determining taxable profit:		
(14,619)	(12,338)	Tax exempt income	(14,948)	(17,402)
1,802	2,574	Non-deductible expenses	4,471	2,921
(2,657)	(3,293)	Allowable deductions	(12,488)	(2,666)
–	(1,411)	Adjustment to prior year tax charge	(1,097)	308
4,092	5,431	Other temporary differences	1,564	4,201
		Provision for Green Fund levy and		
1,808	1,567	other taxes	4,033	5,189
47,639	49,204	**Total taxation**	54,579	81,283

36. Segmental information

For management purposes the Group is organised into four operating segments based on the following core areas of operation to the Group:

Banking services	Asset financing, Merchant banking, Investment services, Securities trading and Foreign exchange trading.
Mutual funds	ANSA Secured Fund, ANSA US$ Secured Fund, ANSA TT$ Income Fund and ANSA US$ Income Fund. These Funds are open-ended mutual funds registered in Trinidad & Tobago and established by ANSA Merchant Bank Limited (the 'Bank'). The Bank is the Sponsor, Investment Manager, Administrator and Distributor of these Funds.
Life insurance operations	Underwriting the following classes of longer-term insurance business: (i) individual participating and non-participating life insurance, (ii) group life insurance, (iii) individual insurance and (iv) group annuity and pension.
General insurance operations	Underwriting the following classes of short-term insurance business: (i) commercial and residential fire, (ii) general accident, (iii) marine, (iv) motor, (v) workmen compensation, (vi) group and individual health and rental of property.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the operating statement of income, and is measured consistently with the operating statement of income in the consolidated financial statements.

Interest income is reported net of related expenses as management primarily relies on net interest revenue as a performance measure, rather than the gross income and expense.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third-parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2018 or 2017.

36. Segmental information (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments.

2018	Banking services	Mutual funds	Life insurance operations	General insurance operations	Eliminations	Total
Total operating income	403,307	36,220	272,118	321,945	(108,130)	925,460
Total operating expense	(71,048)	(10,104)	(165,183)	(127,341)	674	(373,002)
Credit loss expense	(49,132)	1,951	(3,151)	(38)	–	(50,370)
Selling and administration expense	(109,099)	(19,113)	(55,164)	(124,983)	66,865	(241,494)
Profit/(loss) before taxation	174,028	8,954	48,620	69,583	(40,591)	260,594
Taxation	(32,795)	–	(6,157)	(15,627)	–	(54,579)
Profit/(loss) after taxation	141,233	8,954	42,463	53,956	(40,591)	206,015
Total assets	4,693,268	734,026	2,361,167	1,144,210	(1,053,274)	7,879,397
Total liabilities	2,949,000	734,136	1,527,815	434,833	(133,840)	5,511,944
Purchase of fixed assets	42,291	–	663	10,344	–	53,298
Depreciation and amortisation	(35,418)	–	(717)	(2,648)	–	(38,784)

36. Segmental information (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments (continued)

2017	Banking services	Mutual funds	Life insurance operations	General insurance operations	Eliminations	Total
Total operating income	409,874	41,944	343,775	287,671	(101,463)	981,801
Total operating expense	(82,748)	(10,533)	(225,078)	(94,529)	–	(412,888)
Credit loss expense	10,895	1,822	380	–	–	13,097
Selling and administration expense	(123,750)	(20,761)	(51,464)	(119,950)	47,477	(268,448)
Profit/(loss) before taxation	214,271	12,472	67,613	73,192	(53,986)	313,562
Taxation	(53,582)	–	(9,371)	(18,330)	–	(81,283)
Profit/(loss) after taxation	160,689	12,472	58,242	54,862	(53,986)	232,279
Total assets	4,248,419	780,268	2,248,059	1,099,509	(1,040,634)	7,335,621
Total liabilities	2,514,388	780,234	1,447,173	402,866	(131,210)	5,013,451
Purchase of fixed assets	42,242	–	788	14,520	–	57,550
Depreciation	(35,487)	–	(599)	(1,542)	–	(37,628)

(Expressed in thousands of Trinidad and Tobago dollars)

36. Segmental information (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's geographic segments.

2018	Domestic services	Regional	International	Eliminations	Total
Total operating income	808,039	123,803	101,748	(108,130)	925,460
Total operating expense	(341,688)	(31,524)	(464)	674	(373,002)
Credit loss expense	(12,596)	(37,323)	(451)	–	(50,370)
Selling and administration expense	(229,030)	(79,329)	–	66,865	(241,494)
Profit/(loss) before taxation	224,725	(24,373)	100,833	(40,591)	260,594
Taxation	(70,764)	16,185	–	–	(54,579)
Profit/(loss) after taxation	153,961	(8,188)	100,833	(40,591)	206,015
Total assets	5,836,701	1,036,600	2,059,370	(1,053,274)	7,879,397
Total liabilities	5,053,777	570,759	21,248	(133,840)	5,511,944
Purchase of fixed assets	13,379	39,919	–	–	53,298
Depreciation and amortisation	(3,748)	(35,036)	–	–	(38,784)

36. Segmental information (continued)

The following table presents income and profit and certain asset and liability information regarding the Group's geographic segments (continued)

2017	Domestic services	Regional	International	Eliminations	Total
Total operating income	821,013	147,447	114,804	(101,463)	981,801
Total operating expense	(376,579)	(36,309)	–	–	(412,888)
Credit loss (recovery)/expense	(67)	7,680	5,484	–	13,097
Selling and administration expense	(238,475)	(77,450)	–	47,477	(268,448)
Profit/(loss) before taxation	205,891	41,368	120,288	(53,986)	313,562
Taxation	(75,129)	(6,154)	–	–	(81,283)
Profit/(loss) after taxation	130,762	35,214	120,288	(53,986)	232,279
Total assets	5,505,523	1,164,952	1,705,780	(1,040,634)	7,335,621
Total liabilities	4,542,435	592,381	9,845	(131,210)	5,013,451
Purchase of fixed assets	15,695	41,855	–	–	57,550
Depreciation	(2,480)	(35,148)	–	–	(37,628)

37. Related party transactions and balances

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank is ultimately owned by ANSA McAL Limited, incorporated in Trinidad and Tobago, which owns 82.48% of the stated capital of the Bank.

A number of transactions are entered into with related parties in the normal course of business. These include hire purchase, finance leases, premium financing, deposits, insurance coverage and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.

The related assets, liabilities, income and expense from these transactions are as follows:

Parent 2017	Parent 2018		Group 2018	Group 2017
		Loans, investments and other assets		
117,739	161,693	ANSA McAL Group	185,583	143,800
33,250	28,351	Subsidiaries	–	–
945	1,332	Directors and key management personnel	4,274	8,435
3,084	51,175	Other related parties	93,401	27,296
155,018	242,551		283,258	179,531
		Deposits and other liabilities		
260,093	235,474	ANSA McAL Group	258,685	286,740
37,771	33,718	Subsidiaries		–
–	–	Directors and key management personnel	57,872	57,981
5,681	–	Other related parties	72,133	53,334
303,545	269,192		388,690	398,055

37. Related party transactions and balances (continued)

The related assets, liabilities, income and expense from these transactions are as follows: (continued)

Parent 2017	Parent 2018		Group 2018	Group 2017
		Interest and other income		
6,664	2,964	ANSA McAL Group	26,603	38,698
51,229	52,748	Subsidiaries	–	–
68	71	Directors and key management personnel	230	276
2,228	3,222	Other related parties	11,960	6,144
60,189	59,005		38,793	45,118
		Interest and other expense		
6,990	7,125	ANSA McAL Group	30,184	13,367
8,652	32	Subsidiaries	–	–
–	–	Directors and key management personnel	2,254	1,544
99	–	Other related parties	1,071	1,165
15,741	7,157		33,509	16,076

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management compensation

Parent 2017	Parent 2018		Group 2018	Group 2017
7,539	7,049	Short-term benefits	9,498	13,478
91	85	Contribution to defined contribution plans	129	86
161	151	Post employment benefits	151	406
7,790	7,285		9,778	13,970

(Expressed in thousands of Trinidad and Tobago dollars)

38. Fair value of financial instruments

(i) Carrying amounts and fair values

The tables in the following pages summarise the carrying amounts and the fair values of the Parent's and the Group's financial assets and liabilities for 2018 and 2017.

2018

Parent				Group		
Carrying values	**Fair values**	**Unrecognised gain /(loss)**	**Financial assets**	**Carrying values**	**Fair values**	**Unrecognised gain /(loss)**
1,059,249	1,060,906	1,657	Investment securities	4,048,924	4,050,548	1,624
–	–	–	Investment property	143,291	143,291	–
1,059,249	1,060,906	1,657		4,192,215	4,193,839	1,624
			Financial liabilities			
803,414	806,712	(3,298)	Debt securities in issue	803,414	806,712	(3,298)
803,414	806,712	(3,298)		803,414	806,712	(3,298)

For all other financial instruments, the carrying amount is a reasonable approximation of fair value.

38. Fair value of financial instruments (continued)

(i) Carrying amounts and fair values (continued)

2017

Parent				Group		
Carrying values	**Fair values**	**Unrecognised gain/(loss)**	**Financial assets**	**Carrying values**	**Fair values**	**Unrecognised gain/(loss)**
860,257	865,458	5,201	Investment securities	3,793,910	3,842,735	48,825
–	–	–	Investment property	139,268	139,268	–
860,257	865,458	5,201		3,933,178	3,982,003	48,825
			Financial liabilities			
904,324	916,995	(12,671)	Debt securities in issue	904,324	916,995	(12,671)
904,324	916,995	(12,671)		904,324	916,995	(12,671)

For all other financial instruments, the carrying amount is a reasonable approximation of fair value.

38. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies

2018 **Parent**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at FVSI				
Equity securities	3,817	–	–	3,817
Government bonds	–	104	–	104
State-owned company securities	–	–	–	–
Corporate bonds and debentures	–	–	–	–
	3,817	104	–	3,921
Investment securities measured at amortised cost for which fair values are disclosed				
Government bonds	9,413	2,094	96	11,603
State-owned company securities	26,924	227,326	–	254,250
Corporate bonds and debentures	300,313	300,709	29,284	630,306
	336,650	530,129	29,380	896,159
Investment securities measured at FVOCI				
Equity securities	–	20,256	–	20,256
Government bonds	14,817	–	–	14,817
State-owned company securities	18,567	–	–	18,567
Corporate bonds and debentures	107,186	–	–	107,186
	140,570	20,256	–	160,826

38. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies (continued)

2018 **Group**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at FVSI				
Equity securities	504,359	–	1,058	505,417
Government bonds	9,429	6,548	–	15,977
State-owned company securities	11,848	58,480	–	70,328
Corporate bonds and debentures	63,496	21,468	–	84,964
	589,132	86,496	1,058	676,686
Investment securities measured at amortised cost for which fair values are disclosed				
Government bonds	46,051	529,945	1,099	577,095
State-owned company securities	107,971	813,499	–	921,470
Corporate bonds and debentures	807,632	857,412	66,442	1,731,486
	961,654	2,200,856	67,541	3,230,051
Investment securities measured at FVOCI				
Equity securities	–	–	–	–
Government bonds	18,057	–	–	18,057
State-owned company securities	18,567	–	–	18,567
Corporate bonds and debentures	107,187	–	–	107,187
	143,811	–	–	143,811
Assets measured at fair value				
Investment properties	–	143,291	–	143,291

(Expressed in thousands of Trinidad and Tobago dollars)

38. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies (continued)

2017 Parent	Level 1	Level 2	Level 3	Total
Investment securities designated at FVSI				
Equity securities	26,144	–	–	26,144
Government bonds	–	582	–	582
State-owned company securities	3,660	–	–	3,660
Corporate bonds and debentures	71,705	–	–	71,705
	101,509	582	–	102,091
Investment securities measured at amortised cost for which fair values are disclosed				
Government bonds	–	12,801	102	12,903
State-owned company securities	31,022	173,360	–	204,382
Corporate bonds and debentures	142,859	355,063	27,870	525,792
	173,881	541,224	27,972	743,077
Investment securities measured at FVOCI				
Equity securities	–	20,290	–	20,290

38. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies (continued)

2017 Group	Level 1	Level 2	Level 3	Total
Investment securities designated at FVSI				
Equity securities	589,773	–	1,058	590,831
Government bonds	5,663	11,118	–	16,781
State-owned company securities	25,536	54,931	–	80,467
Corporate bonds and debentures	145,474	22,554	–	168,028
	766,446	88,603	1,058	856,107
Investment securities measured at amortised cost for which fair values are disclosed				
Government bonds	40,603	494,897	102	535,602
State-owned company securities	135,608	735,402	–	871,010
Corporate bonds and debentures	689,618	824,671	65,727	1,580,016
	865,829	2,054,970	65,829	2,986,628
Assets measured at fair value				
Investment properties	–	139,268	–	139,268

38. Fair value of financial instruments (continued)

(iii) Determination of fair value and fair values hierarchy (continued)

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Unquoted securities	Discounted cash flows	Rate of return	0.54% to 12.00%	2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by $11,624/($1,951)

(iv) Transfers between Level 1 and 2

At each reporting date the Group assesses the fair value hierarchy of its financial instruments. A transfer between levels will occur when a financial instrument no longer meets the criteria in which the financial instrument is classified.

There were no transfers between level 1 and level 2 for the year ended 31 December 2018 (2017: there were no transfers from level 2 to level 1).

38. Fair value of financial instruments (continued)

(v) Movements in Level 3 financial instruments

Parent 2017	Parent 2018		Group 2018	Group 2017
		Assets		
164,357	27,972	Balance at 1 January	66,887	230,517
4,379	1,414	Gains recognised	1,072	7,250
–	–	Purchases	–	10,102
(140,590)	–	Transfers (out)/in Level 3	1,002	(160,750)
(174)	(6)	Disposal	(362)	(20,232)
27,972	29,380		68,599	66,887

39. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.

Risk management structure

The Board of Directors (the 'Board') is ultimately responsible for identifying and controlling risks; however, there are separate bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies, principles and policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank and its subsidiaries in compliance with the policies approved by the Board of Directors.

(Expressed in thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Risk management structure (continued)

Treasury management

The Bank and its subsidiaries employ Treasury functions which are responsible for managing their assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Bank and its subsidiaries.

Concentrations of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's procedures include specific monitoring controls to focus on the maintenance of a diversified portfolio.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Group's financial result on movements in certain market risk variables.

Credit risk management

The Group takes on exposure to credit risk, which is the potential for loss due to a counter-party or borrower's failure to pay amounts when due. Credit risk arises from traditional lending, underwriting and investing activity, and from settling payments between financial institutions. Impairment provisions are established for losses that have been incurred at the end of the reporting period.

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

39. Risk management (continued)

Credit risk management (continued)

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on an ongoing basis, and limits on the levels of credit risk that the Group can engage in are approved by the Board of Directors.

Exposure to credit risk is further managed through regular analysis of the ability of borrowers to meet capital and interest repayment obligations and by changing these lending limits when appropriate. In addition, collateral, corporate, state and personal guarantees are obtained.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as the primary underwriter. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements attached. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Parent			Group	
2017	**2018**		**2018**	**2017**
267,887	280,710	Cash and short-term funds	625,343	643,185
–	–	Fixed deposits	57,628	110,897
1,078,103	1,112,102	Net investment in leased assets and other instalment loans	1,483,554	1,445,858
205,229	381,431	Loans and advances	619,855	434,920
813,823	1,038,820	Investment securities	3,547,152	3,203,079
8,138	9,676	Interest receivable	34,697	33,976
–	–	Insurance receivables	38,625	35,619
–	–	Reinsurance assets	167,311	175,125
2,373,180	2,822,739	**Total**	6,574,165	6,082,659

39. Risk management (continued)

Credit risk management (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)

Parent			Group	
2017	**2018**		**2018**	**2017**
2,373,180	2,822,739	**Total**	6,574,165	6,082,659
1,541	1,010	Contingent liabilities	1,010	1,541
2,374,721	2,823,749		6,575,175	6,084,200

The main types of collateral obtained are as follows:

- For hire purchase and leases – charges over auto vehicles and industrial and general equipment;
- For reverse repurchase transactions – cash and securities;
- For corporate loans – charges over real estate property, industrial equipment, inventory and trade receivables;
- For mortgage loans – mortgages over commercial and residential properties.

Cash and short-term funds and fixed deposits

These funds are placed with highly rated local banks and Central Banks within the Caribbean region where the Group transacts business. In addition, cash is held by international financial institutions with which the Group has relationships as custodians or fund managers. All custodians and fund managers have been classified with a 'stable' outlook. Management therefore considers the risk of default of these counterparties to be very low.

39. Risk management (continued)

Credit risk management (continued)

Net Investment in leased assets

Since these financial assets are homogeneous in nature, a vintage approach was applied looking at the number of defaults by portfolio over a period of time. Historical PDs were developed and there being little correlation between macroeconomic trends, management applied judgemental overlays based on expectations. LGD percentage estimates were developed based on historical loss trends for non-performing loans which are assessed on both an individual and collective level. EAD equals the loan balance outstanding plus accrued interest.

Loans and advances

For the merchant banking portfolio within loans and advances, given the limited historical data, the PD history of the leased assets portfolio was used as a starting point of the calculation.

For certain Stage 2 loans, where management considered the entity's financial position or industry to present higher risks, the PDs were judgementally adjusted to reflect the increased risk.

LGDs were assessed on an individual loan by loan basis due to the portfolio being non-homogeneous. This was based on the security held, factoring in the liquidity, current condition and estimated value of the collateral.

EAD equals the loan balance outstanding plus accrued interest.

Other financial assets

For mortgage loans, policy loans, premium receivables and reinsurance receivables, a simplified ECL approach was applied. Historical losses on these respective portfolios were calculated and applied to the current positions, with management applying judgemental overlays based on expectations as required.

Investment securities

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

(Expressed in thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Analysis of gross carrying amount and the corresponding ECLs are as follows:

Stage 1

2018	**Net investment in leased assets**	**Loans and advances**	**Investments**	**Insurance receivables**	**Reinsurance assets**	**Total**
Gross balance	1,401,263	491,265	2,974,943	33,967	879	4,902,317
ECL	(14,821)	(722)	(6,613)	–	–	(22,156)
	1,386,442	490,543	2,968,330	33,967	879	4,880,161
ECL as a % of Gross balance	1.06%	0.15%	0.22%	0.00%	0.00%	0.45%

Stage 1

2017	**Net investment in leased assets**	**Loans and advances**	**Investments**	**Insurance receivables**	**Reinsurance assets**	**Total**
Gross balance	1,332,389	294,166	2,423,511	28,099	4,637	4,082,802
ECL	(16,070)	(275)	(2,432)	–	–	(18,777)
	1,316,319	293,891	2,421,079	28,099	4,637	4,064,025
ECL as a % of Gross balance	1.21%	0.09%	0.10%	0.00%	0.00%	0.46%

The ECLs of Stage 1 remained relatively stable from 2017 to 2018.

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39. Risk management (continued)

Analysis of gross carrying amount and the corresponding ECLs are as follows: (continued)

Stage 2

2018	**Net investment in leased assets**	**Loans and advances**	**Investments**	**Insurance receivables**	**Reinsurance assets**	**Total**
Gross balance	70,620	111,401	385,973	–	–	567,994
ECL	(1,480)	(5,555)	(7,067)	–	–	(14,102)
	69,140	105,846	378,906	–	–	553,892
ECL as a % of Gross balance	2.10%	4.99%	1.83%	0.00%	0.00%	2.48%

Stage 2

2017	**Net investment in leased assets**	**Loans and advances**	**Investments**	**Insurance receivables**	**Reinsurance assets**	**Total**
Gross balance	74,246	113,377	493,587	–	–	681,210
ECL	(1,472)	(10,170)	(29,868)	–	–	(41,510)
	72,774	103,207	463,719	–	–	639,700
ECL as a % of Gross balance	1.98%	8.97%	6.05%	0.00%	0.00%	6.09%

The decrease in ECLs of Stage 2 portfolios was driven by repayments and write-offs.

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39. Risk management (continued)

Analysis of gross carrying amount and the corresponding ECLs are as follows: (continued)

Stage 3

2018	**Net investment in leased assets**	**Loans and advances**	**Investments**	**Insurance receivables**	**Reinsurance assets**	**Total**
Gross balance	68,516	36,847	56,378	3,000	2,308	167,049
ECL	(40,544)	(13,381)	(32,575)	(3,000)	(2,308)	(91,808)
	27,972	23,466	23,803	–	–	75,241
ECL as a % of Gross balance	59.17%	36.31%	57.78%	100.00%	100.00%	54.96%

Stage 3

2017	**Net investment in leased assets**	**Loans and advances**	**Investments**	**Insurance receivables**	**Reinsurance assets**	**Total**
Gross balance	68,041	96,929	23,347	3,000	2,308	193,625
ECL	(28,818)	(69,552)	(3,872)	(3,000)	(2,308)	(107,550)
	39,223	27,377	19,475	–	–	86,075
ECL as a % of Gross balance	42.35%	71.76%	16.58%	100.00%	100.00%	55.55%

The overall ECLs of Stage 3 remained relatively stable from 2017 to 2018.

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39. Risk management (continued)

Investment debt securities

The credit quality of investment debt securities has been analysed into the following categories:

High grade	These include regional sovereign debt securities issued directly or through a state intermediary body where there has been no history of default.
Standard	These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies.
Sub-standard	These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.
Impaired	These securities are non-performing.

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(Expressed in thousands of Trinidad and Tobago dollars)

39. **Risk management** (continued)

Investment debt securities (continued)

	High grade	Standard	Sub-standard	Impaired	Total
Parent					
2018					
Investments designated at FVSI	104	3,645	–	–	3,749
Investments measured at amortised cost	71,516	803,598	–	21,664	896,778
Investments designated at FVOCI	–	140,593	–	–	140,593
	71,620	947,836	–	21,664	1,041,120
2017					
Investments designated at FVSI	4,243	71,704	–	–	75,947
Investments measured at amortised cost	168,711	547,084	–	22,081	737,876
	172,954	618,788	–	22,081	813,823
Group					
2018					
Investments designated at FVSI	87,305	87,608	–	–	174,913
Investments measured at amortised cost	687,300	2,486,989	37	56,378	3,230,704
Investments designated at FVOCI	3,241	140,594	–	–	143,835
	777,846	2,715,191	37	56,378	3,549,452
2017					
Investments designated at FVSI	97,248	168,028	–	–	265,276
Investments measured at amortised cost	887,230	2,027,225	–	23,348	2,937,803
	984,478	2,195,253	–	23,348	3,203,079

39. **Risk management** (continued)

Reinsurance assets

The credit quality of reinsurance assets, can be assessed by reference to external credit ratings agencies, Standard & Poor and A.M. Best. Based on the high ratings, management therefore considers the risk of default of these counterparties to be very low.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group manages its interest rate exposure by offering fixed rates on its funding instruments over the respective term. On the lending side, loans will be granted at fixed rates over specified periods. As interest rates on both deposits and loans remain fixed over their lives, the risk of fluctuations in market conditions is mitigated.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Group Treasury function.

39. **Risk management** (continued)

Interest rate risk (continued)

The table below demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's income and equity with all other variables held constant.

The sensitivity of income is the effect of the assumed changes in interest rates on the income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2018 and 2017.

Change in basis points		Sensitivity of income 2018	2017
Parent	+ 100	269	950
	– 100	(269)	(950)
Group	+ 100	528	1,352
	– 100	(528)	(1,352)

Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The tables on the following pages indicate the currencies to which the Parent and Group had significant exposure at 31 December 2018 and 2017 on its monetary assets and liabilities. The analysis also calculates the effects of a reasonably possible movement of each currency rate against the Trinidad and Tobago dollar, with other variables held constant.

39. **Risk management** (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Parent and Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the TTD rate against other currencies, with all other variables held constant.

Parent	**USD**	**EURO**	**OTHER**	**TOTAL**
2018				
Cash and short-term funds	137,323	30,679	279	168,281
Loans and advances	171,807	–	–	171,807
Investment securities	1,008,583	–	–	1,008,583
Interest receivable	6,443	–	–	6,443
Other debtors and prepayments	6,775	–	11	6,786
Total financial assets	1,330,931	30,679	290	1,361,900
Customers' deposits and other funding instruments	800,164	–	–	800,164
Debt securities	203,414	–	–	203,414
Total financial liabilities	1,003,578	–	–	1,003,578
Net currency risk exposure	327,353	30,679	290	358,322
Reasonably possible change in currency rate	5%	5%	5%	5%
Effect on profit before taxation	**16,368**	**1,534**	**14**	**17,916**

(Expressed in thousands of Trinidad and Tobago dollars)

39. **Risk management** (continued)

Currency risk (continued)

Parent	**USD**	**EURO**	**OTHER**	**TOTAL**
2017				
Cash and short-term funds	131,799	298	6,625	138,722
Loans and advances	67,463	–	–	67,463
Investment securities	721,173	–	–	721,173
Interest receivable	6,443	–	–	6,443
Other debtors and prepayments	2,595	–	488	3,083
Total financial assets	929,473	298	7,113	936,884
Customers' deposits and other funding instruments	337,685	–	–	337,685
Debt securities	304,324	–	–	304,324
Total financial liabilities	642,009	–	–	642,009
Net currency risk exposure	287,464	298	7,113	294,875
Reasonably possible change in currency rate	5%	5%	5%	5%
Effect on profit before taxation	**14,373**	**15**	**356**	**14,744**

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39. **Risk management** (continued)

Currency risk (continued)

Group

2018	**USD**	**BDS**	**EURO**	**OTHER**	**TOTAL**
Cash and short-term funds	280,476	132,752	30,757	3,390	447,375
Fixed deposits	–	13,846	–	4,719	18,565
Net investment in leased assets and other instalment loans	–	372,257	–	–	372,257
Loans and advances	178,624	45,011	–	–	223,635
Investment securities	2,245,795	68,355	–	397	2,314,547
Interest receivable	13,788	1,990	–	–	15,778
Insurance receivables	830	13,964	–	–	14,794
Other debtors and prepayments	13,140	5,424	1	46	18,611
Reinsurance assets	–	38,993	–	–	38,993
Total financial assets	2,732,653	692,592	30,758	8,552	3,464,555
Customers' deposits and other funding instruments	800,164	–	–	–	800,164
Debt securities	370,094	479,447	–	–	849,541
Total financial liabilities	1,170,258	479,447	–	–	1,649,705
Net currency risk exposure	1,562,395	213,145	30,758	8,552	1,814,850
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before taxation	**78,120**	**10,657**	**1,538**	**428**	**90,743**

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39. **Risk management** (continued)

Currency risk (continued)

Group

2017	**USD**	**BDS**	**EURO**	**OTHER**	**TOTAL**
Cash and short-term funds	204,380	98,475	341	9,245	312,441
Fixed deposits	–	13,804	–	4,111	17,915
Net investment in leased assets and other instalment loans	–	369,111	–	–	369,111
Loans and advances	67,463	45,623	–	–	113,086
Investment securities	2,005,183	86,931	–	987	2,093,101
Interest receivable	16,268	1,451	–	27	17,746
Insurance receivables	3,965	7,378	–	–	11,343
Other debtors and prepayments	3,098	8,217	1	488	11,804
Reinsurance assets	–	36,206	–	–	36,206
Total financial assets	2,300,357	667,196	342	14,858	2,982,753
Customers' deposits and other funding instruments	337,685	–	–	–	337,685
Debt securities	498,491	515,083	–	–	1,013,574
Total financial liabilities	836,176	515,083	–	–	1,351,259
Net currency risk exposure	1,464,181	152,113	342	14,858	1,631,494
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before taxation	**73,209**	**7,606**	**17**	**743**	**81,575**

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39. **Risk management** (continued)

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial instruments when they fall due under normal and stress circumstances. To mitigate this risk, Management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group sources funds for the provision of liquidity from three main sources; retail and wholesale deposits, funding instruments and the capital markets. A substantial portion of the funding for the Group is provided by core deposits and premium income. The Group maintains a core funding base which can be drawn on to meet immediate liquidity needs. Facilities are also established with correspondent banks, which can provide additional liquidity if conditions demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. The Group employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Group's assets as well as generating sufficient cash from new and renewed customer deposits and insurance policies.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Parent's and Group's financial liabilities as at 31 December 2018 and 2017, based on contractual repayment obligations, over the remaining life of those liabilities.

Parent	**Up to one year**	**One to five years**	**Over five years**	**Total**
2018				
Customers' deposits and other funding instruments	1,501,260	54,804	–	1,556,064
Debt securities in issue	–	803,414	–	803,414
Interest payable	15,586	5,184	–	20,770
	1,516,846	863,402	–	2,380,248

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(Expressed in thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

Parent	Up to one year	One to five years	Over five years	Total
2017				
Customers' deposits and other funding instruments	811,004	138,465	–	949,469
Debt securities in issue	101,441	802,883	–	904,324
Interest payable	11,989	5,417	–	17,406
	924,434	946,765	–	1,871,199
Group				
2018				
Customers' deposits and other funding instruments	2,441,656	211,244	–	2,652,900
Debt securities in issue	–	803,414	–	803,414
Interest payable	16,109	8,444	–	24,553
Investment contracts	269,117	–	–	269,117
	2,726,882	1,023,102	–	3,749,984
2017				
Customers' deposits and other funding instruments	1,778,204	350,092	–	2,128,296
Debt securities in issue	101,441	802,883	–	904,324
Interest payable	14,317	7,507	–	21,824
Investment contracts	234,503	–	–	234,503
	2,128,465	1,160,482	–	3,288,947

39. Risk management (continued)

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as the result of a decrease in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on income will arise as a result of the change in fair value of equity instruments categorised as fair value through the statement of income. In the case of the Parent, changes in fair value affect the capital reserve as a component of equity, whereas with respect to the subsidiaries, changes in fair value have an impact on the capital reserve and/or income.

The effect on equity and income at 31 December 2018 and 2017 due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in equity price %	Effect on income 2018 +/-	2017 +/-
Parent			
TTSE	+/- 3	5	253
S&P 500	+/- 8	292	1,685
Group			
TTSE	+/- 3	13,109	12,711
S&P 500	+/- 8	6,916	15,445

Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency and severity of claims.

The variability of risks is improved by careful selection and implementation of underwriting strategy and guidelines as well as the use of reinsurance arrangements.

40. Capital management

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

When managing capital, which is a broader concept than the 'equity' in the statement of financial position, the objectives of the Parent and its subsidiaries are:

- To comply with the capital requirements set by the regulators of the markets where the parent and its subsidiaries operate;
- To safeguard the parent's and the subsidiaries' ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by Management, employing techniques based on the guidelines developed and implemented by the Central Bank of Trinidad & Tobago for supervisory purposes. The required information is filed with the Central Bank on a monthly basis.

The Central Bank requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $15 million, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 8%.

In each country in which the Group's insurance subsidiaries operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Group is subject to the insurance solvency regulations in all the territories in which it issues insurance contracts. The minimum required capital must be maintained at all times throughout the year.

For 2018 and 2017, the Parent and its subsidiaries complied with all of the externally imposed capital requirements to which they are subject at the date of this report.

41. Maturity analysis of assets and liabilities

The tables below show an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cash flows.

Parent	2018			2017		
Assets	**Less than 12 months**	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Cash and short-term funds	280,710	–	280,710	267,887	–	267,887
Net investment in leased assets and other instalment loans	60,276	1,051,826	1,112,102	61,555	1,016,548	1,078,103
Loans and advances	173,689	207,742	381,431	110,219	95,010	205,229
Investment securities	287,708	771,541	1,059,249	215,138	645,119	860,257
Interest receivable	9,676	–	9,676	8,138	–	8,138
Other debtors and prepayments	102,570	–	102,570	20,027	–	20,027
Taxation recoverable	1,103	–	1,103	1,219	–	1,219
Investment in subsidiaries	–	810,320	810,320	–	810,320	810,320
Property and equipment	–	3,081	3,081	–	1,242	1,242
Deferred tax asset	–	32,002	32,002	–	17,675	17,675
Intangible assets	–	28,740	28,740	–	12,288	12,288
Employee benefit asset	–	7,587	7,587	–	8,354	8,354
Total assets	915,732	2,912,839	3,828,571	684,183	2,606,556	3,290,739

(Expressed in thousands of Trinidad and Tobago dollars)

41. Maturity analysis of assets and liabilities (continued)

Parent	2018			2017		
Liabilities	**Less than 12 months**	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Customers' deposits and other funding instruments	1,501,260	54,804	1,556,064	817,004	132,465	949,469
Bank overdraft	–	–	–	–	–	–
Accrued interest and other payables	69,100	5,184	74,284	55,498	–	55,498
Debt securities in issue	–	803,414	803,414	101,441	802,883	904,324
Taxation payable	9,915	–	9,915	9,235	–	9,235
Deferred tax liability	–	3,718	3,718	–	5,312	5,312
Employee benefit obligation	–	762	762	–	483	483
Total liabilities	1,580,275	867,882	2,448,157	983,178	941,143	1,924,321

41. Maturity analysis of assets and liabilities (continued)

Group	2018			2017		
Assets	**Less than 12 months**	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Cash and short-term funds	625,343	–	625,343	643,185	–	643,185
Fixed deposits	57,628	–	57,628	110,897	–	110,897
Net investment in leased assets and other instalment loans	68,754	1,414,800	1,483,554	73,200	1,372,658	1,445,858
Loans and advances	196,472	423,383	619,855	135,138	299,782	434,920
Investment securities	950,761	3,098,163	4,048,924	861,636	2,932,274	3,793,910
Interest receivable	34,697	–	34,697	33,976	–	33,976
Insurance receivables	38,625	–	38,625	35,619	–	35,619
Other debtors and prepayments	129,848	–	129,848	32,400	–	32,400
Reinsurance assets	156,098	11,213	167,311	155,283	19,842	175,125
Taxation recoverable	1,572	–	1,572	2,435	–	2,435
Investment properties	–	143,291	143,291	–	139,268	139,268
Property and equipment	–	182,240	182,240	–	184,054	184,054
Intangible assets	–	171,725	171,725	–	153,417	153,417
Deferred tax asset	–	41,069	41,069	–	21,782	21,782
Employee benefit asset	–	133,715	133,715	–	128,775	128,775
Total assets	2,259,798	5,619,599	7,879,397	2,083,769	5,251,852	7,335,621

41. Maturity analysis of assets and liabilities (continued)

Group	2018			2017		
Liabilities	**Less than 12 months**	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Customers' deposits and other funding instruments	2,441,657	211,243	2,652,900	1,778,204	350,092	2,128,296
Debt securities in issue	–	803,414	803,414	101,441	802,883	904,324
Bank overdraft	–	–	–	–	–	–
Accrued interest and other payables	138,045	4,839	142,884	128,886	–	128,886
Taxation payable	11,046	–	11,046	14,412	–	14,412
Deferred tax liability	–	139,068	139,068	–	155,688	155,688
Employee benefit obligation	–	7,052	7,052	–	5,582	5,582
Investment contract liabilities	269,117	–	269,117	234,503	–	234,503
Insurance contract liabilities	377,953	1,108,510	1,486,463	366,878	1,074,882	1,441,760
Total liabilities	3,237,818	2,274,126	5,511,944	2,624,324	2,389,127	5,013,451

42. Capital commitments

Parent 2017	Parent 2018		Group 2018	Group 2017
13,354	15,391	Capital expenditure	19,481	47,217

43. Contingent liabilities

The Group's potential liability, for which there are equal and offsetting claims, against its customers in the event of a call on these commitments is as follows:

Parent 2017	Parent 2018	Group 2018	Group 2017
1,541	1,010	1,010	1,541

44. Dividends

Dividends paid are analysed as follows:	**2018**	**2017**
Final dividend for 2017 – $1.00 per share (2016: $1.00 per share)	85,604	85,604
Interim dividend for 2018 – $0.20 per share (2017: $0.20 per share)	17,122	17,122
	102,726	102,726

On 19 March 2019, the Board of Directors declared a final dividend of $1.00 per share for the year ended 31 December 2018. This dividend amounting to $85,605,000 is not recorded as a liability in the statement of financial position as at 31 December 2018.

45. Events after the reporting period

There were no material events after the statement of financial position date of 31 December 2018 which required recording or disclosure in the financial statements of the Bank or its subsidiaries as at 19 March 2019.

ANSA SECURED FUND

FUND FACTS

ANSA Secured Fund Top 10 Holdings - Dec 31 2018

SECURITY	% OF PORTFOLIO
CREDIT SUISSE AG LONDON MTN 8% DUE 2020	12.05%
NIPDEC 5.15% FRB DUE 2025	10.72%
GHL 7.975% FRB DUE 2023	6.39%
STANDARD CHARTERED PLC 5.70% FRB DUE 2022	4.20%
L BRANDS INC. (US) 5.625% FRB DUE 2022	4.18%
FIRST CITIZENS BANK LIMITED 3.10% FRB DUE 2021 SERIES 1	4.15%
FIAT CHRYSLER (FCAIM) AUTOMOBILE 4.5% FRB DUE 2020	4.02%
DEPOSIT WITH AMB 4.00% DUE 2019	3.56%
MACY'S INC. 6.65% FRB DUE 2024	3.34%
COMISION FED DE ELECTRICIDAD 4.875% NOTES DUE 2021	2.91%

Cumulative Returns as at Dec 31st 2018

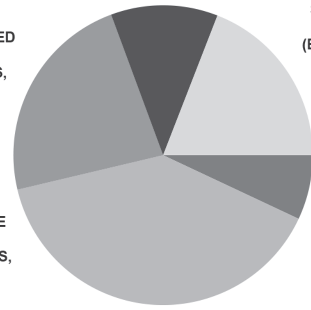
12 month	1.25%
3 Year	3.80%
Since Inception	18.43%

Historical Performance

2013	1.81%
2014	1.38%
2015	1.25%
2016	1.25%
2017	1.25%
2018	1.25%

Asset Mix - Dec 31 2018

- GOVERNMENT BONDS
- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- CASH, DEPOSITS & RECEIVABLES
- STRUCTURED PRODUCTS (EQUITY LINKED NOTES)



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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ANSA Secured Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and Trustees for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

EY

Port of Spain,
TRINIDAD:

The signature "EY" in this report represents only Ernst & Young Services Limited, a limited liability company established under the laws of Trinidad and Tobago.
The contents of this document are provided solely by Ernst & Young Services Limited and any liability arising therefrom is limited to Ernst & Young Services Limited.

ANSA SECURED FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
Assets			
Cash and cash equivalents	4	16,544	19,777
Interest receivable		1,942	2,795
Investment securities	5	154,773	174,873
Total assets		173,259	197,445
Liabilities			
Management fee payable		3,350	2,000
Trustee fees payable		63	72
Distributions payable		531	604
Other payables		230	319
Total liabilities		4,174	2,995
Net assets		**169,085**	**194,450**
Unitholders' Capital			
Unitholders' balances	6	167,748	191,303
Retained fund surplus		1,337	3,147
		169,085	**194,450**

The financial statements were approved by the Trustee and authorised for issue on 18 March 2019 and signed on their behalf by:

: Trustee

: Trustee

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

ANSA SECURED FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
Income			
Interest and dividend income	7	9,362	9,879
Net foreign exchange translation and other gains		510	276
Net realised and unrealised gains on investment securities	8	85	2,857
Total income		9,957	13,012
Expenses			
Management fees	9	(8,650)	(10,792)
Trustee fees	9	(264)	(296)
Impairment write back		508	208
Other expenses		(39)	(43)
Total expenses		(8,445)	(10,923)
Total comprehensive income for the year		**1,512**	**2,089**

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

ANSA SECURED FUND
STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Unitholders' balances	Retained fund surplus	Total
Balance as at 1 January 2017	202,222	3,521	205,743
Total comprehensive income for the year	–	2,089	2,089
Redemption of units	(10,919)	–	(10,919)
Distribution to Unitholders	–	(2,463)	(2,463)
Balance as at 31 December 2017 as previously reported	191,303	3,147	194,450
Impact of adopting IFRS 9 (Note 2)	–	(1,122)	(1,122)
Restated balance as at 1 January 2018	191,303	2,025	193,328
Total comprehensive income for the year	–	1,512	1,512
Redemption of units	(23,555)	–	(23,555)
Distribution to Unitholders	–	(2,200)	(2,200)
Balance as at 31 December 2018	167,748	1,337	169,085

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

ANSA SECURED FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
Cash flows from operating activities			
Total comprehensive income for the year		1,512	2,089
Adjustments:			
Interest capitalised		(62)	(75)
Amortisation on investment securities		1,135	883
Gains on sale of investment securities	8	(85)	(2,857)
Write back of impairment		(508)	(208)
Foreign exchange gains		(265)	(304)
Deficit before working capital changes		1,727	(472)
Changes in assets/liabilities:			
Decrease in interest receivable		701	497
Increase/(decrease) in payables		1,179	(7,611)
Net cash flows provided by/(used in) operating activities		3,607	(7,586)
Cash flows from investing activities			
Purchase of investments		(17,409)	(69,673)
Proceeds from maturity/sale of investments		36,324	70,164
Net cash flows provided by investing activities		18,915	491
Cash flows from financing activities			
Redemption of units		(23,555)	(10,919)
Distribution to Unitholders		(2,200)	(2,463)
Net cash flows used in financing activities		(25,755)	(13,382)
Net decrease in cash and cash equivalents		(3,233)	(20,477)
Cash and cash equivalents at the beginning of the year		19,777	40,254
Cash and cash equivalents at the end of the year	4	16,544	19,777
Supplemental information:			
Interest and dividend received		4,998	11,184
Distributions paid		11,546	2,496

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

(Expressed in thousands of Trinidad and Tobago dollars)

1. Description of the Fund

The following brief description of the ANSA Secured Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

General

The Fund is an open-ended mutual fund registered in Trinidad & Tobago, and established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 28 August 2005. The Bank whose registered address is 11C Maraval Road, Port Of Spain, Trinidad and Tobago, is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital.

It is the objective of the Fund to maintain a price of TT$1,000 per Unit.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund.

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee; and
(ii) sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory of official requirement; or (c) is made to correct a manifest error.

The Bank has guaranteed 100% return of the principal invested in the Fund subject to a minimum period of investment, and a fixed minimum yield on the units held subject to a defined period of time established at the time of purchase. All units in the Fund have met the minimum period of investment for the principal guarantee and all units are beyond the definite period of time for the fixed minimum yield and are therefore not subject to the fixed minimum yield.

The Trustee of the Fund is FirstCaribbean International Bank (Trinidad & Tobago) Limited.

As at 30 September 2009, subscriptions to the Fund were suspended as a result of the prevailing market conditions. This was carried out in line with the provisions set out in the prospectus.

2. Significant accounting policies

i) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the financial assets held at fair value through statement of income. The financial statements are presented in Trinidad and Tobago Dollars ($) and all values are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

ii) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2017 except for the adoption of new standards and interpretations noted below.

New and amended standards and interpretations

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. Except for Phase 1 of IFRS 9, 'Financial Instruments' (see Note 2 iv), the Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' – Effective 1 January 2018

The Fund early adopted Phase 1 - Classification and measurement of financial instruments, of IFRS 9 in its financial statements for the year ended 31 December 2011. Effective 1 January 2018, Phase 2 and 3 became effective for the Fund.

The Fund has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised directly in the retained fund balance as of 1 January 2018 and are disclosed in this Note.

The adoption of Phase 2 - Impairment of IFRS 9 has fundamentally changed the Fund's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Fund to record an allowance for ECLs for debt financial assets not held at fair value through the statement of income. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Fund's impairment method are disclosed in Note 2 (iv) (b).

The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed below.

IFRS 7R 'Financial Instruments - Disclosures Revised' – Effective 1 January 2018

To reflect the differences between IFRS 9 and IAS 39, IFRS 7R Financial Instruments - Disclosures Revised was updated and the Fund has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in this table.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained fund balance, including the effect of replacing the incurred credit loss calculations under IAS 39 with the ECL calculation under IFRS 9.

A reconciliation between the carrying amounts as originally stated as at 31 December 2017 and the adoption of IFRS 9 as of 1 January 2018 is, as follows:

2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' – Effective 1 January 2018 (continued)

	IAS 39 measurement	ECL remeasurement	IFRS 9 measurement
Investment securities	162,873	(1,122)	161,751

The ECL remeasurement is recognised in the retained fund balance in the statement of changes in unitholders' capital.

The following table reconciles the aggregate opening financial asset provisions under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in Note 5.

	Financial asset provision under IAS 39 at 31 December 2017	Remeasurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for:			
Investment securities	–	1,122	1,122

IFRS 15 'Revenue from Contracts with Customers' – Effective 1 January 2018

IFRS 15 supersedes IAS 18, Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard does not have any impact on the Fund's financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 1 and IAS 8 – Definition of Material – Effective 1 January 2020
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Effective 1 January 2019

Significant accounting policies (continued)

iii) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

iv) Financial instruments

Financial assets

a. Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Amortised cost and effective interest method

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Financial assets at fair value through statement of income (FVSI)

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as FVSI.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of comprehensive income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - *Revenue* and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income; and

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Foreign exchange gains and losses (continued)

- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

b. Impairment of financial assets

Under IFRS 9 (policy applicable from 1 January 2018)

The adoption of IFRS 9 - Phase 2 has fundamentally changed the Fund's financial assets' impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Fund has been recording the allowance for expected credit losses for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Significant increase in credit risk

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list to non-investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Definition of default and cure

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Calculation of Expected Credit Losses (ECLs)

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD):

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD):

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Calculation of Expected Credit Losses (ECLs) (continued)

The mechanics of the ECL calculations are outlined below and the key elements are as follows: (continued)

Loss Given Default (LGD):

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

Forward looking information

In its ECL models, the Fund relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

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2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

The mechanics of the ECL method are summarised below: (continued)

Stage 3

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

Under IAS 39 (policy applicable before 1 January 2018)

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not yet been incurred) reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

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iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

***Under IAS 39 (policy applicable before 1 January 2018)* (continued)**

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of income. Interest income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

c. Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of other comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

Financial liabilities

a. Initial recognition and subsequent measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

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2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial liabilities (continued)

a. Initial recognition and subsequent measurement (continued)

The Fund's financial liabilities include fees payable, distributions payable, amounts due to related parties and other payables.

b. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

v) Fair valuation of financial instruments

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Fund would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

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2. **Significant accounting policies** (continued)

v) Fair valuation of financial instruments (continued)

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fees payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration using the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

Determination of fair value and fair values hierarchy

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. **Significant accounting policies** (continued)

v) Fair valuation of financial instruments (continued)

Determination of fair value and fair values hierarchy (continued)

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Significant accounting policies (continued)

vi) Revenue recognition

Revenue is considered to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment was made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes. The following specific recognition criteria must also be met before revenue is recognised.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

Investment income

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

Other income and expenditure

Other income and expenditure are brought into account on the accruals basis.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the performance obligation is met at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

A refund liability is the sum of the contribution received from the customer to cover the costs associated with the product sold. The Fund updates its balance of refund liabilities at the end of each reporting period with the monthly amortisation of the contribution used to offset the cost relating to the product sold.

2. **Significant accounting policies** (continued)

vii) Subscriptions and redemptions

Subscriptions and redemptions are accounted for on the accruals basis. Subscriptions and redemptions to the Fund are made by investors at a price of $1,000 per unit. Units may be subscribed at a minimum initial value of $50,000 and thereafter, the minimum amount of an additional investment is $5,000 in value, except in the instance of reinvestment of distributions. There are no limits as to the number of units that can be redeemed at any one time.

viii) Expenses

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and distribution fees. Audit fees are included within other expenses.

ix) Distributions to Unitholders

Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.

x) Taxation

With respect to dividends which are derived locally no income tax is payable by residents of Trinidad and Tobago.

xi) Functional and presentation currency

The Fund's functional currency is the Trinidad and Tobago dollar (TTD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in TTD. Therefore, the TTD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the TTD.

(Expressed in thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xii) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago Dollars at rates of exchange ruling at the statement of financial position date. Non-monetary assets and liabilities are translated using exchange rates that existed at the date of the initial transaction. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of income.

xiii) Unitholders' Capital

Classification of redeemable shares

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

3. Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties include:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

i) Judgement

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of financial instruments (policy applicable under IFRS 9)

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

3. Significant accounting judgements and estimates (continued)

i) Judgement (continued)

Impairment of financial instruments (policy applicable under IAS 39)

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Valuation of investments

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

4. Cash and cash equivalents

	2018	2017
Cash at bank	4,998	11,112
Short-term funds	11,546	8,665
	16,544	19,777

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates.

5. Investment securities

	2018	2017
Investment securities designated at fair value through statement of income	6,000	12,000
Investment securities measured at amortised cost	148,773	162,873
Total investment securities	154,773	174,873
Investment securities designated at fair value through statement of income		
Equity securities	–	–
Corporate bonds and debentures	6,000	12,000
	6,000	12,000
Investment securities measured at amortised cost		
Government securities	11,747	9,394
State-owned company securities	38,790	39,867
Corporate bonds and debentures	98,236	113,612
	148,773	162,873

The movement in specific provision for impaired investments is analysed as follows:

	2017
Balance at 1 January	218
Amounts written back	(327)
Charge for the year	109
At 31 December	–

(Expressed in thousands of Trinidad and Tobago dollars)

5. Investment securities (continued)

Impairment allowance for investment securities

The table below shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

Investment securities measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	129,543	19,692	–	149,235
ECL allowance as at 31 December 2018	(157)	(305)	–	(462)
Net exposure as at 31 December 2018	**129,386**	**19,387**	**–**	**148,773**
Gross carrying amount as at 1 January 2018	120,815	42,058	–	162,873
ECL allowance as at 1 January 2018	(147)	(975)	–	(1,122)
Net exposure as at 1 January 2018	**120,668**	**41,083**	**–**	**161,751**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(147)	(975)	–	(1,122)
Translation adjustments	–	(1)	–	(1)
ECL on new instruments issued during the year	(24)	–	–	(24)
Other credit loss movements, repayments etc.	14	671	–	685
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(157)**	**(305)**	**–**	**(462)**

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6. Unitholders' balances

	2018	2017
Authorised:		
Unlimited number of units		
Reconciliation of unitholders' balances:		
Units outstanding at the beginning of the year	191,303	202,222
Units redeemed	(23,555)	(10,919)
Units outstanding at the end of the year	167,748	191,303
Guaranteed net asset value per unit	1,000	1,000
Total unitholders' balance	167,748	191,303

7. Interest and dividend income

	2018	2017
Interest income from investments designated at fair value through statement of income	247	468
Interest income on impaired financial assets	–	(190)
Interest income from financial assets measured at amortised cost	9,115	9,601
Dividend income	–	–
	9,362	9,879

8. Net realised and unrealised gains on investment securities

	2018	2017
Realised gains on sale of investment securities	85	2,857
Unrealised gains on investments held at year end designated at fair value through statement of income	–	–
	85	2,857

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9. Fees

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 5.50% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.20% on the average net asset value and such fee shall be subject to a minimum annual fee of $10,000, exclusive of VAT.

	2018	2017
Management fees	8,650	10,792
Trustee fees	264	296
	8,914	11,088

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10. Fair value of financial instruments

(i) Carrying amounts and fair values

The table below shows the carrying amounts and fair values as at 31 December.

2018	**Carrying values**	**Fair values**	**Unrecognised (loss)/ gain**
Financial assets			
Cash and cash equivalents	16,544	16,544	–
Investment securities	154,773	154,538	(235)
Interest receivable	1,942	1,942	–
Total financial assets	173,259	173,024	(235)
Financial liabilities			
Management fee payable	3,350	3,350	–
Trustee fees payable	63	63	–
Distributions payable	531	531	–
Other payables	230	230	–
Total financial liabilities	4,174	4,174	–
2017			
Financial assets			
Cash and cash equivalents	19,777	19,777	–
Investment securities	174,873	177,552	2,679
Interest receivable	2,795	2,795	–
Total financial assets	197,445	200,124	2,679
Financial liabilities			
Management fee payable	2,000	2,000	–
Trustee fees payable	72	72	–
Distributions payable	604	604	–
Other payables	319	319	–
Total financial liabilities	2,995	2,995	–

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(Expressed in thousands of Trinidad and Tobago dollars)

10. Fair value of financial instruments (continued)

ii) Determination of fair value and fair values hierarchy

2018	Level 1	Level 2	Level 3	Total
Investment securities designated at fair value through statement of income				
Corporate bonds and debentures	–	–	6,000	6,000
	–	–	6,000	6,000
Investment securities designated at amortised cost for which fair values are disclosed				
Government securities	2,592	9,203	–	11,795
State-owned company securities	3,627	35,055	–	38,682
Corporate bonds and debentures	73,285	24,251	524	98,060
	79,504	68,509	524	148,538

2017	Level 1	Level 2	Level 3	Total
Investment securities designated at fair value through statement of income				
Corporate bonds and debentures	–	–	12,000	12,000
	–	–	12,000	12,000
Investment securities designated at amortised cost for which fair values are disclosed				
Government securities	3,096	6,490	–	9,586
State-owned company securities	5,123	34,855	–	39,978
Corporate bonds and debentures	88,903	26,521	564	115,988
	97,122	67,866	564	165,552

10. Fair value of financial instruments (continued)

ii) Determination of fair value and fair values hierarchy (continued)

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Unquoted securities	Discounted cashflows	Rate of return	7% to 12%	2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by $52/($51)

iii) Transfers between Level 1 and 2

For the year ended 31 December 2018, there were no transfer of assets between Level 1 and Level 2.

iv) Movements in Level 3 financial instruments	**2018**	**2017**
Balance at 1 January	12,564	12,244
Gains recognised	(40)	320
Disposals	(6,000)	–
	6,524	12,564

11. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk.

Role of the Trustee

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

Risk management structure

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

Treasury management

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

11. Risk management (continued)

Concentrations of risk

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

Credit risk management

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk is limited to the value of its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

(Expressed in thousands of Trinidad and Tobago dollars)

11. Risk management (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

The following table shows the maximum exposure to credit which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

	Gross maximum exposure	
	2018	**2017**
Cash and cash equivalents	16,544	19,777
Investment securities	154,773	174,873
Interest receivable	1,942	2,795
	173,259	197,445

Cash and cash equivalents

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be very low.

11. Risk management (continued)

Credit quality

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

Investment debt securities

The credit quality of investment debt securities has been analysed into the following categories:

High grade — These comprise of regional sovereign debt securities issued directly or through state intermediary body where there has been no history of default.

Standard — These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies.

Sub-standard — These securities are greater than 90 days in arrears, display indicators of impairment or have been restructured in the past financial year.

Impaired — These securities are non-performing.

	High grade	**Standard**	**Impaired**	**Total**
2018				
Investment securities designated at fair value through statement of income	–	–	–	–
Investment securities measured at amortised cost	44,447	110,326	–	154,773
	44,447	110,326	–	154,773

11. Risk management (continued)

Credit quality (continued)

Investment debt securities (continued)

2017	**High grade**	**Standard**	**Impaired**	**Total**
Investment securities designated at fair value through statement of income	–	12,000	–	12,000
Investment securities measured at amortised cost	49,261	113,612	–	162,873
	49,261	125,612	–	174,873

There are no investment debt securities classified as sub-standard for the years 31 December 2018 and 31 December 2017.

Currency risk

The Fund takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank in its capacity as Investment Manager sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Fund's exposure to foreign currency exchange rate risk at 31 December, arising primarily from monetary financial assets denominated in US dollars. The Fund had no financial liabilities denominated in currencies other than the reporting currency.

The final line of the table, illustrates the effect of a reasonably possible movement of the USD against the TTD, with all other variables held constant on the statement of comprehensive income.

Financial assets	**USD 2018**	**USD 2017**
Cash and cash equivalents	11,652	8,699
Investment securities	97,882	99,981
Interest receivable	1,301	1,195
Net currency risk exposure	110,835	109,875
Reasonably possible change in currency rate	5%	5%
Effect on income for the year	5,542	5,494

11. Risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Fund's statement of comprehensive income.

The sensitivity of income is the effect of the assumed changes in interest rates on income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

Change in basis points	**Sensitivity of income**	
	2018	**2017**
+ 100	–	–
– 100	–	–

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

(Expressed in thousands of Trinidad and Tobago dollars)

11. Risk management (continued)

Liquidity risk (continued)

2018	**Up to one year**	**Over one year**	**Total**
Financial liabilities			
Management fee payable	3,350	–	3,350
Trustee fees payable	63	–	63
Distributions payable	531	–	531
Other payables	230	–	230
Total financial liabilities	4,174	–	4,174
2017			
Financial liabilities			
Management fee payable	2,000	–	2,000
Trustee fees payable	72	–	72
Distributions payable	604	–	604
Other payables	319	–	319
Total financial liabilities	2,995	–	2,995

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio. The effect on equity due to a reasonably possible change in equity indices is considered below:

Market indices	**Change in equity price %**	**Effect on income 2018** +/-	**Effect on income 2017** +/-
TTSE	+/- 3%		–
S&P 500	+/- 8%		–

12. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

	2018			**2017**		
	Less than 12 months	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Assets						
Cash and cash equivalents	16,544	–	16,544	19,777	–	19,777
Investment securities	14,118	140,655	154,773	6,324	168,549	174,873
Interest receivable	1,942	–	1,942	2,795	–	2,795
Total assets	32,604	140,655	173,259	28,896	168,549	197,445

	2018			**2017**		
	Less than 12 months	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Liabilities						
Management fee payable	3,350	–	3,350	2,000	–	2,000
Trustee fees payable	63	–	63	72	–	72
Distributions payable	531	–	531	604	–	604
Other payables	230	–	230	319	–	319
Total liabilities	4,174	–	4,174	2,995	–	2,995

13. Related party transactions and balances

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses from these transactions are as follows:

	2018	**2017**
Assets		
Sponsor company	6,104	12,201
Other related parties	1,184	1,449
	7,288	13,650
Liabilities		
Sponsor company	4,700	3,307
Directors and key management personnel	8	8
Other related parties	198	198
	4,906	3,513
Unitholders' balances		
Sponsor company	1,295	1,295
Directors and key management personnel	2,617	2,617
Other related parties	62,910	62,910
	66,822	66,822
Income		
Sponsor company	247	472
Other related parties	65	79
	312	551
Expenses		
Sponsor company	8,650	10,792
	8,650	10,792
Distributions		
Sponsor company	16	16
Directors and key management personnel	33	34
Other related parties	786	786
	835	836

14. Fund management

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short-term borrowings or disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Manager, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

15. Commitments and contingencies

The Fund has no capital commitments for the years ended 31 December 2018 and 2017.

As Sponsor, ANSA Merchant Bank Limited will guarantee a 100% return of the principal invested in Units of the Fund by investors subject to a minimum period of investment provided that and so long as ANSA Merchant Bank Limited is the Investment Manager.

16. Events after the reporting period

There were no material events after the statement of financial position date of 31 December 2018 which required recording or disclosure in the financial statements of the Fund as at 18 March 2019.

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FUND

FUND FACTS

ANSA US$ Secured Fund Top 10 Holdings - Dec 31 2018

SECURITY	% OF PORTFOLIO
PETROTRIN 9.75% FRB DUE 2019	17.17%
BARCLAY'S BANK 9.55% EQUITY LINKED NOTES DUE 2021	11.04%
CS CONTINGENT 7.50% EQUITY LINKED NOTES DUE 16/01/2020	9.20%
TRINIDAD GENERATION UNLIMITED (TGU) 5.25% DUE 2027	6.13%
MACY'S INC. 6.65% FRB DUE 2024	5.20%
PANGOLIN INVESTMENT STRIP DUE 2022	3.57%
COMMERBANK AG FRANFURT MEDIUM TERM NOTE 8.125% DUE 2023	3.56%
ING BANK NV 5.80% FRB DUE 2023	3.29%
AES GENER SA 5.00% DUE 2025	3.15%
ICAHN ENTERPRISES (IEP) 6.00% BOND DUE 2020	3.13%

Cumulative Returns as at Dec 31st 2018

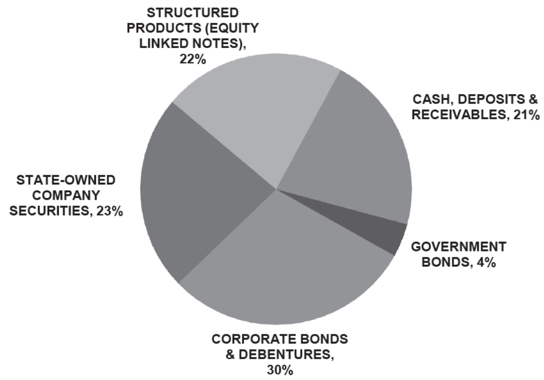
12 month	1.00%
3 Year	3.03%
Since Inception	16.30%

Historical Performance

2013	1.56%
2014	1.13%
2015	1.00%
2016	1.00%
2017	1.00%
2018	1.00%

Asset Mix - Dec 31 2018

- GOVERNMENT BONDS
- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- STRUCTURED PRODUCTS (EQUITY LINKED NOTES)
- CASH, DEPOSITS & RECEIVABLES



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Building a better working world

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ANSA US$ Secured Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and Trustees for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

EY

Port of Spain,
TRINIDAD:

The signature "EY" in this report represents only Ernst & Young Services Limited, a limited liability company established under the laws of Trinidad and Tobago.
The contents of this document are provided solely by Ernst & Young Services Limited and any liability arising therefrom is limited to Ernst & Young Services Limited.

ANSA US$ SECURED FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Assets			
Cash and cash equivalents	4	3,477	1,042
Investment securities	5	12,783	19,220
Interest receivable		200	290
Total assets		16,460	20,552
Liabilities			
Management fee payable		3	3
Trustee fees payable		7	8
Distributions payable		97	101
Other payables		2	4
Total liabilities		109	116
Net assets		**16,351**	**20,436**
Unitholders' Capital			
Unitholders' balances	6	17,334	22,152
Retained fund deficit		(983)	(1,716)
		16,351	**20,436**

The financial statements were approved by the Trustee and authorised for issue on 18 March 2019 and signed on their behalf by:

: Trustee

: Trustee

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

ANSA US$ SECURED FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Income			
Interest income	7	945	667
Net realised and unrealised gains/(losses) on investment securities	8	17	(6)
Other gains		54	2
Total income		1,016	663
Expenses			
Management fees	9	(10)	(10)
Trustee fees	9	(29)	(34)
Impairment write back		140	305
Other expenses		(7)	(6)
Total expenses		94	255
Total comprehensive income for the year		**1,110**	**918**

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

ANSA US$ SECURED FUND
STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Unitholders' balances	Retained fund deficit	Total
Balance as at 1 January 2017	23,259	(2,418)	20,841
Total comprehensive income for the year	–	918	918
Redemption of units	(1,107)	–	(1,107)
Distribution to Unitholders	–	(216)	(216)
Balance as at 31 December 2017 as previously reported	22,152	(1,716)	20,436
Impact of adopting IFRS 9 (Note 2)	–	(192)	(192)
Restated balance as at 1 January 2018	22,152	(1,908)	20,244
Total comprehensive income for the year	–	1,110	1,110
Redemption of units	(4,818)	–	(4,818)
Distribution to Unitholders	–	(185)	(185)
Balance as at 31 December 2018	17,334	(983)	16,351

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

ANSA US$ SECURED FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Cash flows from operating activities			
Total comprehensive income for the year		1,110	918
Adjustments:			
Interest capitalised		(31)	(37)
Write back of impairment		(140)	(305)
Amortisation on investment securities		237	231
(Gains)/losses on sale of investment securities	8	(17)	6
Surplus before working capital changes		1,159	813
Changes in assets/liabilities:			
Decrease in interest receivable		92	590
(Decrease)/increase in payables		(7)	43
Net cash flows provided by operating activities		1,244	1,446
Cash flows from investing activities			
Purchase of investments		(3,851)	(5,673)
Proceeds from maturity/sale of investments		10,045	4,134
Net cash flows provided by/(used in) investing activities		6,194	(1,539)
Cash flows from financing activities			
Redemption of units		(4,818)	(1,107)
Distribution to Unitholders		(185)	(216)
Net cash flows used in financing activities		(5,003)	(1,323)
Net increase/(decrease) in cash and cash equivalents		2,435	(1,416)
Cash and cash equivalents at the beginning of the year		1,042	2,458
Cash and cash equivalents at the end of the year	4	3,477	1,042
Supplemental information:			
Interest received		1,275	1,208
Distributions paid		189	172

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

(Expressed in thousands of United States dollars)

1. Description of the Fund

The following brief description of the ANSA US$ Secured Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

General

The Fund is an open-ended mutual fund registered in Trinidad & Tobago, established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 1 September 2007. The Bank is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital.

It is the objective of the Fund to maintain a price of US$200 per Unit.

The Fund's capital is made up of two classes of Units. Class A Units which will be issued to investors pursuant to the terms of the Prospectus and the Trust Deed and the Class B Units which will be issued to the Fund Sponsor (ANSA Merchant Bank Limited). The Class B unitholder is not entitled to receive any dividends and has no rights to the Fund's assets upon termination of the Fund, save and except for its original investment and any accretion thereto.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund.

Voting by Class A unitholders takes place at meetings which may be convened annually by the Trustee or which may be called by the Trustee at the request of a Unitholder or Unitholders holding not less than 25% of the outstanding units of the Fund.

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee; and
(ii) sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory of official requirement; or (c) is made to correct a manifest error.

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1. Description of the Fund (continued)

General (continued)

The Bank has guaranteed 100% return of the principal invested in the Fund (not including distributions which have been re-invested in units) subject to a minimum period of investment, and a fixed minimum yield on the units held subject to a defined period of time established at the time of purchase. All initially invested units in the Fund have met the minimum period of investment for the principal guarantee and all units are beyond the definite period of time for the fixed minimum yield and are therefore not subject to the fixed minimum yield.

The Trustee of the Fund is First Caribbean International Bank (Trinidad & Tobago) Limited.

As at 30 June 2009, subscriptions to the Fund were suspended as a result of the prevailing market conditions. This was carried out in line with the provisions set out in the prospectus.

2. Significant accounting policies

i) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the financial assets held at fair value of investments through statement of comprehensive income. The financial statements are presented in United States dollars ($) and all values are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

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2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2017 except for the adoption of new standards and interpretations noted below.

New and amended standards and interpretations

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. Except for Phase 1 of IFRS 9, 'Financial Instruments' (see Note 2 iv), the Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

IFRS 9 'Financial Instruments' – Effective 1 January 2018

The Fund early adopted Phase 1 - Classification and measurement of financial instruments, of IFRS 9 in its financial statements for the year ended 31 December 2011. Effective 1 January 2018, Phase 2 and 3 became effective for the Fund.

The Fund has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised directly in the retained fund balance as of 1 January 2018 and are disclosed in this Note.

The adoption of Phase 2 - Impairment of IFRS 9 has fundamentally changed the Fund's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Fund to record an allowance for ECLs for debt financial assets not held at fair value through the statement of income. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Fund's impairment method are disclosed in Note 2 (iv) (b).

The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed below.

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2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' – Effective 1 January 2018 (continued)

IFRS 7R 'Financial Instruments - Disclosures Revised' – Effective 1 January 2018

To reflect the differences between IFRS 9 and IAS 39, IFRS 7R Financial Instruments - Disclosures Revised was updated and the Fund has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in this table.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained fund balance, including the effect of replacing the incurred credit loss calculations under IAS 39 with the ECL calculation under IFRS 9.

A reconciliation between the carrying amounts as originally stated as at 31 December 2017 and the adoption of IFRS 9 as of 1 January 2018 is, as follows:

	IAS 39 measurement	ECL remeasurement	IFRS 9 measurement
Investment securities	19,220	(192)	19,028

The ECL remeasurement is recognised in the retained fund balance in the statement of changes in unitholders' capital.

The following table reconciles the aggregate opening financial asset provisions under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in Note 5.

	Financial asset provision under IAS 39 at 31 December 2017	Remeasurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for:			
Investment securities	–	192	192

IFRS 15 'Revenue from Contracts with Customers' – Effective 1 January 2018

IFRS 15 supersedes IAS 18, Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard does not have any impact on the Fund's financial statements.

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2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 1 and IAS 8 – Definition of Material – Effective 1 January 2020
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Effective 1 January 2019

iii) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

iv) Financial instruments

Financial assets

a. Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Amortised cost and effective interest method

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

Financial assets at fair value through statement of income (FVSI)

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as at FVSI.

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2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Financial assets at fair value through statement of income (FVSI) (continued)

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - Revenue and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

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2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets

Under IFRS 9 (policy applicable from 1 January 2018)

The adoption of IFRS 9 - Phase 2 has fundamentally changed the Fund's financial assets' impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Fund has been recording the allowance for expected credit losses for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Significant increase in credit risk

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list to non-investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

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2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Definition of default and cure

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Calculation of Expected Credit Losses (ECLs)

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD):

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD):

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Calculation of Expected Credit Losses (ECLs) (continued)

The mechanics of the ECL calculations are outlined below and the key elements are as follows (continued)

Loss Given Default (LGD):

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

Forward looking information

In its ECL models, the Fund relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

The mechanics of the ECL calculations are outlined below and the key elements are as follows (continued)

Stage 3

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

Under IAS 39 (policy applicable before 1 January 2018)

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not yet been incurred) reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

Under IAS 39 (policy applicable before 1 January 2018) (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of income. Interest income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

c. Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of other comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

Financial liabilities

a. Initial recognition and subsequent measurement

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Fund's financial liabilities include fees payable, distributions payable, amounts due to related parties and other payables.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial liabilities (continued)

b. Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

v) Fair valuation of financial instruments

The Fund measures certain financial instruments at fair value at each year end. Also, fair values of financial instruments measured at amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2. Significant accounting policies (continued)

v) Fair valuation of financial instruments (continued)

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fees payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration using the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

Determination of fair value and fair values hierarchy

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

2. Significant accounting policies (continued)

v) Fair valuation of financial instruments (continued)

Determination of fair value and fair values hierarchy (continued)

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2. Significant accounting policies (continued)

vi) Revenue recognition

Revenue is considered to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment was made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes. The following specific recognition criteria must also be met before revenue is recognised.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

Investment income

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

Other income and expenditure

Other income and expenditure are brought into account on the accruals basis.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the performance obligation is met at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

(Expressed in thousands of United States dollars)

2. Significant accounting policies (continued)

vi) Revenue recognition (continued)

Revenue from contracts with customers (continued)

A refund liability is the sum of the contribution received from the customer to cover the costs associated with the product sold. The Fund updates its balance of refund liabilities at the end of each reporting period with the monthly amortisation of the contribution used to offset the cost relating to the product sold.

vii) Subscriptions and redemptions

Subscriptions and redemptions are accounted for on the accruals basis. Subscriptions and redemptions to the Fund are made by investors at a price of $200 per unit. Units may be subscribed at a minimum initial value of $5,000 and thereafter, the minimum amount of an additional investment is $500 in value, except in the instance of reinvestment of distributions. There are no limits as to the number of units that can be redeemed at any one time.

viii) Expenses

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and distribution fees. Audit fees are included within other expenses.

ix) Distributions to unitholders

Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.

x) Taxation

With respect to dividends which are derived locally no income tax is payable by residents of Trinidad and Tobago.

xi) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States dollars, which is the Fund's functional and presentation currency.

xii) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in United States dollars at rates of exchange ruling on 31 December. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

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2. Significant accounting policies (continued)

xiii) Unitholders' capital

Classification of redeemable shares

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

3. Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties includes:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

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3. Significant accounting judgements and estimates (continued)

i) Judgement

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of financial assets (policy applicable under IFRS 9)

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Impairment of financial instruments (policy applicable under IAS 39)

Management makes judgements at each statement of financial position date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Valuation of investments

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

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4. Cash and cash equivalents	**2018**	**2017**
Cash at bank	1,151	804
Short-term funds	2,326	238
	3,477	1,042

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates.

5. Investment securities	**2018**	**2017**
Investment securities designated at fair value through statement of income	–	–
Investment securities measured at amortised cost	12,783	19,220
Total investment securities	12,783	19,220
Investment securities designated at fair value through statement of income		
Equity securities	–	–
Investment securities measured at amortised cost		
Government securities	643	695
State-owned company securities	3,779	4,973
Corporate bonds and debentures	8,361	13,552
	12,783	19,220

The movement in specific provision for impaired investments is analysed as follows:

	2017
Balance at 1 January	–
Amounts written back	–
Charge for the year	–
At 31 December	–

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(Expressed in thousands of United States dollars)

5. Investment securities (continued)

Impairment allowance for investment securities

The table below shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

Investment securities measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	8,445	4,391	–	12,836
ECL allowance as at 31 December 2018	(13)	(40)	–	(53)
Net exposure as at 31 December 2018	**8,432**	**4,351**	**–**	**12,783**
Gross carrying amount as at 1 January 2018	13,023	6,197	–	19,220
ECL allowance as at 1 January 2018	(20)	(172)	–	(192)
Net exposure as at 1 January 2018	**13,003**	**6,025**	**–**	**19,028**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(20)	(172)	–	(192)
Translation adjustments	–	–	–	–
ECL on new instruments issued during the year	(1)	–	–	(1)
Other credit loss movements, repayments etc.	8	132	–	140
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(13)**	**(40)**	**–**	**(53)**

6. Unitholders' balances	**2018**	**2017**
Authorised:		
Unlimited number of units		
Reconciliation of unitholders' balances:		
Units outstanding at the beginning of the year	110,761	116,297
Units redeemed	(24,091)	(5,536)
Units outstanding at the end of the year	86,670	110,761
Guaranteed net asset value per unit	200	200
Total unitholders' balances	17,334	22,152

7. Interest income

Interest income from investments designated at fair value through statement of income	–	–
Interest income on impaired financial assets	–	(342)
Interest income from financial assets measured at amortised cost	945	1,009
	945	667

8. Net realised and unrealised gains/(losses) on investment securities

Realised gains/(losses) on sale of investment securities	17	(6)
Unrealised gains on investments held at year end designated at fair value through statement of income	–	–
	17	(6)

9. Fees

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 5.50% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.15% on the average net asset value and such fee shall be subject to a minimum annual fee of TT$10,000, exclusive of VAT.

	2018	2017
Management fees	10	10
Trustee fees	29	34
	39	44

10. Fair value of financial instruments

(i) Carrying amounts and fair values

The table below show the carrying amounts and fair values as at 31 December.

2018	**Carrying values**	**Fair values**	**Unrecognised gain**
Financial assets			
Cash and cash equivalents	3,477	3,477	–
Investment securities	12,783	12,965	182
Interest receivable	200	200	–
Total financial assets	16,460	16,642	182
Financial liabilities			
Management fee payable	3	3	–
Trustee fees payable	7	7	–
Distributions payable	97	97	–
Other payables	2	2	–
Total financial liabilities	109	109	–

10. Fair value of financial instruments (continued)

(i) Carrying amounts and fair values (continued)

2017	**Carrying values**	**Fair values**	**Unrecognised gain**
Financial assets			
Cash and cash equivalents	1,042	1,042	–
Investment securities	19,220	20,137	917
Interest receivable	290	290	–
Total financial assets	20,552	21,469	917
Financial liabilities			
Management fee payable	3	3	–
Trustee fees payable	8	8	–
Distributions payable	101	101	–
Other payables	4	4	–
Total financial liabilities	116	116	–

(ii) Determination of fair value and fair value hierarchies

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at fair value through statement of income				
Equity securities	–	–	–	–
Investment securities designated at amortised cost for which fair values are disclosed				
Government securities	614	–	–	614
State-owned company securities	3,521	–	–	3,521
Corporate bonds and debentures	4,128	4,083	619	8,830
	8,263	4,083	619	12,965

(Expressed in thousands of United States dollars)

10. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies (continued)

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at fair value through statement of income				
Equity securities	–	–	–	–

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at amortised cost for which fair values are disclosed				
Government securities	715	–	–	715
State-owned company securities	4,979	–	–	4,979
Corporate bonds and debentures	9,752	4,023	668	14,443
	15,446	4,023	668	20,137

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Unquoted securities	Discounted cashflows	Rate of return	5.5% to 12.00%	2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by $651/($650)

(iii) Transfers between Level 1 and 2

For the year ended 31 December 2018, there were no transfer of assets between Level 1 and Level 2.

10. Fair value of financial instruments (continued)

(iv) Movements in Level 3 financial instruments

	2018	**2017**
Balance at 1 January	668	1,789
Losses recognised	(49)	379
Purchases		1,500
Transfers into Level 3	–	–
Disposals	–	(3,000)
	619	668

11. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. It is exposed to credit risk, liquidity risk and market risk.

Role of the Trustee

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

Risk management structure

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

11. Risk management (continued)

Treasury management

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

Concentrations of risk

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

Credit risk management

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk largely arises from its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

11. Risk management (continued)

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

The following table shows the maximum exposure to credit risk which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

	Gross maximum exposure	
	2018	**2017**
Cash and cash equivalents	3,477	1,042
Investment securities	12,783	19,220
Interest receivable	200	290
	16,460	20,552

Cash and cash equivalents

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be low.

Credit quality

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

Investment debt securities

The credit quality of investment securities has been analysed into the following categories:

High grade These include Regional Sovereign Debt Securities issued directly or through state intermediary body where there has been no history of default.

(Expressed in thousands of United States dollars)

11. Risk management (continued)

Credit quality (continued)

Investment debt securities (continued)

Standard	These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. Also included in this category are securities issued by subsidiaries within the ANSA McAL Group of companies.
Sub-standard	These securities are greater than 90 days in arrears display indicators of impairment or have been restructured in the past financial year.
Impaired	These securities are non-performing.

	High grade	Standard	Total
2018			
Investment securities designated at amortised cost	4,422	8,361	12,783
2017			
Investment securities designated at amortised cost	5,669	13,551	19,220

There were no investment debt securities classified as sub-standard or impaired for the year ended 31 December 2018 and 31 December 2017.

Currency risk

As at 31 December 2018, all of the Fund's assets and liabilities are denominated in United States dollars and therefore the Fund has no exposure to foreign currency risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

11. Risk management (continued)

Interest rate risk (continued)

The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Funds statement of comprehensive income.

The sensitivity of income is the effect of the assumed changes in interest rates on income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

Change in basis points	Sensitivity of income 2018	Sensitivity of income 2017
+ 100	–	–
– 100	–	–

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

2018	Up to one year	Over one year	Total
Financial liabilities			
Management fee payable	3	–	3
Trustee fees payable	7	–	7
Distributions payable	97	–	97
Other payables	2	–	2
Total financial liabilities	109	–	109

11. Risk management (continued)

Liquidity risk (continued)

2017	Up to one year	Over one year	Total
Financial liabilities			
Management fee payable	3	–	3
Trustee fees payable	8	–	8
Distributions payable	101	–	101
Other payables	4	–	4
Total financial liabilities	116	–	116

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio. The effect on equity due to a reasonably possible change in equity indices is considered below:

Market indices	Change in equity price %	Effect on income 2018 + / -	Effect on income 2017 + / -
S&P 500	+ / - 8%	–	–

12. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

	2018			2017		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Assets						
Cash and cash equivalents	3,477	–	3,477	1,042	–	1,042
Investment securities	2,942	9,841	12,783	160	19,060	19,220
Interest receivable	200	–	200	290	–	290
Total assets	6,619	9,841	16,460	1,492	19,060	20,552

	2018			2017		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Liabilities						
Management fee payable	3	–	3	3	–	3
Trustee fees payable	7	–	7	8	–	8
Distributions payable	97	–	97	101	–	101
Other payables	2	–	2	4	–	4
Total liabilities	109	–	109	116	–	116

(Expressed in thousands of United States dollars)

13. Related party transactions and balances

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses from these transactions are as follows:

	2018	2017
Assets		
Other related parties	582	714
	582	714
Liabilities		
Sponsor company	3	3
Other related parties	2	2
	5	5
Unitholders' balances		
Sponsor company	1,000	1,000
Directors and key management personnel	23	124
Other related parties	694	692
	1,717	1,816
Income		
Other related parties	31	37
	31	37
Expenses		
Sponsor company	10	10
Distributions		
Directors and key management personnel	–	2
Other related parties	7	7
	7	9

14. Fund management

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest the proceeds from the issue of units in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short term borrowings or disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Manager, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

15. Commitments and contingencies

The Fund has no capital commitments for the years ended 31 December 2018 and 2017.

As Sponsor, ANSA Merchant Bank Limited will guarantee a 100% return of the principal invested in Units of the Fund by investors subject to a minimum period of investment provided that and so long as ANSA Merchant Bank Limited is the Investment Manager.

16. Events after the reporting period

There were no material events after the statement of financial position date of 31 December 2018 which required recording or disclosure in the financial statements of the Fund as at 18 March 2019.

TT$ INCOME FUND

FUND FACTS

ANSA TT$ Income Fund Top 10 Holdings - Dec 31 2018

SECURITY	% OF PORTFOLIO
WASA STRIP ZERO COUPON DUE 2023	6.74%
GHL 7.975% DUE 2023	5.36%
BARCLAY'S BANK 9.55% EQUITY LINKED NOTES DUE 2021	5.01%
TTNGL SHARES (NGL TP EQUITY)	4.97%
FIRST CITIZENS BANK LTD USD 90.4MM 4.25% FRB DUE 2023	3.55%
GOLDMAN SACHS (GS) FLOAT 2023 (ELN)	3.55%
MS CONTINGENT 9.75% DUE 2021	2.66%
GUARDIAN HOLDINGS LTD 4.25% FRB DUE 2019	2.62%
TTMF 4.62% FIXED RATE MTG BACKED BOND SERIES 1 DUE 2021	2.62%
CLICO INVESTMENT FUND	2.36%

Cumulative Returns as at Dec 31st 2018

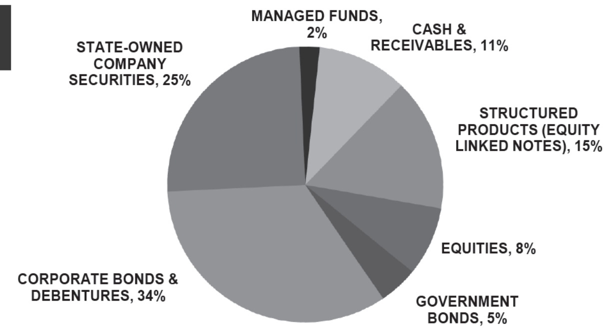
12 month	2.11%
3 Year	8.58%
Since Inception	24.61%

Historical Performance

2013	4.98%
2014	1.23%
2015	-0.17%
2016	2.59%
2017	3.76%
2018	2.11%

Asset Mix - Dec 31 2018

- GOVERNMENT BONDS
- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- MANAGED FUNDS
- CASH & RECEIVABLES
- STRUCTURED PRODUCTS (EQUITY LINKED NOTES)
- EQUITIES



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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ANSA TT$ Income Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and Trustees for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

EY

Port of Spain,
TRINIDAD:

The signature "EY" in this report represents only Ernst & Young Services Limited, a limited liability company established under the laws of Trinidad and Tobago.
The contents of this document are provided solely by Ernst & Young Services Limited and any liability arising therefrom is limited to Ernst & Young Services Limited.

ANSA TT$ INCOME FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
Assets			
Cash and cash equivalents	4	33,800	21,592
Interest receivable		3,143	2,490
Investment securities	5	337,929	345,263
Total assets		374,872	369,345
Liabilities			
Management fee payable		2,027	2,149
Trustee fees payable		138	138
Distributions payable		178	408
Other payables		952	359
Total liabilities		3,295	3,054
Net assets		**371,577**	**366,291**
Unitholders' Capital			
Unitholders' balances at par	6	345,819	343,683
Retained fund surplus		25,758	22,608
		371,577	**366,291**

The financial statements were approved by the Trustee and authorised for issue on 18 March 2019 and signed on their behalf by:

: Trustee

: Trustee

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

ANSA TT$ INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

ansa TT$ INCOME FUND

	Notes	2018	2017
Income			
Interest and dividend income	7	20,070	17,424
Net foreign exchange translation and other gains		979	468
Total income		21,049	17,892
Expenses			
Net realised and unrealised (losses)/gains on investment securities	8	(3,336)	2,856
Management fees	9	(7,344)	(6,987)
Trustee fees	9	(552)	(549)
Impairment writeback/(expense)		286	(449)
Other expenses		(98)	(95)
Total expenses		(11,044)	(5,224)
Total comprehensive income for the year		**10,005**	**12,668**

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

ANSA TT$ INCOME FUND
STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Note	Unitholders' balances at par	Retained fund surplus	Total
Balance as at 1 January 2017		346,761	16,425	363,186
Issue of units	6	23,260	–	23,260
Redemption of units	6	(26,520)	–	(26,520)
Distribution to Unitholders		–	(6,303)	(6,303)
Unitholders' transfer of losses	6	182	(182)	–
Total comprehensive income for the year		–	12,668	12,668
Balance as at 31 December 2017				
as previously reported		343,683	22,608	366,291
Impact of adopting IFRS 9 (Note 2)		–	(701)	(701)
Restated balance as at 1 January 2018		343,683	21,907	365,590
Issue of units	6	29,348	–	29,348
Redemption of units	6	(27,001)	–	(27,001)
Distribution to Unitholders		–	(6,365)	(6,365)
Unitholders' transfer of gains	6	(211)	211	–
Total comprehensive income for the year		–	10,005	10,005
Balance as at 31 December 2018		**345,819**	**25,758**	**371,577**

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

ANSA TT$ INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2018	2017
Cash flows from operating activities			
Total comprehensive income for the year		10,005	12,668
Adjustments:			
Interest capitalised		(1,876)	(2,143)
(Writeback)/provision for impairment		(286)	449
Amortisation on investment securities		293	161
Unrealised losses/(gains) on investment securities	8	2,459	(3,157)
Losses on sale of investment securities	8	877	301
Foreign exchange gains		(426)	(495)
Surplus before working capital changes		11,046	7,784
Changes in assets/liabilities:			
Increase in interest receivable		(647)	(335)
Increase in payables		243	612
Net cash flows provided by operating activities		10,642	8,061
Cash flows from investing activities			
Purchase of investments		(119,110)	(130,050)
Proceeds from maturity/sale of investments		124,694	117,193
Net cash flows provided by/(used in) investing activities		5,584	(12,857)
Cash flows from financing activities			
Issue of units	6	29,348	23,260
Redemption of units	6	(27,001)	(26,520)
Distribution to Unitholders		(6,365)	(6,303)
Net cash flows used in financing activities		(4,018)	(9,563)
Net increase/(decrease) in cash and cash equivalents		12,208	(14,359)
Cash and cash equivalents at the beginning of the year		21,592	35,951
Cash and cash equivalents at the end of the year	4	33,800	21,592
Supplemental information:			
Interest and dividend received		19,716	17,248
Distributions paid		6,136	6,303

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

(Expressed in thousands of Trinidad and Tobago dollars)

1. Description of the fund

The following brief description of the ANSA TT$ Income Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Prospectus of the Fund for more complete information.

General

The Fund is an open-ended mutual fund registered in Trinidad & Tobago, and established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 23 November 2010. The Bank whose registered address is 11C Maraval Road, Port Of Spain, Trinidad & Tobago, is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital.

The Fund may invest in securities and contracts, including sovereign debt, issued in countries other than Trinidad and Tobago, which are expected to provide high income yield and not expected to cause deterioration in capital values.

The Fund's capital is made up of two classes of Units. Class A Units which are issued to investors pursuant to the terms of the Prospectus and the Trust Deed and Class B Units which were issued to the Fund Sponsor (ANSA Merchant Bank Limited).

The Class B Unitholder is not entitled to receive any dividends and has no rights to the Fund's assets upon termination of the Fund, save and except for its original investment and any accretion thereto.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund. Voting by Class A unitholders takes place at meetings which may be convened annually by the Trustee or which may be called by the Trustee at the request of the Class B Unitholder or a Unitholder(s) holding not less than 25% of the outstanding units of the Fund.

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee; and

(ii) sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory of official requirement; or (c) is made to correct a manifest error.

The Trustee of the Fund is First Citizens Trustee Services Limited.

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2. Significant accounting policies

i) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.

The financial statements are presented in Trinidad and Tobago Dollars (TT$) and all values are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Fund.

ii) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2017 except for the adoption of new standards and interpretations noted below.

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2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. Except for Phase 1 of IFRS 9, 'Financial Instruments' (see Note 2 iv), the Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

IFRS 9 'Financial Instruments' – Effective 1 January 2018

The Fund early adopted Phase 1 - Classification and measurement of financial instruments, of IFRS 9 in its financial statements for the year ended 31 December 2011. Effective 1 January 2018, Phase 2 and 3 became effective for the Fund.

The Fund has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised directly in the retained fund balance as of 1 January 2018 and are disclosed in this Note.

The adoption of Phase 2 - Impairment of IFRS 9 has fundamentally changed the Fund's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Fund to record an allowance for ECLs for debt financial assets not held at fair value through the statement of income. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Fund's impairment method are disclosed in Note 2 (iv) (b).

The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed below.

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2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' – Effective 1 January 2018 (continued)

IFRS 7R 'Financial Instruments - Disclosures Revised' – Effective 1 January 2018

To reflect the differences between IFRS 9 and IAS 39, IFRS 7R Financial Instruments - Disclosures Revised was updated and the Fund has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in this table.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained fund balance, including the effect of replacing the incurred credit loss calculations under IAS 39 with the ECL calculation under IFRS 9.

A reconciliation between the carrying amounts as originally stated as at 31 December 2017 and the adoption of IFRS 9 as of 1 January 2018 is, as follows:

	IAS 39 measurement	ECL remeasurement	IFRS 9 measurement
Investment securities	150,376	(701)	149,675

The ECL remeasurement is recognised in the retained fund balance in the statement of changes in unitholders' capital.

The following table reconciles the aggregate opening financial asset provisions under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in Note 5.

	Financial asset provision under IAS 39 at 31 December 2017	Remeasurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for:			
Investment securities	–	701	701

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2. **Significant accounting policies** (continued)

ii) **Changes in accounting policy and disclosures** (continued)

New and amended standards and interpretations (continued)

IFRS 15 'Revenue from Contracts with Customers' – Effective 1 January 2018

IFRS 15 supersedes IAS 18, Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard does not have any impact on the Fund's financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 1 and IAS 8 – Definition of Material – Effective 1 January 2020
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Effective 1 January 2019

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2. **Significant accounting policies** (continued)

iii) **Cash and cash equivalents**

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

iv) **Financial instruments**

Financial assets

a. ***Initial recognition and subsequent measurement***

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Amortised cost and effective interest method

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

a. ***Initial recognition and subsequent measurement*** (continued)

Amortised cost and effective interest method (continued)

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

Financial assets at fair value through statement of income (FVSI)

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

a. ***Initial recognition and subsequent measurement*** (continued)

Financial assets at fair value through statement of income (FVSI) (continued)

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as at FVSI.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of comprehensive income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - *Revenue* and is included in the net gain or loss described above.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

a. ***Initial recognition and subsequent measurement*** (continued)

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income; and
- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

b. ***Impairment of financial assets***

Under IFRS 9 (policy applicable from 1 January 2018)

The adoption of IFRS 9 - Phase 2 has fundamentally changed the Fund's financial assets' impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Fund has been recording the allowance for expected credit losses for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Significant increase in credit risk

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list to non-investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Definition of default and cure

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Calculation of Expected Credit Losses (ECLs)

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD):

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Calculation of Expected Credit Losses (ECLs) (continued)

The mechanics of the ECL calculations are outlined below and the key elements are as follows: (continued)

Exposure at Default (EAD):

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

Loss Given Default (LGD):

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Forward looking information

In its ECL models, the Fund relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IAS 39 (policy applicable before 1 January 2018)

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not yet been incurred) reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IAS 39 (policy applicable before January 1, 2018) (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of income. Interest income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

c. ***Derecognition of financial assets***

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of other comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial liabilities

a. ***Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Fund's financial liabilities include fees payable, distributions payable amounts due to related parties and other payables.

b. ***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

v) **Fair valuation of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business at the end of the reporting period for listed instruments.

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2. Significant accounting policies (continued)

v) Fair valuation of financial instruments (continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Fund would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fees payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

2. Significant accounting policies (continued)

v) Fair valuation of financial instruments (continued)

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration employing the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

Determination of fair value and fair value hierarchies

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

<u>Level 1</u>

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry fund, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

<u>Level 2</u>

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.

2. Significant accounting policies (continued)

v) Fair valuation of financial instruments (continued)

Determination of fair value and fair value hierarchies (continued)

<u>Level 3</u>

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

vi) Revenue recognition

Revenue is considered to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment was made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes. The following specific recognition criteria must also be met before revenue is recognised.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

2. Significant accounting policies (continued)

vi) Revenue recognition (continued)

Investment income

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

Other income and expenditure

Other income and expenditure are brought into account on the accruals basis.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the performance obligation is met at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

A refund liability is the sum of the contribution received from the customer to cover the costs associated with the product sold. The Fund updates its balance of refund liabilities at the end of each reporting period with the monthly amortisation of the contribution used to offset the cost relating to the product sold.

vii) Subscriptions and redemptions

Subscriptions and redemptions are accounted for at the Net Asset Values calculated on the business day prior to the date of the subscription or redemption. Units may be subscribed at a minimum initial value of $25,000 and thereafter, the minimum amount of an additional investment is $5,000 in value, except in the instance of reinvestment of distributions. There are no limits as to the number of units that can be redeemed at any one time.

viii) Expenses

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and trustee fees. Audit fees are included within other expenses.

(Expressed in thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

ix) Distributions to Unitholders

Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.

x) Taxation

With respect to dividends which are derived locally no income tax is payable by residents of Trinidad and Tobago.

xi) Functional & presentation currency

The Fund's functional currency is the Trinidad and Tobago dollar (TTD), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in TTD. Therefore, the TTD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the TTD.

xii) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on 31 December. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

xiii) Unitholders' Capital

Unitholders' subscriptions and redemptions measured at par value are recognised in the 'Unitholders' balance' line in the statement of financial position. The differences between the net asset value (NAV) of the Fund and its par value is recorded in 'retained earnings'.

Classification of redeemable shares

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

2. Significant accounting policies (continued)

xiii) Unitholders' Capital (continued)

Classification of redeemable shares (continued)

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

3. Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties include:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

i) Judgement

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of financial instruments (policy applicable under IFRS 9)

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment

3. Significant accounting judgements and estimates (continued)

i) Judgement (continued)

- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Impairment of financial instruments (policy applicable under IAS 39)

Management makes judgements to determine whether financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Valuation of investments

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

4. Cash and cash equivalents	**2018**	**2017**
Cash at bank	14,842	4,377
Short-term funds	18,958	17,215
	33,800	21,592

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rate.

5. Investment securities	**2018**	**2017**
Investment securities designated at fair value through statement of income	183,074	194,887
Investment securities measured at amortised cost	154,855	150,376
Total investment securities	337,929	345,263
Investment securities designated at fair value through statement of income		
Equity securities	39,941	34,987
Government securities	15,873	15,174
State-owned company securities	61,895	68,382
Corporate bonds and debentures	65,365	76,344
	183,074	194,887
Investment securities measured at amortised cost		
Government securities	6,717	18,422
State-owned company securities	28,523	20,457
Corporate bonds and debentures	119,615	111,497
	154,855	150,376

The movement in specific provision for impaired investments is analysed as follows:

	2017
Balance at 1 January	–
Amounts written off	–
Charge for the year	–
At 31 December	–

(Expressed in thousands of Trinidad and Tobago dollars)

Impairment allowance for investment securities

The table below shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

Investment securities measured at amortised cost

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 31 December 2018	140,341	14,935	–	155,276
ECL allowance as at 31 December 2018	(272)	(149)	–	(421)
Net exposure as at 31 December 2018	**140,069**	**14,786**	**–**	**154,855**
Gross carrying amount as at 1 January 2018	125,068	25,308	–	150,376
ECL allowance as at 1 January 2018	(113)	(588)	–	(701)
Net exposure as at 1 January 2018	**124,955**	**24,720**	**–**	**149,675**

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2018	(113)	(588)	–	(701)
ECL on new instruments issued during the year	(156)	–	–	(156)
Other credit loss movements, repayments etc.	(3)	439	–	436
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(272)**	**(149)**	**–**	**(421)**

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6. Unitholders' balances at par

	2018 Units	2018 $
Authorised: Unlimited number of units		
Reconciliation of unitholders' balances:		
Units outstanding at the beginning of the year	687,291	343,683
Units issued	54,607	29,348
Units redeemed	(50,259)	(27,001)
Value of units below par issued and redeemed in the year	–	(211)
Units outstanding at the end of the year (value of units at par)	691,639	345,819
Unitholders' earnings above par		26,739
Unitholders' balance		372,558
Net asset value per unit on unitholders' balance		538.66
Other unitholder movements		(981)
Total net asset value of fund		371,577
Adjusted net asset value per unit		537.24

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6. Unitholders' balances at par (continued)

	2017 Units	2017 $
Authorised: Unlimited number of units		
Reconciliation of unitholders' balances:		
Units outstanding at the beginning of the year	693,447	346,761
Units issued	43,876	23,260
Units redeemed	(50,032)	(26,520)
Value of units above par issued and redeemed in the year	–	182
Units outstanding at the end of the year (value of units at par)	687,291	343,683
Unitholders' earnings above par		25,193
Unitholders' balance		368,876
Net asset value per unit on unitholders' balance		536.71
Other unitholder movements		(2,585)
Total net asset value of fund		366,291
Adjusted net asset value per unit		532.95

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7. Interest and dividend income

	2018	2017
Interest income from investments designated at fair value through statement of income	8,159	9,313
Interest income from financial assets measured at amortised cost	10,048	6,557
Dividend income	1,863	1,554
	20,070	17,424

8. Net realised and unrealised (losses)/gains on investment securities

	2018	2017
Realised losses on sale of investment securities	(877)	(301)
Unrealised (losses)/gains on investments held at year end designated at fair value through statement of income	(2,459)	3,157
	(3,336)	2,856

9. Fees

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 4.25% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.15% on the average net asset value and such fee shall be subject to a minimum annual fee of $75,000, exclusive of VAT.

	2018	2017
Management fees	7,344	6,987
Trustee fees	552	549
	7,896	7,536

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(Expressed in thousands of Trinidad and Tobago dollars)

10. Fair value of financial instruments

(i) Carrying amounts and fair values

The following table summarises the carrying amounts and the fair values of the Fund's investment securities as at 31 December.

2018	**Carrying values**	**Fair values**	**Unrecognised (loss)/gain**
Financial assets			
Cash and cash equivalents	33,800	33,800	–
Investment securities	337,929	332,557	(5,372)
Interest receivable	3,143	3,143	–
Total financial assets	374,872	369,500	(5,372)
Financial liabilities			
Management fee payable	2,027	2,027	–
Trustee fees payable	138	138	–
Distributions payable	178	178	–
Other payables	952	952	–
Total financial liabilities	3,295	3,295	–
2017			
Financial assets			
Cash and cash equivalents	21,592	21,592	–
Investment securities	345,263	343,302	(1,961)
Interest receivable	2,490	2,490	–
Total financial assets	369,345	367,384	(1,961)
Financial liabilities			
Management fee payable	2,149	2,149	–
Trustee fees payable	138	138	–
Distributions payable	408	408	–
Other payables	359	359	–
Total financial liabilities	3,054	3,054	–

10. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at fair value through statement of income				
Equity securities	39,942	–	–	39,942
Government securities	9,429	6,445	–	15,874
State-owned company securities	11,847	50,048	–	61,895
Corporate bonds and debentures	37,897	21,468	6,000	65,365
	99,115	77,961	6,000	183,076
Investment securities designated at amortised cost for which fair values are disclosed				
Government securities	–	6,227	–	6,227
State-owned company securities	–	26,114	–	26,114
Corporate bonds and debentures	34,595	82,545	–	117,140
	34,595	114,886	–	149,481

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at fair value through statement of income				
Equity securities	34,987	–	–	34,987
Government securities	4,638	10,536	–	15,174
State-owned company securities	21,876	46,506	–	68,382
Corporate bonds and debentures	41,790	22,554	12,000	76,344
	103,291	79,596	12,000	194,887
Investment securities designated at amortised cost for which fair values are disclosed				
Government securities	–	17,681	–	17,681
State-owned company securities	3,623	15,853	–	19,476
Corporate bonds and debentures	46,023	65,235	–	111,258
	49,646	98,769	–	148,415

10. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies (continued)

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Unquoted securities	Discounted cashflows	Rate of return	5.5% to 11.0%	2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by $0/($0)

(iii) Transfers between Level 1 and 2

For the year ended 31 December 2018 there were no transfer of assets between Level 1 and Level 2.

(iv) Movements in Level 3 financial instruments

	2018	**2017**
Balance at 1 January	12,000	32,238
Gains recognised	–	–
Purchases	–	–
Transfers (from)/into Level 3	–	(20,238)
Disposals	(6,000)	–
Balance at 31 December	6,000	12,000

11. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk.

Role of the Trustee

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

Risk management structure

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

Treasury management

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

Concentrations of risk

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

(Expressed in thousands of Trinidad and Tobago dollars)

11. Risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

Credit risk management

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk is limited to the value of its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

The following table shows the maximum exposure to credit which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

	Gross maximum exposure	
	2018	**2017**
Cash and cash equivalents	33,800	21,592
Investment securities	297,988	310,277
Interest receivable	3,143	2,490
	334,931	334,359

11. Risk management (continued)

Cash and cash equivalents

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be very low.

Credit quality

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

Investment debt securities

The credit quality of investment debt securities has been analysed into the following categories:

High grade These comprise of regional sovereign debt securities issued directly or through a state intermediary body where there has been no history of default.

Standard These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies.

Sub-standard These securities are greater than 90 days in arrears, display indicators of impairment or have been restructured in the past financial year.

Impaired These securities are non-performing.

	High grade	**Standard**	**Total**
2018			
Investment securities designated at fair value through statement of income	78,768	64,365	143,133
Investment securities measured at amortised cost	35,240	119,615	154,855
	114,008	183,980	297,988
2017			
Investment securities designated at fair value through statement of income	83,556	76,344	159,900
Investment securities measured at amortised cost	38,879	111,498	150,377
	122,435	187,842	310,277

There were no investment debt securities classified as sub-standard or impaired for the years ended 31 December 2018 and 31 December 2017.

11. Risk management (continued)

Currency risk

The Fund takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank in its capacity as Investment Manager sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Fund's exposure to foreign currency exchange rate risk at 31 December, arising primarily from monetary financial assets denominated in US dollars. The Fund had no financial liabilities denominated in currencies other than the reporting currency.

The final line of the table, illustrates the effect of a reasonably possible movement of the USD against the TTD, with all other variables held constant on the statement of comprehensive income.

	USD 2018	**USD 2017**
Financial assets		
Cash and cash equivalents	18,958	17,213
Investment securities	173,460	167,026
Interest receivables	2,390	1,944
Net currency risk exposure	194,808	186,183
Reasonably possible change in currency rate	5%	5%
Effect on income for the year	9,740	9,309

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

11. Risk management (continued)

Interest rate risk (continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Fund's statement of comprehensive income.

The sensitivity of income is the effect of the assumed changes in interest rates on income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

Change in basis points	**Sensitivity to income**	
	2018	**2017**
+ 100	45	40
– 100	(45)	(40)

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

(Expressed in thousands of Trinidad and Tobago dollars)

11. Risk management (continued)

Liquidity risk (continued)

2018	**Up to one year**	**Over one year**	**Total**
Financial liabilities			
Management fee payable	2,027	–	2,027
Trustee fees payable	138	–	138
Distributions payable	178	–	178
Other payables	952	–	952
Total financial liabilities	3,295	–	3,295
2017			
Financial liabilities			
Management fee payable	2,149	–	2,149
Trustee fees payable	138	–	138
Distributions payable	408	–	408
Other payables	359	–	359
Total financial liabilities	3,054	–	3,054

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio. The effect on equity due to a reasonably possible change in equity indices is as follows:

Market indices		**Change in equity price**	**Effect on income 2018**	**Effect on income 2017**
			+ / -	+ / -
TTSE	+ / -	3%	1,198	1,050
S & P 500	+ / -	8%	–	–

12. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

	2018			2017		
	Less than 12 months	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Assets						
Cash and cash equivalents	33,800	–	33,800	21,592	–	21,592
Investment securities	64,474	273,455	337,929	76,013	269,250	345,263
Interest receivable	3,143	–	3,143	2,490	–	2,490
Total assets	101,417	273,455	374,872	100,095	269,250	369,345

12. Maturity analysis of assets and liabilities (continued)

	2018			2017		
	Less than 12 months	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Liabilities						
Management fee payable	2,027	–	2,027	2,149	–	2,149
Trustee fees payable	138	–	138	138	–	138
Distributions payable	178	–	178	408	–	408
Other payables	952	–	952	359	–	359
Total liabilities	3,295	–	3,295	3,054	–	3,054

13. Related party transactions and balances

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses from these transactions are as follows:

	2018	**2017**
Assets		
Sponsor company	6,000	12,000
Other related parties	3,552	4,346
	9,552	16,346
Liabilities		
Sponsor company	2,027	2,163
Directors and key management personnel	–	230
	2,027	2,393
Income		
Sponsor company	247	571
Other related parties	194	237
	441	808
Expenses		
Sponsor company	7,344	6,987
Unitholders' balances		
Sponsor company	5,387	5,367
Directors and key management personnel	54,443	53,452
Other related parties	26,804	26,245
	86,634	85,064

(Expressed in thousands of Trinidad and Tobago dollars)

13. Related party transactions and balances (continued)

	2018	2017
Distributions		
Directors	938	919
Other related parties	463	448
	1,401	1,367

14. Fund management

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest the proceeds from the issue of units in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short-term borrowings or disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Manager, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

15. Commitments and contingencies

The Fund has no capital commitments nor any contingencies for the years ended 31 December 2018 and 2017.

16. Events after the reporting period

There are no material events after the statement of financial position date of 31 December 2018 which required recording or disclosure in the financial statements of the Fund as at 18 March 2019.

US $ INCOME FUND

FUND FACTS

ANSA US$ Income Fund Top 10 Holdings - Dec 31 2018

SECURITY	% OF PORTFOLIO
UDECOTT FRB 2020 SERIES #18 STRIP	11.46%
COMMERBANK AG FRANKFURT MEDIUM TERM NOTE 8.125% DUE 2023	5.35%
RABOBANK 11% FLR DUE 2049 (PERPETUAL)	4.77%
VERIZON COMMUNICATIONS INC 4.15% DUE 2024	4.74%
ICAHN ENT. (IEP) 6% DUE 2020	4.70%
COMISION FED DE ELECTRICIDAD 4.875% DUE 2021	4.65%
UBS AG 5.125% CONTIGENT CAPITAL FRB DUE 2024	4.60%
INSTIT COSTA DE ELECTRIC (COSICE) 6.95% FRB DUE 2021	4.40%
PETROTRIN 850M 9.75% BOND DUE 2019	4.40%
STANLEY BLACK & DECKER US$750MM 5.75% DUE 2052	3.99%

Cumulative Returns as at Dec 31st 2018

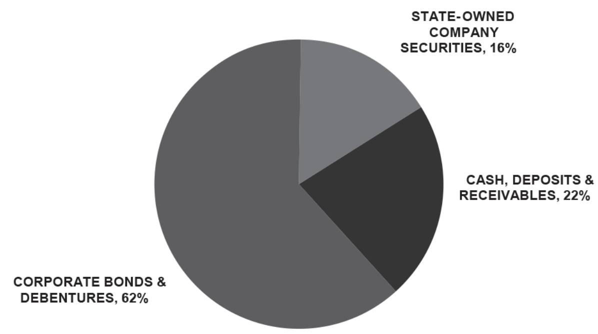
12 month	0.20%
3 Year	6.70%
Since Inception	14.76%

Historical Performance

2013	-2.41%
2014	0.93%
2015	-0.11%
2016	2.60%
2017	3.85%
2018	0.20%

Asset Mix - Dec 31 2018

- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- CASH, DEPOSITS & RECEIVABLES



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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ANSA US$ Income Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in unitholders' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and Trustees for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

EY

Port of Spain,
TRINIDAD:

The signature "EY" in this report represents only Ernst & Young Services Limited, a limited liability company established under the laws of Trinidad and Tobago.
The contents of this document are provided solely by Ernst & Young Services Limited and any liability arising therefrom is limited to Ernst & Young Services Limited.

ANSA US$ INCOME FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Assets			
Cash and cash equivalents	4	2,407	524
Interest receivable		115	141
Investment securities	5	8,434	10,350
Total assets		10,956	11,015
Liabilities			
Management fee payable		32	11
Trustee fees payable		4	4
Distributions payable		6	7
Other payables		4	6
Total liabilities		46	28
Net assets		**10,910**	**10,987**
Unitholders' capital			
Unitholders' balances at par	6	10,884	10,836
Capital (deficit)/reserve		(29)	–
Retained fund surplus/(deficit)		55	151
		10,910	**10,987**

The financial statements were approved by the Trustee and authorised for issue on 18 March 2019 and signed on their behalf by:

: Trustee

: Trustee

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

ANSA US$ INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Income			
Interest income	7	579	583
Net foreign exchange translation and other gains		40	1
Total income		619	584
Expenses			
Net realised and unrealised losses on investment securities	8	(369)	(37)
Management fees	9	(140)	(113)
Trustee fees	9	(17)	(17)
Impairment write back		31	–
Other expenses		(10)	(10)
Total expenses		(505)	(177)
Total comprehensive income for the year		114	407
Other comprehensive income that may be reclassified subsequently to profit and loss			
Debt instruments at fair value through other comprehensive income			
Net change in fair value during the year		(29)	–
Changes in allowance for expected credit losses		10	–
		(19)	–
Total comprehensive income for the year		95	407

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

ANSA US$ INCOME FUND
STATEMENT OF CHANGES IN UNITHOLDERS' CAPITAL
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Note	Unitholders' balances at par	Retained fund surplus/ (deficit)	Capital reserve	Total
Balance as at 1 January 2017		11,660	(112)	–	11,548
Issue of units	6	1,013	-	–	1,013
Redemption of units	6	(1,830)	-	–	(1,830)
Distribution to Unitholders		–	(151)	–	(151)
Unitholders' transfer of gains	6	(7)	7	–	–
Total comprehensive income for the year		–	407	–	407
Balance as at 31 December 2017 as previously reported		10,836	151	–	10,987
Impact of adopting IFRS 9 (Note 2)		–	(63)	–	(63)
Restated balance as at 31 December 2017		10,836	88	–	10,924
Issue of units	6	978	–	–	978
Redemption of units	6	937	–	–	937
Distribution to Unitholders		–	(150)	–	(150)
Unitholders' transfer of losses	6	7	(7)	–	–
Revaluation of FVOCI Investments			10	(29)	(19)
Total comprehensive income for the year		–	114	–	114
Balance as at 31 December 2018		10,884	55	(29)	10,910

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

ANSA US$ INCOME FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in thousands of United States dollars)

	Notes	2018	2017
Cash flows from operating activities			
Total comprehensive income for the year		114	407
Adjustments:			
Interest capitalised		(91)	(89)
Write back of impairment		(31)	–
Amortisation on investment securities		31	17
Unrealised losses on investment securities	8	314	37
Losses on sale of investment securities	8	55	–
Surplus before working capital changes		392	372
Changes in assets/liabilities:			
Decrease/(increase) in interest receivable		26	(20)
Increase/(decrease) in payables		19	(24)
Net cash flows provided by operating activities		437	328
Cash flows from investing activities			
Proceeds from maturity/sale of investments		2,579	582
Purchase of investments		(1,024)	(872)
Net cash flows (used in)/provided by investing activities		1,555	(290)
Cash flows from financing activities			
Issue of units	6	978	1,013
Redemption of units	6	(937)	(1,830)
Distribution to Unitholders		(150)	(151)
Net cash flows used in financing activities		(109)	(968)
Net decrease in cash and cash equivalents		1,883	(930)
Cash and cash equivalents at the beginning of the year		524	1,454
Cash and cash equivalents at the end of the year	4	2,407	524
Supplemental information:			
Interest received		635	582
Distributions paid		151	151

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

(Expressed in thousands of United States dollars)

1. Description of the Fund

The following brief description of the ANSA US$ Income Fund (the 'Fund') is provided for general information purposes only. Reference should be made to the Trust Deed and Rules of the Fund for more complete information.

General

The Fund is an open-ended mutual fund registered in Trinidad & Tobago, and established by ANSA Merchant Bank Limited (the 'Bank' or 'Fund Manager') under a Trust Deed dated 23 November 2010. The Bank whose registered office is 11C Maraval Road, Port of Spain, Trinidad and Tobago, is the Sponsor, Investment Manager, Administrator and Distributor of the Fund.

The principal activity of the Fund is to provide investors having similar investment objectives the opportunity to access professional investment management in achieving maximum income returns, minimisation of risk and reasonable safety of capital.

The Fund may invest in securities and contracts, including sovereign debt, issued in countries other than Trinidad and Tobago, which are expected to provide high income yield and not expected to cause deterioration in capital values.

The Fund's capital is made up of two classes of Units. Class A Units which are issued to investors pursuant to the terms of the Prospectus and the Trust Deed and Class B Units which were issued to the Fund Sponsor (ANSA Merchant Bank Limited).

The Class B Unitholder is not entitled to receive any dividends and has no rights to the Fund's assets upon termination of the Fund, save and except for its original investment and any accretion thereto.

The Unitholders of the Fund have the right to vote with respect to certain matters related to the Fund. Voting by Class A unitholders takes place at meetings which may be convened annually by the Trustee or which may be called by the Trustee at the request of the Class B Unitholder or a Unitholder(s) holding not less than 25% of the outstanding units of the Fund.

1. Description of the Fund (continued)

General (continued)

At Unitholder meetings, Unitholders are entitled, inter alia, to:

(i) require the removal of the Trustee and/or approve the appointment of a new Trustee; and
(ii) sanction any modification, alteration or addition to the provisions of the Trust Deed unless the Trustee and the Sponsor certify in writing that they are of the opinion that the modification (a) does not materially prejudice the interests of the Unitholders, does not operate to release the Trustee from any material obligation to the Unitholders and does not materially increase the amount of expenses chargeable on the assets of the Fund; or (b) is necessary in order to make possible compliance with any fiscal, statutory of official requirement; or (c) is made to correct a manifest error.

The Trustee of the Fund is First Citizens Trustee Services Limited.

2. Significant accounting policies

i) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the fair value measurement of trading investment securities and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.

The financial statements are presented in United States Dollars (US$) which is the functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

Income and expenses will not be offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Fund.

2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Fund's annual financial statements for the year ended 31 December 2017 except for the adoption of new standards and interpretations noted below.

New and amended standards and interpretations

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. Except for Phase 1 of IFRS 9, 'Financial Instruments' (see Note 2 iv), the Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

IFRS 9 'Financial Instruments' – Effective 1 January 2018

The Fund early adopted Phase 1 - Classification and measurement of financial instruments, of IFRS 9 in its financial statements for the year ended 31 December 2011. Effective 1 January 2018, Phase 2 and 3 became effective for the Fund.

The Fund has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognised directly in the retained fund balance as of 1 January 2018 and are disclosed in this Note.

The adoption of Phase 2 - Impairment of IFRS 9 has fundamentally changed the Fund's accounting for financial asset impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Fund to record an allowance for ECLs for debt financial assets not held at fair value through the statement of income. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

Details of the Fund's impairment method are disclosed in Note 2 (iv) (b).

The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed below.

2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9, 'Financial Instruments' – Effective 1 January 2018 (continued)

IFRS 7R 'Financial Instruments - Disclosures Revised' – Effective 1 January 2018

To reflect the differences between IFRS 9 and IAS 39, IFRS 7R Financial Instruments - Disclosures Revised was updated and the Fund has adopted it, together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in this table.

Transition disclosures

The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained fund balance, including the effect of replacing the incurred credit loss calculations under IAS 39 with the ECL calculation under IFRS 9.

A reconciliation between the carrying amounts as originally stated as at 31 December 2017 and the adoption of IFRS 9 as of 1 January 2018 is, as follows:

	IAS 39 measurement	ECL remeasurement	IFRS 9 measurement
Investment securities	4,376	(63)	4,313

The ECL remeasurement is recognised in the retained fund balance in the statement of changes in unitholders' capital.

The following table reconciles the aggregate opening financial asset provisions under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in Note 5.

	Financial asset provision under IAS 39 at 31 December 2017	Remeasurement	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for:			
Investment securities	–	63	63
	–	63	63

IFRS 15 'Revenue from Contracts with Customers' – Effective 1 January 2018

IFRS 15 supersedes IAS 18, Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. This standard does not have any impact on the Fund's financial statements.

2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

- Amendments to IAS 1 and IAS 8 – Definition of Material - Effective 1 January 2020
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Effective 1 January 2019

iii) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and at bank, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Bank overdrafts, should they exist, are disclosed separately under 'liabilities' on the statement of financial position.

2. Significant accounting policies (continued)

iv) Financial instruments

Financial assets

a. Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Amortised cost and effective interest method

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised separately in the statement of comprehensive income and is included in 'interest income'.

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through statement of income on initial recognition):

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (FVOCI)

Equity instruments at fair value through other comprehensive income (FVOCI)

On initial recognition, the Fund can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of re-sale in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Fund manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the statement of income on disposal of the investments.

Debt instruments at fair value through other comprehensive income (FVOCI)

The Fund applies the category under IFRS 9 of debt instruments measured at fair value through other comprehensive income when both of the following conditions are met:

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (FVOCI) (continued)

Debt instruments at fair value through other comprehensive income (FVOCI) (continued)

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test").

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income is recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

The Fund does not have any equity instruments that are carried at FVOCI on initial application of IFRS 9 – *Financial Instruments.*

Financial assets at fair value through statement of income (FVSI)

Investments in equity instruments are classified as at FVSI, unless the Fund designates an investment that is not held for trading as at FVOCI on initial recognition. The Fund has designated all investments in equity instruments that are held for trading as FVSI on initial application of IFRS 9.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Fund has not designated any debt instrument as at FVSI.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Financial assets at fair value through statement of income (FVSI) (continued)

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria is no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed. The Fund has not designated any debt instrument as FVSI.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of comprehensive income. The net gain or loss recognised in the statement of comprehensive income is included in the 'investment income' line item.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above.

Dividend income on investments in equity instruments at FVSI is recognised in the statement of comprehensive income when the Fund's right to receive the dividends is established in accordance with IFRS 15 - *Revenue* and is included in the net gain or loss described above.

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss.

Therefore,

- for financial assets that are classified as at FVSI, the foreign exchange component is recognised in the statement of comprehensive income; and
- for equity instruments that are designated as at FVOCI, any foreign exchange component is recognised in other comprehensive income.
- for debt instruments that are designated as at FVOCI, any foreign exchange component is recognised in the statement of comprehensive income.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

a. Initial recognition and subsequent measurement (continued)

Financial assets at fair value through statement of income (FVSI) (continued)

Foreign exchange gains and losses (continued)

- for foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the 'other gains and losses' line item in the statement of comprehensive income.

b. Impairment of financial assets

Under IFRS 9 (policy applicable from 1 January 2018)

The adoption of IFRS 9 - Phase 2 has fundamentally changed the Fund's financial assets' impairment by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Fund has been recording the allowance for expected credit losses for debt financial assets not held at FVSI, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The Fund uses the general probability of default approach when calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Fund's policies for determining if there has been a significant increase in credit risk are set out below.

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

The Fund has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Significant increase in credit risk

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving an investment to the watch list to non-investment grade, or the account becoming forborne. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

Definition of default and cure

The Fund considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Fund also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Fund carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Fund's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Fund's criterion for 'cure' for ECL purposes is less stringent than the 24 months requirement for forbearance.

Calculation of Expected Credit Losses (ECLs)

When estimating the ECLs, the Fund considers among other factors the risk rating category and aging of the financial asset. Each of these is associated with different PDs, EADs and LGDs. When relevant, it also incorporates how defaulted financial assets are expected to be recovered.

2. Significant accounting policies (continued)

iv) Financial instruments (continued)

Financial assets (continued)

b. Impairment of financial assets (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Calculation of Expected Credit Losses (ECLs) (continued)

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD):

The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD):

The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

The EAD represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

Loss Given Default (LGD):

The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

For investments, the Fund primarily relies on international external credit rating agencies to provide data for PDs and LGDs.

2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IFRS 9 (policy applicable from 1 January 2018) (continued)

Forward looking information

In its ECL models, the Fund relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The mechanics of the ECL method are summarised below:

Stage 1

The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2

When a financial instrument has shown a significant increase in credit risk since origination, the Fund records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3

For financial instruments considered credit-impaired (as defined in Note 2 above), the Fund recognises the lifetime expected credit losses for these financial instruments. The method is similar to that for Stage 2 assets, with the PD set at 100%.

In most instances, LGDs are determined on an individual investment basis, including discounting the expected cash flows at the original EIR.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

Financial assets (continued)

b. ***Impairment of financial assets*** (continued)

Under IAS 39 (policy applicable before 1 January 2018)

The Fund assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding credit losses that have not yet been incurred) reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of income. Interest income (recorded as finance income in the statement of income) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of income.

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2. **Significant accounting policies** (continued)

iv) **Financial instruments** (continued)

c. ***Derecognition of financial assets***

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income. On derecognition of an equity instrument that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to the statement of other comprehensive income, but is reclassified to retained earnings. On derecognition of debt instruments at FVOCI, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit and loss.

a. ***Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of comprehensive income, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Fund's financial liabilities include fees payable, distributions payable, amounts due to related parties and other payables.

b. ***Derecognition of financial liabilities***

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

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2. **Significant accounting policies** (continued)

v) **Fair valuation of financial instruments**

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Fund would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, interest and other receivables, management fees payable, distributions payable, trustee fees payable, and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the Yield to Worst. For bonds with irregular cash flows (sinking funds, capitalisation of interest, moratoria, amortisations or balloon payments) a process of iteration employing the Internal Rate of Return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

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2. Significant accounting policies (continued)

v) Fair valuation of financial instruments (continued)

Determination of fair value and fair value hierarchies

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry fund, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Fund's own models whereby the majority of assumptions are market observable.

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2. Significant accounting policies (continued)

v) Fair valuation of financial instruments (continued)

Determination of fair value and fair value hierarchies (continued)

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Fund has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

vi) Revenue recognition

Revenue is considered to the extent that it is probable that economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when the payment was made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, and other sales taxes. The following specific recognition criteria must also be met before revenue is recognised.

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost and financial instruments designated at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Fund recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

Interest income is accrued until the investment contractually becomes three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

Investment income

The Fund calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

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2. Significant accounting policies (continued)

vi) Revenue recognition (continued)

Investment income (continued)

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

Other income and expenditure

Other income and expenditure are brought into account on the accruals basis.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the performance obligation is met at an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services. The Fund has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

A refund liability is the sum of the contribution received from the customer to cover the costs associated with the product sold. The Fund updates its balance of refund liabilities at the end of each reporting period with the monthly amortisation of the contribution used to offset the cost relating to the product sold.

vii) Subscriptions and redemptions

Subscriptions and redemptions are accounted for at the Net Asset Value calculated on the business day prior to the date of the subscription or redemption. Units may be subscribed at a minimum initial value of $3,000 and thereafter, the minimum amount of an additional investment is $500 in value, except in the instance of reinvestment of distributions. There are no limits as to the number of units that can be redeemed at any one time.

viii) Expenses

Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and trustee fees. Audit fees are included within other expenses.

ix) Distributions to Unitholders

Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.

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2. Significant accounting policies (continued)

x) Taxation

With respect to dividends which are derived locally no income tax is payable by residents of Trinidad and Tobago.

xi) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States dollars, which is the Fund's functional and presentation currency.

xii) Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are expressed in United States dollars at rates of exchange ruling at 31 December. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the statement of comprehensive income.

xiii) Unitholders' Capital

Unitholders' subscriptions and redemptions measured at par value are recognised in the 'Unitholders' balance' line in the statement of financial position. The differences between the net assets (NAV) of the Fund and its par value is recorded in 'retained earnings'.

Classification of redeemable shares

Redeemable shares are classified as equity instruments when:

- The redeemable shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.
- The redeemable shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.
- The total expected cash flows attributable to the redeemable shares over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund.
- The effect of substantially restricting or fixing the residual return to the redeemable unitholders.

The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.

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(Expressed in thousands of United States dollars)

3. Significant accounting judgements and estimates

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosures relating to the Fund's exposure to risks and uncertainties include:

- Financial instruments risk management (Note 11)
- Fund management (Note 14)

i) Judgement

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of financial instruments (policy applicable under IFRS 9)

The measurement of impairment losses under IFRS 9 across all categories of financial instruments requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Fund's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Fund's criteria for assessing if there has been a significant increase in credit risk and if so allowances for financial instruments should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Impairment of financial instruments (policy applicable under IAS 39)

Management makes judgements to determine whether financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

3. Significant accounting judgements and estimates (continued)

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Valuation of investments

Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

4. Cash and cash equivalents	**2018**	**2017**
Cash at bank	551	118
Short-term funds	1,856	406
	2,407	524

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Fund, and earn interest at the respective short-term deposit rates.

5. Investment securities	**2018**	**2017**
Investment securities designated at fair value through statement of income	5,018	5,974
Investment securities measured at amortised cost	2,938	4,376
Investment securities designated at fair value through other comprehensive income	478	–
Total investment securities	8,434	10,350

Investment securities designated at fair value through statement of income		
Equity securities	–	–
State-owned company securities	1,243	1,246
Corporate bonds and debentures	3,775	4,728
	5,018	5,974

5. Investment securities (continued)

Investment securities measured at amortised cost	**2018**	**2017**
State-owned company securities	–	511
Corporate bonds and debentures	2,938	3,865
	2,938	4,376

Investment securities designated at fair value through other comprehensive income		
Corporate bonds and debentures	478	–
	478	–

The movement in specific provision for impaired investments is analysed as follows:

	2017
Balance at 1 January	–
Amounts written back	–
Charge for the year	–
At 31 December	–

Impairment allowance for investment securities

The table below shows the credit quality and the maximum exposure to credit risk based on the Fund's credit rating system, aging and year-end stage classification.

Parent
Investment securities measured at amortised cost

Credit rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 31 December 2018	1,759	1,200	–	2,959
ECL allowance as at 31 December 2018	(5)	(16)	–	(21)
Net exposure as at 31 December 2018	**1,754**	**1,184**	**–**	**2,938**
Gross carrying amount as at 1 January 2018	2,594	1,782	–	4,376
ECL allowance as at 1 January 2018	(3)	(60)	–	(63)
Net exposure as at 1 January 2018	**2,591**	**1,722**	**–**	**4,313**

Credit rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2018	(3)	(60)	–	(63)
ECL on new instruments issued during the year			–	–
Other credit loss movements, repayments etc.	(2)	44	–	42
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(5)**	**(16)**	**–**	**(21)**

5. Investment securities (continued)

Impairment allowance for investment securities (continued)

Investment securities designated and measured at FVOCI

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 31 December 2018	478	–	–	478
ECL allowance as at 31 December 2018	(10)	–	–	(10)
Net exposure as at 31 December 2018	**468**	**–**	**–**	**468**
Gross carrying amount as at 1 January 2018	–	–	–	–
ECL allowance as at 1 January 2018	–	–	–	–
Net exposure as at 1 January 2018	**–**	**–**	**–**	**–**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
ECL allowance as at 1 January 2018	–	–	–	–
ECL on new instruments issued during the year	(10)	–	–	(10)
Other credit loss movements, repayments etc.	–	–	–	–
Charge-offs and write-offs	–	–	–	–
At 31 December 2018	**(10)**	**–**	**–**	**(10)**

(Expressed in thousands of United States dollars)

6. Unitholders' balances at par

	2018	
Authorised:	Units	$
Unlimited number of units		
Reconciliation of unitholders' balances:		
Units outstanding at the beginning of the year	108,113	10,836
Units issued	9,970	978
Units redeemed	(9,260)	(937)
Value of unit above par issued and redeemed in the year	–	7
Units outstanding at the end of the year (value of units at par)	108,823	10,884
Unitholders' deficit below par		22
Unitholders' balance		10,906
Net asset value per unit on unitholders' balance		100.20
Other unitholder movements		4
Total net asset value of fund		10,910
Adjusted net asset value per unit		100.16

6. Unitholders' balances at par (continued)

	2017	
Authorised:	Units	$
Unlimited number of units		
Reconciliation of unitholders' balances:		
Units outstanding at the beginning of the year	116,590	11,660
Units issued	9,735	1,013
Units redeemed	(18,212)	(1,830)
Value of unit below par issued and redeemed in the year	–	(7)
Units outstanding at the end of the year (value of units at par)	108,113	10,836
Unitholders' deficit below par		140
Unitholders' balance		10,976
Net asset value per unit on unitholders' balance		102
Other unitholder movements		11
Total net asset value of fund		10,987
Adjusted net asset value per unit		101.63

7. Interest income	**2018**	**2017**
Interest income from investments designated at fair value through statement of income	368	408
Interest income from financial assets measured at amortised cost	211	175
	579	583

8. Net realised and unrealised losses on investment securities		
Realised losses on sale of investment securities	(55)	–
Unrealised losses on investments held at year end designated at fair value through statement of income	(314)	(37)
	(369)	(37)

9. Fees

The Investment Manager is paid quarterly from the assets of the Fund in the form of management fees, administrator fees and distributor fees, calculated on the basis of the average net asset value in that quarter pro-rated where necessary on the basis of number of days remaining or elapsed in the quarter, according to an annual rate not to exceed a cumulative total of 4.25% on the average net asset value of the Fund.

The Trustee is paid from the assets of the Fund a fee not exceeding an annual rate of 0.15% on the average net asset value and such fee shall be, subject to a minimum annual fee of $12,000, exclusive of VAT.

	2018	**2017**
Management fees	140	113
Trustee fees	17	17
	157	130

10. Fair value of financial instruments

(i) Carrying amounts and fair values

The following table summarises the carrying amounts and the fair values of the Fund's investment securities as at 31 December.

2018	**Carrying values**	**Fair values**	**Unrecognised (loss)/gain**
Financial assets			
Cash and cash equivalents	2,407	2,407	
Investment securities	8,434	8,386	(48)
Interest receivable	115	115	–
Total financial assets	10,956	10,908	(48)
Financial liabilities			
Management fee payable	32	32	-
Trustee fees payable	4	4	-
Distributions payable	6	6	-
Other payables	4	4	-
Total financial liabilities	46	46	-
2017			
Financial assets			
Cash and cash equivalents	524	524	–
Investment securities	10,350	10,428	78
Interest receivable	141	141	–
Total financial assets	11,015	11,093	78
Financial liabilities			
Management fee payable	11	11	–
Trustee fees payable	4	4	–
Distributions payable	7	7	–
Other payables	6	6	–
Total financial liabilities	28	28	–

(Expressed in thousands of United States dollars)

10. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at fair value through statement of income				
State-owned company securities	–	1,243	–	1,243
Corporate bonds and debentures	3,775	–	–	3,775
	3,775	1,243	–	5,018
Investment securities designated at amortised cost for which fair values are disclosed				
State-owned company securities	–	–	–	–
Corporate bonds and debentures	2,602	288	–	2,890
	2,602	288	–	2,890
Investment securities designated at fair value through other comprehensive income				
Corporate bonds and debentures	478	–	–	478
	478	–	–	478

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at fair value through statement of income				
State-owned company securities	–	1,246	–	1,246
Corporate bonds and debentures	4,728	–	–	4,728
	4,728	1,246	–	5,974

10. Fair value of financial instruments (continued)

(ii) Determination of fair value and fair value hierarchies (continued)

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities designated at amortised cost for which fair values are disclosed				
State-owned company securities	536	–	–	536
Corporate bonds and debentures	3,556	362	–	3,918
	4,092	362	–	4,454
2017				
Investment securities designated at fair value through other comprehensive income				
Government bonds	–	–	–	–
	–	–	–	–

(iii) Transfers between Level 1 and Level 2

For the year ended 31 December 2018, there were no transfer of assets between Level 1 and Level 2.

(iv) Movements in Level 3 financial instruments

	2018	**2017**
Balance at 1 January	–	–
Loss recognised	–	–
Purchases	–	–
Transfers (from)/into Level 3	–	–
Disposals	–	–
	–	–

11. Risk management

Introduction

Risk is inherent in the Fund's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to credit risk, liquidity risk and market risk.

Role of the Trustee

The Trustee is the custodian of the Fund and their responsibility is that of safeguarding Unitholders' interests. The Trustee approves all distribution of income from the Fund and ensures that the Fund is externally audited every year. They also ensure that all provisions within the prospectus are followed by the Investment Manager and all regulatory requirements are fulfilled.

Risk management structure

The Bank which acts as the Fund Sponsor, Distributor, Administrator and Investment Manager, is ultimately responsible for identifying and controlling risks. The Bank is also responsible for the overall risk management approach and for approving the risk strategies, principles, policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank in compliance with the policies approved by the Board of Directors.

Treasury management

The Fund employs the Treasury function of the Bank, which is responsible for managing the Fund's assets and liabilities and the overall financial structure. The treasury function is also primarily responsible for the funding and liquidity risks of the Fund.

Concentrations of risk

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Fund's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Fund's procedures include specific monitoring control to focus on the maintenance of a diversified portfolio.

11. Risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Fund's financial result on movements in certain market risk variables.

Credit risk management

Credit risk to the Fund is the potential that a counterparty will fail to meet its stated obligations in accordance with agreed terms. It is the Fund's policy to enter into financial arrangements with a variety of creditworthy counterparties and monitor the size of the exposure to any one issuer and the duration of the investment. The Fund's exposure to credit risk largely arises from its investment securities portfolio. The Bank, in its capacity as Investment Manager, is responsible for identifying and controlling credit risk.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Fund's portfolio, could result in losses that are different from those provided at the statement of financial position date. Management therefore carefully manages its exposure to credit risk.

The following table shows the maximum exposure to credit which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

	Gross maximum exposure	
	2018	**2017**
Cash and cash equivalents	2,407	524
Investment securities	8,434	10,350
Interest receivable	115	141
	10,956	11,015

(Expressed in thousands of United States dollars)

11. Risk management (continued)

Cash and cash equivalents

These funds are placed with highly rated local banks. Management therefore considers the risk of default of these counterparties to be very low.

Credit quality

PDs and LGDs for traded instruments were based on the global credit ratings assigned to the instruments or the country for sovereign exposures. PDs and LGDs for non-traded instruments as well as local debt instruments were based on three notches below the credit rating of the sovereign in which the instrument is issued or on company ratings where they existed. EAD equals the amortised security balance plus accrued interest.

Investment debt securities

The credit quality of investment debt securities has been analysed into the following categories:

High grade	These comprise of regional sovereign debt securities issued directly or through state intermediary body where there has been no history of default.
Standard	These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies.
Sub-standard	These securities are greater than 90 days in arrears display indicators of impairment or have been restructured in the past financial year.
Impaired	These securities are non-performing.

	High grade	Standard	Total
2018			
Investments designated at fair value through statement of income	1,243	3,775	5,018
Investments measured at amortised cost	–	2,938	2,938
Investments designated at fair value through other comprehensive income	478	–	478
	1,721	6,713	8,434
2017			
Investments designated at fair value through statement of income	1,245	4,729	5,974
Investments measured at amortised cost	512	3,864	4,376
	1,757	8,593	10,350

There were no investment debt securities classified as sub-standard or impaired for the years ended 31 December 2017 and 31 December 2016.

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11. Risk management (continued)

Currency risk

As at 31 December 2018, all of the Fund's assets and liabilities are denominated in United States dollars and therefore the Fund has no exposure to foreign currency risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Fund manages its interest rate exposure by investing in fixed and variable rate instruments.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank, in its capacity as Investment Manager, sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Bank's Treasury department.

During the current period the Fund was not exposed to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Fund will be unable to liquidate positions to satisfy commitments to Unitholders for redemptions due to market conditions. This is managed by maintaining an adequate position in assets with maturities of less than one year.

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11. Risk management (continued)

Liquidity risk (continued)

The table analyses the Fund's financial liabilities into the relevant maturity funding based on the remaining period as at 31 December to the contractual maturity date.

	Up to one year	Over one year	Total
2018			
Financial liabilities			
Management fee payable	32	–	32
Trustee fees payable	4	–	4
Distributions payable	6	–	6
Other payables	4	–	4
Total financial liabilities	46	–	46
2017			
Financial liabilities			
Management fee payable	11	–	11
Trustee fees payable	4	–	4
Distributions payable	7	–	7
Other payables	6	–	6
Total financial liabilities	28	–	28

Equity price risk

Equity price risk is the risk that the fair value of equities will decrease as a result of decreases in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Fund's investment portfolio. The effect on equity due to a reasonably possible change in equity indices is considered below:

Market indices	Change in equity price		Effect on income 2018 +/-	2017 +/-
S&P 500	+ / -	8%	–	–

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12. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

	2018			2017		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Assets						
Cash and cash equivalents	2,407	–	2,407	524	–	524
Investment securities	558	7,876	8,434	1,107	9,243	10,350
Interest receivable	115	–	115	141	–	141
Total assets	3,080	7,876	10,956	1,772	9,243	11,015

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(Expressed in thousands of United States dollars)

12. Maturity analysis of assets and liabilities (continued)

	2018			2017		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Liabilities						
Management fee payable	32	–	32	11	–	11
Trustee fees payable	4	–	4	4	–	4
Distributions payable	6	–	6	7	–	7
Other payables	4	–	4	6	–	6
Total liabilities	46	–	46	28	–	28

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13. Related party transactions and balances

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Related party transactions are carried out on commercial terms and at market rates. The related assets, liabilities, income and expenses for these transactions are as follows:

	2018	2017
Assets		
Other related parties	291	357
Liabilities		
Sponsor company	32	13
Unitholders' balances		
Sponsor company	1,000	1,000
Directors and key management personnel	149	116
Other related parties	197	161
	1,346	1,277
Income		
Other related parties	15	18
Expense		
Sponsor company	140	113
Distributions		
Directors and key management personnel	2	2
Other related parties	3	2
	5	4

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14. Fund management

When managing capital, which is represented by Unitholders' balances, the objectives of the Fund Manager are:

- To comply with the requirements set out in the Fund's prospectus and Trust Deed;
- To safeguard the Fund's ability to continue as a going concern so that it can continue to provide returns for Unitholders; and
- To maintain a strong capital base to support the development of its business.

The Fund endeavours to invest the proceeds from the issue of units in appropriate investments while maintaining sufficient liquidity to meet redemptions where necessary, such liquidity being augmented by short-term borrowings or disposal of investment securities where necessary.

The use of proceeds from the issue of units is monitored on a daily basis by the Fund Manager, based on guidelines set out in the Prospectus and the Trust Deed. The Fund complied with the requirements set out in the Prospectus and Trust Deed during the reported financial periods and no changes were made to the Fund's objectives, policies and processes from the previous year.

15. Commitments and contingencies

The Fund has no capital commitments nor any contingencies for the years ended 31 December 2018 and 2017.

16. Events after the reporting period

There were no material events after the statement of financial position date of 31 December 2018 which required recording or disclosure in the financial statements of the Fund as at 18 March 2019.

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