



## CHAIRMAN'S STATEMENT FOR 31ST DECEMBER 2017

ANSA Merchant Bank and its Subsidiaries, TATIL, Tatil Life and Consolidated Finance Company, ("AMBL") continued to deliver robust results in 2017 despite the subdued local and regional economic climate.

I am pleased to report that the consolidated AMBL revenue performance was very encouraging, reflecting strong growth of 21% or \$168 Million year over year, which drove Total Operating Income to \$982 Million in 2017, just shy of \$1 Billion in top line performance. Net Operating Income also increase by 9% year over year to \$582 Million in 2017 up from \$533 Million in 2016.

Profit Before Tax remained robust in 2017 at \$314 Million closely in line with the results delivered in 2016 of \$322 Million, while Total Equity increased by \$120 Million or 5% year over year to \$2.322 Billion. Our Earnings Per Share in 2017 was \$2.71 compared to \$2.94 in 2016. We continue to maintain a solid Total Assets base which was maintained over the \$7 Billion level ending 2017 at \$7.3 Billion.

Our Banking business produced an increase of 6% in Profit Before Tax at \$214 Million in 2017 up from \$201 Million in 2016. During the year we introduced our Private Wealth Management Service to complement our Institutional Investment Services and we are quite encouraged by the market's response to same. Our Asset Finance business continues to be best in class and 2017 marked ten (10) years of our thrust into Investment Banking, with total transactions arranged in excess of TTD 22 Billion during this period.

Our investment portfolios continue to deliver superior performance against its objectives of both investment income and capital growth within our active risk management framework. Notable was our TT Income Mutual Fund which delivered a 12 month return of 3.76% to December 31, 2017, securing the #1 position.

TATIL continued to gain considerable market share in its Motor and Property books in 2017 with an increase in Net Premium Income of \$16.6 Million or 9% and remained with a best in class rating by A.M. Best of A- (Excellent) a demonstration of the strength and legacy of our Insurance business. Tatil Life's performance improved significantly in 2017 by \$15 Million or 27% over 2016 to produce a Profit Before Tax of \$67.6 Million, gaining market share in both its Mortgage and Life products where Net Premium Income jumped by 77% year over year.

Our Barbados Subsidiaries; Consolidated Finance Co. and Bryden's Insurance produced quite stable earnings throughout 2017, notwithstanding the difficult economic conditions being faced in that Country. Throughout 2017, we continued to work closely on the integration of both companies to ensure that we enhanced our product and service delivery in both markets.

The commendable performance in all our business lines enabled this solid performance of the Bank's consolidated earnings for 2017. While the macro-economic conditions in our markets continue to pose challenges, we are confident in the future and in our businesses to deliver another solid performance in 2018 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 2017 to \$1.20. The final Dividend will be paid on 25th May 2018 to shareholders on the register as at 15th May 2018.



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



## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANSA MERCHANT BANK LIMITED

### 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 statement of financial position as at 31 December 2017, 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 2017 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 judgment, 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.

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANSA MERCHANT BANK LIMITED

Report on the Audit of the Separate and Consolidated Financial Statements  
(Continued)

## Key Audit Matters (Continued)

Key Audit Matters	How our audit addressed the Key Audit Matter
<p><b>Estimates used in the calculation of Insurance Contracts' Liabilities</b></p> <p>Refer to Notes 2xix, 21 and 22. The Group has significant insurance liabilities of TT\$1.44 billion representing 29% of the Group's total liabilities. The valuation of insurance contract liabilities involves extensive judgment 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We involved our EY actuarial specialists to assist us in performing our audit procedures in this area, which included among others:</p> <ul style="list-style-type: none"> <li>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.</li> <li>Recalculation of technical provisions produced by the models on a sample basis.</li> <li>An assessment of the internal controls regarding the maintenance of the policyholder database.</li> <li>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.</li> <li>We considered whether the Group's disclosures in the consolidated financial statements in relation to insurance contract liabilities were compliant with IFRS.</li> </ul>
<p><b>Fair value measurement of investments securities and related disclosures</b></p> <p>Refer to Notes 2vii, 3, 7 and 37. The Group invests in various investment securities, of which \$856 million (Parent: \$122 million) is carried at fair value in the statement of financial position. Additionally, the fair values are disclosed for \$3 billion (Parent: \$743 million) of investment securities carried at amortized cost in the statement of financial position. Of these assets, \$2.2 billion (Parent: \$569 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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> <li>An assessment of the pricing model methodologies and assumptions against industry practice and valuation guidelines.</li> <li>Testing of the inputs used, including cash flows and other market based data.</li> <li>An evaluation of the reasonableness of other assumptions applied such as credit spreads.</li> <li>The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation.</li> <li>An assessment of management's impairment analysis.</li> </ul> <p>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.</p>
<p><b>Loan loss provisions</b></p> <p>Refer to Notes 2vi, 3, 5, 6 and 38. Net investments in leased assets, loans and advances are 26% of the total assets of the Group (Parent: 39%) amounting to \$1.9 billion (Parent: \$1.3 billion).</p> <p>The appropriateness of loan loss provisions is a key area of judgment for management. The identification of impairment and the determination of the recoverable amount are inherently uncertain processes involving various assumptions and factors including the probability of default, financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions.</p> <p>The disclosures relating to investments in leased assets, loans and advances are considered important to users of the financial statements given the estimation uncertainty and sensitivity of the valuations.</p>	<p>We evaluated and tested the Group's process and documented policy for loan loss provisioning.</p> <p>For loan loss provisions calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default.</p> <p>For loan loss provisions calculated on a collective basis, we assessed the loan related data and challenged the assumptions used in the valuation models, mainly by back testing.</p> <p>Finally we focused on the adequacy of the Group's financial statement disclosures regarding net investments in leased assets, loans and advances and the related loan loss provisions.</p>



# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ANSA MERCHANT BANK LIMITED

Report on the Audit of the Separate and Consolidated Financial Statements  
(Continued)



## Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Group's 2017 Annual Report, other than the separate and consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2017 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 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 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 judgment 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 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.

Port of Spain,  
TRINIDAD:  
19 March 2018



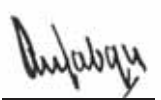
**ANSA MERCHANT BANK LIMITED**  
**SEPARATE AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

Parent	31 Dec	Notes	Group	31 Dec
2016	2017		2017	2016
<b>Assets</b>				
286,015	267,887	Cash and short-term funds	4	643,185
–	–	Fixed deposits		110,897
		Net investment in leased assets		
1,056,495	1,078,103	and other instalment loans	5	1,445,858
697,428	205,229	Loans and advances	6	434,920
600,215	860,257	Investment securities	7	3,793,910
6,666	8,138	Interest receivable		33,976
–	–	Insurance receivables	9	35,619
51,871	20,027	Other debtors and prepayments	10	32,400
–	–	Reinsurance assets	21	175,125
1,219	1,219	Taxation recoverable		2,435
810,320	810,320	Investment in subsidiaries	11	–
–	–	Investment properties	12	139,268
1,351	1,242	Property and equipment	13	184,054
–	12,288	Intangible assets	14	153,417
20,179	17,675	Deferred tax asset	15	21,782
9,374	8,354	Employee benefit asset	16	128,775
<b>3,541,133</b>	<b>3,290,739</b>	<b>Total assets</b>		<b>7,335,621</b>
				<b>7,409,122</b>
<b>Liabilities</b>				
		Customers' deposits and other		
1,125,556	949,469	funding instruments	18	2,128,296
–	–	Bank overdraft	4	–
		Accrued interest and other		
71,323	55,498	payables	17	128,886
1,004,330	904,324	Debt securities in issue	19	904,324
8,884	9,235	Taxation payable		14,412
4,339	5,312	Deferred tax liability	15	155,688
		Employee benefit obligation	16	5,582
385	483	Investment contract		4,525
–	–	liabilities	20	234,503
–	–	Insurance contract		224,936
–	–	liabilities	21	1,441,760
<b>2,214,817</b>	<b>1,924,321</b>	<b>Total liabilities</b>		<b>5,013,451</b>
				<b>5,206,958</b>
<b>Equity</b>				
667,274	667,274	Stated capital	23	667,274
162,303	176,632	Statutory reserve fund		192,576
–	–	Statutory surplus reserve		63,220
5,366	5,508	General loan loss reserve		5,512
922	1,219	Foreign currency reserve		112
490,451	515,785	Retained earnings		1,392,915
		Equity attributable to the		
1,326,316	1,366,418	equity holders of the parent		2,321,609
–	–	Non-controlling interest		561
<b>1,326,316</b>	<b>1,366,418</b>	<b>Total equity</b>		<b>2,322,170</b>
				<b>2,202,164</b>
<b>3,541,133</b>	<b>3,290,739</b>	<b>Total liabilities and equity</b>		<b>7,335,621</b>
				<b>7,409,122</b>

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 2018 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 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

Parent	2016	2017	Notes	2017	2016
–	–	Net insurance revenue	24	398,570	314,101
187,512	165,181	Finance charges, loan fees			
65,596	74,280	and other interest income	25	204,657	197,318
51,850	60,636	Investment income	26	235,813	149,056
		Other income	27	142,761	153,304
<b>304,958</b>	<b>300,097</b>	<b>Total operating income</b>		<b>981,801</b>	<b>813,779</b>
		Net insurance benefits and			
–	–	claims incurred	28	(309,698)	(201,430)
(60,688)	(55,649)	Interest expense	29	(91,063)	(84,636)
		Write back of provision for			
3,442	10,895	impairment of investments	30	13,097	5,606
		Write back/(provision) for losses			
305	(6,854)	on loans and advances		(12,127)	163
<b>248,017</b>	<b>248,489</b>	<b>Net operating income</b>		<b>582,010</b>	<b>533,482</b>
(16,365)	(18,552)	Marketing and policy expenses	31	(60,462)	(65,840)
(22,853)	(26,008)	Personnel expenses	32	(86,174)	(70,502)
(518)	(497)	Depreciation	13	(37,628)	(11,465)
(2,160)	(2,160)	Management fees		(8,542)	(8,597)
(10,633)	(10,335)	General administrative expenses	33	(75,642)	(55,050)
<b>(52,529)</b>	<b>(57,552)</b>	<b>Total selling and administration expenses</b>		<b>(268,448)</b>	<b>(211,454)</b>
<b>195,488</b>	<b>190,937</b>	<b>Net profit before taxation</b>		<b>313,562</b>	<b>322,028</b>
(42,427)	(47,639)	Taxation	34	(81,283)	(70,281)
<b>153,061</b>	<b>143,298</b>	<b>Profit for the year</b>		<b>232,279</b>	<b>251,747</b>
		<b>Profit attributable to:</b>			
153,061	143,298	Equity holders of the Parent		232,238	251,714
–	–	Non-controlling interest		41	33
<b>153,061</b>	<b>143,298</b>			<b>232,279</b>	<b>251,747</b>
		<b>Basic and diluted</b>			
		<b>earning per share (\$ per share)</b>		<b>2.71</b>	<b>2.94</b>
		<b>Weighted average</b>			
		<b>number of shares ('000)</b>		<b>85,605</b>	<b>85,605</b>

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 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

Parent	2016	2017	Notes	2017	2016
153,061	143,298	<b>Profit for the year</b>		232,279	251,747
		<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</b>			
763	297	Net gain/(loss) on investment securities at fair value through other comprehensive income		–	–
(38)	(1,096)	Experience losses on defined benefit plans	16 (b)	(5,244)	(483)
(22)	329	Income tax effect	15	1,527	(1,139)
(60)	(767)			(3,717)	(1,622)
<b>703</b>	<b>(470)</b>			<b>(3,717)</b>	<b>(1,622)</b>
		<b>Other comprehensive income that may be reclassified subsequently to profit and loss, net of tax</b>			
–	–	Exchange differences on translation of foreign operations		(1,655)	1,767
<b>153,764</b>	<b>142,828</b>	<b>Total comprehensive income for the year, net of tax</b>		<b>226,907</b>	<b>251,892</b>
153,764	142,828	<b>Attributable to:</b>			
–	–	Equity holders of the Parent		226,866	251,859
153,764	142,828	Non-controlling interest		41	33
				<b>226,907</b>	<b>251,892</b>

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

**ANSA MERCHANT BANK LIMITED**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(Expressed in thousands of Trinidad and Tobago dollars)



Parent	Stated capital	Statutory reserve fund	General loan loss reserve	Foreign currency reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2015</b>	667,274	146,908	5,056	159	442,118	1,261,515
Profit for the year	—	—	—	—	153,061	153,061
Other comprehensive income for the year	—	—	—	763	(60)	703
Transfer to general loan loss reserve	—	—	310	—	(310)	—
Transfer to statutory reserve fund	—	15,395	—	—	(15,395)	—
Dividends (Final 2015 and Interim 2016) (Note 44)	—	—	—	—	(89,886)	(89,886)
Other reserve movements	—	—	—	—	923	923
<b>Balance as at 31 December 2016</b>	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	—	—	—	—	—	—
<b>Balance as at 31 December 2017</b>	667,274	176,632	5,508	1,219	515,785	1,366,418

**ANSA MERCHANT BANK LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

Group	Stated capital	Statutory reserve fund	Statutory surplus reserve	General loan loss reserve	Foreign currency reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interest	Total equity
<b>Balance as at 31 December 2015</b>	667,274	162,852	57,327	5,056	—	1,147,456	2,039,965	487	2,040,452
Profit for the year	—	—	—	—	—	251,714	251,714	33	251,747
Other comprehensive income for the year	—	—	—	—	1,767	(1,622)	145	—	145
Other life insurance reserve movements	—	—	—	—	—	(325)	(325)	—	(325)
Transfer to general loan loss reserve	—	—	—	310	—	(310)	—	—	—
Transfer to statutory reserve fund	—	15,395	—	—	—	(15,395)	—	—	—
Dividends (Final 2015 and Interim 2016) (Note 44)	—	—	—	—	—	(89,886)	(89,886)	—	(89,886)
Other reserve movements	—	—	—	—	—	31	31	—	31
<b>Balance as at 31 December 2016</b>	667,274	178,247	57,327	5,366	1,767	1,291,663	2,201,644	520	2,202,164
<b>Balance as at 31 December 2016</b>	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
<b>Balance as at 31 December 2017</b>	667,274	192,576	63,220	5,512	112	1,392,915	2,321,609	561	2,322,170

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

Parent			Notes	Group	
2016	2017			2017	2016
Cash flows from operating activities					
195,488	190,937	Profit before taxation		313,562	322,028
Adjustments for:					
102	371	Employee benefits	16b	(3,473)	(3,027)
—	—	(Gain)/loss on disposal of property and equipment		(6,078)	(1,256)
518	497	Depreciation	13	37,628	11,465
257	(7,430)	Impairment on investments	7	(8,034)	(2,089)
Amortisation of investment securities and interest capitalised					
(590)	2,891	(Write back)/provisions for losses on loans and advances		(3,717)	(10,063)
(305)	6,854	Loss/(gain) on revaluation of investments	26	12,127	(163)
3,037	(4,545)	Loss/(gain) on sale of investment securities		(30,361)	8,774
(2,742)	627	Interest income		(4,478)	10,207
(59,979)	(48,809)	Write-off of capital expenditure and other receivables	33	(178,395)	(142,369)
—	—	Finance costs	29	—	—
60,688	55,649	Foreign exchange gains		91,063	84,636
(5,335)	(900)			(3,159)	(61,415)
Operating profit before working capital changes					
191,139	196,142			216,685	216,728
Decrease/(increase) in investment in leased assets and loans and advances					
51,777	463,736			411,273	(258)
Decrease/(increase) in other receivables, debtors and prepayments					
(6,622)	31,845			44,596	16,809
Decrease in customers' deposits and other funding instruments					
(50,037)	(176,086)			(176,945)	(264,316)
(Decrease)/increase in accruals and other payables					
4,372	(13,333)			(6,636)	(2,081)
(Increase)/decrease in Central Bank reserve account					
(17,837)	33,130			32,552	(17,946)
Increase in insurance and investment contracts					
—	—			86,835	54,037
172,792	535,434			608,360	2,973
(59,413)	(58,141)	Finance costs paid		(95,260)	(78,873)
62,218	47,337	Interest received on investments		173,527	150,860
(39,966)	(42,996)	Taxes paid		(74,144)	(61,050)
135,631	481,634	Cash generated from operating activities		612,483	13,910
Cash flows from investing activities					
—	—	Placement of fixed deposits		(167,643)	(120,684)
—	—	Maturity of fixed deposits		181,719	146,332
—	—	Proceeds from sale of fixed assets		22,120	4,709
Additions to fixed assets					
(367)	(12,676)	and investment properties	13,14	(77,205)	(18,210)
(694,754)	(1,190,213)	Purchase of investments		(1,984,821)	(1,619,320)
725,933	939,749	Sale or maturity of investments		1,526,473	1,767,532
Acquisition of business, net of cash acquired					
(77,053)	—		41	—	(44,467)
Net cash generated from/(used in) investing activities					
(46,241)	(263,140)			(499,357)	115,893
Cash flows from financing activities					
42,837	—	Issue of debt securities		—	42,837
(66,994)	(100,767)	Repayment of debt securities		(100,767)	(66,994)
(89,886)	(102,726)	Dividends paid	44	(102,726)	(89,886)
(114,043)	(203,493)	Net cash used in financing activities		(203,493)	(114,043)
Net increase/(decrease) in cash and cash equivalents					
(24,653)	15,001			(90,367)	15,760
Cash and cash equivalents at the beginning of the year					
225,125	200,472			657,983	642,224
Cash and cash equivalents at the end of the year					
200,472	215,473			567,616	657,983
Represented by:					
200,472	215,473	Cash and cash equivalents	4	567,616	657,983
200,472	215,473			567,616	657,983
Supplemental information:					
96,289	47,336	Interest and dividends received		379,344	306,558
59,413	58,141	Interest paid		95,260	(78,873)

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 2017. 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).

2. Significant accounting policies (continued)

i) Basis of preparation (continued)

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.

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 40.

2. Significant accounting policies (continued)

i) Basis of preparation (continued)

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.

2. Significant accounting policies (continued)

i) Basis of preparation (continued)

Basis of consolidation (continued)

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.

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 2017, the Group earned \$7 million (2016: \$6 million) in management fees from the retirement plans and \$17.9 million (2016: \$18.8 million) from the mutual funds.

The Group holds an interest of \$68 million in sponsored funds as at 31 December 2017 (2016: \$66 million). The maximum exposure to loss in these funds is the carrying value of the assets held by the Group.



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

**i) Basis of preparation (continued)**

**Basis of consolidation (continued)**

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 2016 except for the adoption of new standards and interpretations noted below.

**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 2017. Except for Phase 1 of IFRS 9, 'Financial Instruments' (see Note 2 vi), the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

**ii) Changes in accounting policies and disclosures (continued)**

**New and amended standards and interpretations (continued)**

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, 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 7, 'Statement of Cash Flows' – Effective 1 January 2017**

The amendments to IAS 7, 'Statement of Cash Flows' are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Group.

**Amendments to IAS 12, 'Income Taxes' – Effective 1 January 2017**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments have no impact on the Group.

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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 28 – Long-term Interests in Associates and Joint Ventures – Effective 1 January 2019
- Amendments to IAS 40 – Transfers of Investment Property – Effective 1 January 2018
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Effective 1 January 2018
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Effective 1 January 2018
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- IFRS 9, 'Financial Instruments' Phases 2 and 3 – Effective 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018
- IFRS 16, 'Leases' – Effective 1 January 2019
- IFRS 17, 'Insurance Contracts' – Effective 1 January 2021
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' – Effective 1 January 2018
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28 – Effective 1 January 2018
- 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)**

**ii) Changes in accounting policies and disclosures (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 9, 'Financial Instruments'**

The following is an overview of the process which the Company undertook in preparation for the implementation of IFRS 9, 'Financial Instruments.'

IFRS 9, 'Financial Instruments', was developed in three phases:

- Phase 1 – Classification and measurement of financial instruments

This phase was early adopted by the Group in its financial statements for the year ended 31 December 2011. The exemption given in the transitional provision for early application was applied and hence the Group did not restate comparative information in the year of application.

- Phase 2 – Impairment

This phase will be implemented by the Group from 1 January 2018. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to financial assets accounted for at amortised cost or at FVOCI, including commitments and guarantees.

The Group has assessed that the application of IFRS 9 will result in earlier recognition of credit losses and is currently assessing the extent of the impact and the adjustment required.

- Phase 3 – Hedge accounting

The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. At this time, the Group is not engaged in hedging strategies and therefore this phase has no impact on the Group.

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

**ii) Changes in accounting policies and disclosures (continued)**

*Standards issued but not yet effective (continued)*

**IFRS 15, 'Revenue from Contracts with Customers'**

The following is an overview of the potential impact on the Company's Financial Statements and processes with the adoption of IFRS 15, 'Revenue from Contracts with Customers' effective 1 January, 2018.

IFRS 15, 'Revenue from Contracts with Customers' is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. Implementing this standard required extensive work by all companies throughout the Group in reassessing their accounting policies, systems and processes, the impact of which is currently being assessed. The Group has decided to apply the modified retrospective approach from 1 January 2018. Additional information on the new requirements of IFRS 15 are further detailed below.

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11, 'Construction Contracts', IAS 18, 'Revenue', IFRIC 13, 'Customer Loyalty Programmes', IFRIC 15, 'Agreements for the Construction of Real Estate', IFRIC 18, 'Transfers of Assets from Customers' and SIC 31, 'Revenue – Barter Transactions Involving Advertising Services') and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17, 'Leases' (or IFRS 16, 'Leases', once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

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

**ii) Changes in accounting policies and disclosures (continued)**

*Standards issued but not yet effective (continued)*

**IFRS 15 (continued)**

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires the Group to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

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

**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.

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.

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

**iii) Business combinations and goodwill (continued)**

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 on the principal amount outstanding.

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

**vi) Financial instruments (continued)**

**Financial assets (continued)**

**a) Initial recognition and subsequent measurement (continued)**

*Amortised cost and effective interest method (continued)*

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)*

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)*

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 Instrument.'

*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 37.

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 IAS 18, '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.

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

**vi) Financial instruments (continued)**

**Financial assets (continued)**

**a) Initial recognition and subsequent measurement (continued)**

*Foreign exchange gains and losses (continued)*

Therefore:

- for financial assets that are classified as FVSI, the foreign exchange component is recognised in the statement of income; and
- for financial assets that are designated as FVOCI, any foreign exchange component is recognised in other comprehensive income.

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.

**b) Impairment of financial assets**

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.

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

**vi) Financial instruments (continued)**

**Financial assets (continued)**

**b) Impairment of financial assets (continued)**

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.

**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 a financial asset 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.

**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.

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

**vi) Financial instruments (continued)**

**Financial liabilities (continued)**

**a) Initial recognition and subsequent measurement (continued)**

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 derecognition 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.

**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 37. 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.



2.	Significant accounting policies (continued)
vii)	Fair value measurement (continued)
	<p>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.</p> <p>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.</p> <p><i>Insurance contracts</i></p> <p>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 judgment in interpreting market data and developing estimates.</p> <p>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.</p> <p>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.</p> <p><i>Short-term financial assets and liabilities</i></p> <p>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.</p>

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2.	Significant accounting policies (continued)
vii)	Fair value measurement (continued)
	<p><i>Investment securities</i></p> <p>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.</p> <p>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.</p> <p><i>Loans and advances</i></p> <p>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.</p> <p><i>Debt securities in issue</i></p> <p>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.</p> <p><i>Determination of fair value and fair value hierarchies</i></p> <p>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.</p>

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2.	Significant accounting policies (continued)
vii)	Fair value measurement (continued)
	<p><i>Determination of fair value and fair value hierarchies (continued)</i></p> <p>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:</p> <ul style="list-style-type: none"><li>Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;</li><li>Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and</li><li>Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.</li></ul> <p>The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:</p> <p><i>Level 1</i></p> <p>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.</p> <p><i>Level 2</i></p> <p>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.</p>

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2.	Significant accounting policies (continued)				
vii)	Fair value measurement (continued)				
	<p><i>Determination of fair value and fair value hierarchies (continued)</i></p> <p><i>Level 3</i></p> <p>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.</p> <p>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.</p> <p>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.</p> <tr><td>viii)</td><td>Repurchase and reverse repurchase agreements</td></tr> <tr><td></td><td><p>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.</p></td></tr>	viii)	Repurchase and reverse repurchase agreements		<p>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.</p>
viii)	Repurchase and reverse repurchase agreements				
	<p>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.</p>				

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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.

2. Significant accounting policies (continued)

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.

xiii) Taxation

*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.

2. Significant accounting policies (continued)

xiii) Taxation (continued)

*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 valuers 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.

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 - 33½
Computer equipment	25 - 33½
Leasehold improvements	10 - 20
Office furniture, machinery and equipment	10 - 33½
Leased vehicles and equipment	20

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

**xv) Property, equipment and leased assets (continued)**

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 derecognition 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.

**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.

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

**xvi) Leases (continued)**

*Operating leases (Group as lessor) (continued)*

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.

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

**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.

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

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

**xviii) Employee benefits (continued)**

*Defined benefit plan (continued)*

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 33:

- 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.

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

**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.

*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-Ferguson model.

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

**xix) Insurance contract liabilities (continued)**

*Liability adequacy test (continued)*

The Bornhuetter-Ferguson 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 March 2018 that the carrying amounts of the insurance liabilities of the general insurance subsidiary as at 31 December 2017, 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.



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

**xxii) Revenue recognition (continued)**

*Investment income*

Interest income is recognised in the statement of income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium on the constant yield basis. Investment income also includes dividends and any fair value changes.

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.

*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.

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

**xxii) Revenue recognition (continued)**

*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.

**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.

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

**xxiv) Benefits and claims (continued)**

*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.

**xxv) Lapses - Life insurance**

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

- 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;
- 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
- 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.

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

**xxvi) Foreign currency translation (continued)**

*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.

**2. 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.

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

**xxxii) Earnings per share**

Earnings per share have been calculated by taking the profit/loss for the year attributable to shareholders over the weighted average number of ordinary shares outstanding during the year net of treasury shares (2017: \$2.71; 2016: \$2.94). 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.

**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.

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

**xxxiv) Impairment of non-financial assets (continued)**

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 38)
- Capital management (Note 39)

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

**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.

*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.

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

**i) Judgements (continued)**

*Impairment of financial assets*

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.

**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.

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

**ii) Estimates and assumptions (continued)**

*Impairment of goodwill (Note 14) (continued)*

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 judgment 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.

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**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.

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

**ii) Estimates and assumptions (continued)**

*Valuation of investments (Note 37)*

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	
2016	2017		2017	2016
<b>Cash and short-term funds</b>				
107,032	93,499	Cash in hand and at bank	353,461	374,074
93,440	121,974	Short-term deposits with other banks	214,155	283,909
200,472	215,473		567,616	657,983
85,543	52,414	Central Bank Reserve	75,569	108,121
286,015	267,887		643,185	766,104

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.

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**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% (2016: 0.10%).

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

Parent		Group	
2016	2017	2017	2016
107,032	93,499	353,461	374,074
93,440	121,974	214,155	283,909
200,472	215,473	567,616	657,983
—	—	—	—
200,472	215,473	567,616	657,983

**5. Net investment in leased assets and other instalment loans**

**a) Net investment in leased assets and other instalment loans**

Parent		Group	
2016	2017	2017	2016
1,001,675	1,027,821	1,483,768	1,464,729
261,183	228,397	226,785	259,163
1,262,858	1,256,218	1,710,553	1,723,892
40,172	69,375	70,640	41,700
1,303,030	1,325,593	1,781,193	1,765,592
(227,212)	(221,087)	(306,517)	(315,554)
1,075,818	1,104,506	1,474,676	1,450,038

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

**a) Net investment in leased assets and other instalment loans (continued)**

Parent		Group	
2016	2017	2017	2016
(16,573)	(23,403)	(24,230)	(17,707)
(2,750)	(3,000)	(4,588)	(4,403)
1,056,495	1,078,103	1,445,858	1,427,928

**b) New business less unearned income**

Parent		Group	
2016	2017	2017	2016
449,762	402,939	402,939	449,762

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

Parent		Group	
2016	2017	2017	2016
446,922	433,247	731,627	746,034
628,896	671,259	743,049	704,004
1,075,818	1,104,506	1,474,676	1,450,038

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

Parent		Group	
2016	2017	2017	2016
86,737	61,555	73,200	102,577
815,252	807,968	990,779	1,005,703
173,829	234,983	410,697	341,758
1,075,818	1,104,506	1,474,676	1,450,038

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

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

Parent		Group	
2016	2017	2017	2016
88,628	63,485	75,402	104,931
982,367	957,879	1,172,804	1,206,869
232,035	304,229	532,987	453,792
1,303,030	1,325,593	1,781,193	1,765,592

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

Parent		Group	
2016	2017	2017	2016
9,946	19,323	22,110	9,946
—	—	—	3,342
9,377	9,044	11,140	9,749
—	(1,964)	(4,432)	(927)
19,323	26,403	28,818	22,110

**Repossession collateral**

As at 31 December 2017, the Group held repossessed vehicles with a fair value of \$2.8 million (2016: \$2.3 million). Repossessed vehicles are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

**6. Loans and advances**

Parent		Group	
2016	2017	2017	2016
—	—	11,067	11,340
—	—	175,697	110,371
697,428	205,229	220,779	716,750
697,428	205,229	407,543	838,461
—	—	96,929	104,572
697,428	205,229	504,472	943,033
—	—	(69,552)	(66,782)
697,428	205,229	434,920	876,251

**6. Loans and advances (continued)**

Parent		Group	
2016	2017	2017	2016
Sectorial analysis of advances			
13,879	2,301	154,092	97,050
162,524	933	21,325	185,488
4,478	—	30,628	40,564
399,085	48,294	70,692	421,817
—	25,229	25,229	—
72,487	36,871	36,871	72,487
44,975	91,601	165,635	125,627
697,428	205,229	504,472	943,033

**Loans and advances have the following maturity profile**

Parent		Group	
2016	2017	2017	2016
570,147	110,219	184,924	648,510
23,431	28,657	44,825	32,132
103,850	66,353	274,723	262,391
697,428	205,229	504,472	943,033

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

Parent		Group	
2016	2017	2017	2016
9,682	—	66,782	9,682
—	—	—	67,104
(9,682)	—	—	(10,004)
—	—	2,770	—
—	—	69,552	66,782



**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		Group	
2016	2017	2017	2016
<b>Investment securities</b>			
87,962	102,091	856,107	964,986
492,260	737,876	2,937,803	2,317,756
19,993	20,290	—	—
<u>600,215</u>	<u>860,257</u>	<u>3,793,910</u>	<u>3,282,742</u>
<b>Investment securities designated at fair value through statement of income</b>			
34,834	26,144	590,831	691,202
3,387	582	16,781	30,131
9,931	3,660	80,467	81,122
39,810	71,705	168,028	162,531
<u>87,962</u>	<u>102,091</u>	<u>856,107</u>	<u>964,986</u>
<b>Investment securities measured at amortised cost</b>			
10,119	10,144	534,926	476,693
226,173	211,059	844,591	849,024
255,968	516,673	1,558,286	992,039
<u>492,260</u>	<u>737,876</u>	<u>2,937,803</u>	<u>2,317,756</u>

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**7. Investment securities (continued)**

Parent		Group	
2016	2017	2017	2016
<b>Investment securities designated and measured at FVOCI</b>			
19,993	20,290	—	—
<u>19,993</u>	<u>20,290</u>	<u>—</u>	<u>—</u>
<u>600,215</u>	<u>860,257</u>	<u>3,793,910</u>	<u>3,282,742</u>

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 is analysed as follows:

Parent		Group	
2016	2017	2017	2016
9,816	10,073	10,676	12,136
—	(7,430)	(8,047)	(1,929)
<u>257</u>	<u>—</u>	<u>13</u>	<u>469</u>
<u>10,073</u>	<u>2,643</u>	<u>2,642</u>	<u>10,676</u>

**8. Assets pledged**

Parent		Group	
2016	2017	2017	2016
—	—	150,947	128,832
—	—	170,691	110,651
—	—	1,103,914	886,118
—	—	434,282	512,509
—	—	25,300	25,300
<u>—</u>	<u>—</u>	<u>1,885,134</u>	<u>1,663,410</u>

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**8. Assets pledged (continued)**

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		Group	
2016	2017	2017	2016
—	—	26,105	26,508
—	—	9,514	21,140
<u>—</u>	<u>—</u>	<u>35,619</u>	<u>47,648</u>

**10. Other debtors and prepayments**

Parent		Group	
2016	2017	2017	2016
12,301	4,241	1,031	1,249
—	—	51	—
612	675	5,111	6,806
2,422	757	3,307	5,615
12,678	6,144	6,144	12,678
22,317	5,300	3,945	22,514
650	—	152	798
—	—	—	—
—	—	2,650	2,411
<u>891</u>	<u>2,910</u>	<u>10,008</u>	<u>5,515</u>
<u>51,871</u>	<u>20,027</u>	<u>32,400</u>	<u>57,586</u>

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**11. Investment in subsidiaries**

Parent	
2017	2016
At beginning of the period	810,320
Acquisitions during the year (Note 41)	—
At end of the period	<u>810,320</u>

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-17	Proportion of issued capital held 31-Dec-16
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.

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**12. Investment properties**

Parent		Group	
2016	2017	2017	2016
–	–	139,268	138,483
–	–	–	785
–	–	–	–
–	–	139,268	139,268
–	–	15,366	17,546
–	–		
–	–	9,689	7,073

*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:

	2017	2016
No later than 1 year	15,055	17,166
Later than 1 year but not later than 5 years	66,408	57,437
Later than 5 years	62,895	47,447
	144,358	122,050

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.

**13. Property and equipment**

Parent 2017	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
<b>Cost</b>					
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
<b>Accumulated depreciation</b>					
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
<b>Net book value</b>	376	513	304	49	1,242

**13. Property and equipment (continued)**

Parent 2016	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Total
<b>Cost</b>					
At beginning of the period	1,517	6,046	1,304	2,999	11,866
Additions	26	337	–	4	367
At end of the period	1,543	6,383	1,304	3,003	12,233
<b>Accumulated depreciation</b>					
At beginning of the period	1,133	5,500	799	2,932	10,364
Current depreciation	41	343	113	21	518
At end of the period	1,174	5,843	912	2,953	10,882
<b>Net book value</b>	369	540	392	50	1,351

**13. Property and equipment (continued)**

Group 2017	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
<b>Cost</b>							
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

**ANSA MERCHANT BANK LIMITED**  
**NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

(Continued)

**13. Property and equipment (continued)**

Group 2017	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
<b>Accumulated depreciation</b>							
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)	(30,054)
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
<b>Net book value</b>	<b>24,717</b>	<b>3,916</b>	<b>2,098</b>	<b>1,529</b>	<b>13,655</b>	<b>138,139</b>	<b>184,054</b>

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**13. Property and equipment (continued)**

Group 2016	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
<b>Cost</b>							
At beginning of the period	18,686	40,186	3,540	3,440	16,518	—	82,370
Additions from business combination	2,643	2,672	1,160	3,647	5,385	246,110	261,617
Additions	1,880	1,065	357	4	—	14,119	17,425
Transfers	5,009	(1,986)	—	—	(3,023)	—	—
Disposals	(21)	(156)	(293)	—	—	(12,079)	(12,549)
Assets written off	(7,713)	(10,906)	—	—	—	—	(18,619)
At end of the period	20,484	30,875	4,764	7,091	18,880	248,150	330,244

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**13. Property and equipment (continued)**

Group 2016	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Leased vehicles & equipment	Total
<b>Accumulated depreciation</b>							
At beginning of the period	12,524	32,161	1,374	2,795	4,933	—	53,787
Additions from business combination	2,209	2,668	656	3,347	94	100,830	109,804
Current depreciation	1,226	838	564	73	92	8,672	11,465
Disposals	(21)	(149)	(163)	—	—	(8,821)	(9,154)
Assets written off	(7,713)	(10,743)	—	—	—	—	(18,456)
At end of the period	8,225	24,775	2,431	6,215	5,119	100,681	147,446
<b>Net book value</b>	<b>12,259</b>	<b>6,100</b>	<b>2,333</b>	<b>876</b>	<b>13,761</b>	<b>147,469</b>	<b>182,798</b>

As at 31 December 2017, the Parent's gross carrying amount of fully depreciated assets still in use amounted to \$3.8 million (2016: \$0.9 million) and the Group \$19.2 million (2016: \$16.3 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 2017 and at 31 December 2016 for both the Parent and the Group.

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**14. Intangible assets**

**Group**

	Goodwill	Computer Software	Total
<b>2017</b>			
<b>Gross carrying amounts</b>			
At beginning of the period	136,361	—	136,361
Acquisitions during the year	—	19,655	19,655
Adjustments during the year (Note 41)	(2,599)	—	(2,599)
At end of the period	133,762	19,655	153,417
<b>Accumulated impairment and amortisation</b>			
At beginning of the period	—	—	—
Impairment charge for the year	—	—	—
At end of the period	—	—	—
<b>Net carrying amounts</b>	<b>133,762</b>	<b>19,655</b>	<b>153,417</b>
<b>2016</b>			
Goodwill at carrying value	136,361	—	136,361

Parent includes an amount of \$12.3 million (2016: nil) relating to computer software in development as at 31 December 2017

**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.

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**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 recognized at fair value at the capitalization date. Subsequent to initial recognition, computer software will be carried at cost, less amortization 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 2017 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**

	2016	Credit/(charge) to		2017
		Income	OCI	
<b>Parent</b>				
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)
<b>Total deferred tax asset</b>	<b>20,179</b>	<b>(2,527)</b>	<b>23</b>	<b>17,675</b>
Employee benefit asset	(2,812)	—	306	(2,506)
Unrealised investment gains	(1,527)	(1,279)	—	(2,806)
<b>Total deferred tax liability</b>	<b>(4,339)</b>	<b>(1,279)</b>	<b>306</b>	<b>(5,312)</b>

**15. Deferred taxation (continued)**

	2015	Credit/(charge) to		2016
		Income	OCI	
<b>Parent</b>				
Property and equipment	286	2	—	288
Employee benefit obligation	109	26	(18)	117
Finance leases	19,097	165	—	19,262
Unrealised investment losses	1,106	(594)	—	512
<b>Total deferred tax asset</b>	<b>20,598</b>	<b>(401)</b>	<b>(18)</b>	<b>20,179</b>
Employee benefit asset	(2,319)	(489)	(4)	(2,812)
Unrealised investment gains	(559)	(968)	—	(1,527)
<b>Total deferred tax liability</b>	<b>(2,878)</b>	<b>(1,457)</b>	<b>(4)</b>	<b>(4,339)</b>

**15. Deferred taxation (continued)**

	2016	Movement from business combination	Credit/(charge) to			2017
			Income	OCI	Life and other reserve movement	
<b>Group</b>						
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)	—	—	—
Allowance for impairment	—	—	189	—	—	189
<b>Total deferred tax asset</b>	<b>24,374</b>	<b>75</b>	<b>(2,830)</b>	<b>163</b>	<b>—</b>	<b>21,782</b>
Life insurance reserves	(47,801)	—	—	—	(3,004)	(50,805)
Unrealised foreign exchange losses	—	(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)
<b>Total deferred tax liability</b>	<b>(149,118)</b>	<b>(1,508)</b>	<b>(1,660)</b>	<b>1,364</b>	<b>(4,766)</b>	<b>(155,688)</b>



**15. Deferred taxation (continued)**

Group	2015	Acquired from business combination	Credit/(charge) to			2016
			Income	OCI	Life and other reserve movement	
Employee benefit obligation	1,022	113	197	(80)	—	1,252
Unrealised foreign exchange losses	—	—	—	—	—	—
Property and equipment	286	—	2,018	—	—	2,304
Finance leases	19,096	—	165	—	—	19,261
Unrealised investment losses	—	1,133	(183)	—	—	950
Tax losses	9,261	—	(1,154)	—	(7,500)	607
<b>Total deferred tax asset</b>	<b>29,665</b>	<b>1,246</b>	<b>1,043</b>	<b>(80)</b>	<b>(7,500)</b>	<b>24,374</b>
Life insurance reserves	(56,495)	—	—	—	8,694	(47,801)
Employee benefit asset	(29,601)	(1,628)	(3,495)	(1,059)	—	(35,783)
Finance leases	—	—	—	—	—	—
Property and equipment	(4,962)	(23,821)	2,810	—	—	(25,973)
Unrealised investment gains	(34,296)	—	(3,746)	—	(1,519)	(39,561)
<b>Total deferred tax liability</b>	<b>(125,354)</b>	<b>(25,449)</b>	<b>(4,431)</b>	<b>(1,059)</b>	<b>7,175</b>	<b>(149,118)</b>

**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		Post-retirement health benefits	
	2017	2016	2017	2016
<b>Parent</b>				
Present value of defined benefit obligation	16,740	10,977	483	385
Fair value of plan assets	(25,094)	(20,351)	—	—
(Asset)/liability recognised in the statement of financial position	(8,354)	(9,374)	483	385
<b>Group</b>				
Present value of defined benefit obligation	113,835	99,414	5,582	4,525
Fair value of plan assets	(242,610)	(228,503)	—	—
(Asset)/liability recognised in the statement of financial position	(128,775)	(129,089)	5,582	4,525

**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.

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

**16. Employee benefits (continued)**

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

	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
<b>Group</b>				
<b>Balance at 1 January 2017</b>	<b>99,414</b>	<b>(228,503)</b>	<b>(129,089)</b>	<b>4,525</b>
<b>Pension cost charged to statement of income</b>				
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	—
<b>Total charge/(credit) to statement of income</b>	<b>9,697</b>	<b>(13,762)</b>	<b>(4,065)</b>	<b>592</b>
<b>Experience (gains)/losses in OCI</b>				
Experience gains				
- demographic	2,539	—	2,539	614
Experience losses				
- financial	—	2,091	2,091	—
<b>Total charge/(credit) to OCI</b>	<b>2,539</b>	<b>2,091</b>	<b>4,630</b>	<b>614</b>
<b>Other movements</b>				
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)
<b>Total other movements</b>	<b>2,185</b>	<b>(2,436)</b>	<b>(251)</b>	<b>(149)</b>
<b>Balance at 31 December 2017</b>	<b>113,835</b>	<b>(242,610)</b>	<b>(128,775)</b>	<b>5,582</b>

**16. Employee benefits (continued)**

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

	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
<b>Parent</b>				
<b>Balance at 1 January 2016</b>	10,039	(19,317)	(9,278)	431
<i>Pension cost charged to statement of income</i>				
Current service cost	497	—	497	18
Net interest cost	513	(970)	(457)	22
Administrative expenses	21	—	21	—
<b>Total charge/(credit) to statement of income</b>	1,031	(970)	61	40
<i>Experience (gains)/losses in OCI</i>				
Experience losses				
- demographic	(2)	—	(2)	(73)
Experience losses				
- financial	—	113	113	—
<b>Total (credit)/charge to OCI</b>	(2)	113	111	(73)
<i>Other movements</i>				
Contributions by employee	268	(268)	—	—
Contributions by employer	—	(268)	(268)	—
Administrative expenses	(21)	21	—	—
Benefits paid	(338)	338	—	(13)
<b>Total other movements</b>	(91)	(177)	(268)	(13)
<b>Balance at 31 December 2016</b>	10,977	(20,351)	(9,374)	385

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**16. Employee benefits (continued)**

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

	Defined benefit obligation	Fair value of plan assets	Defined benefit pension plans	Post-employment medical benefits
<b>Group</b>				
<b>Balance at 1 January 2016</b>	91,089	(209,484)	(118,395)	4,075
<i>Assets and obligations acquired in business combination</i>	4,510	(10,741)	(6,231)	456
<i>Pension cost charged to statement of income</i>				
Current service cost	2,589	84	2,673	271
Net interest cost	5,060	(11,477)	(6,417)	269
Past service cost	—	—	—	40
Administrative expenses	21	116	137	—
<b>Total charge/(credit) to statement of income</b>	7,670	(11,277)	(3,607)	580
<i>Experience (gains)/losses in OCI</i>				
Experience losses/(gains)				
- demographic	(901)	—	(901)	(493)
Experience losses				
- financial	—	1,877	1,877	—
<b>Total (credit)/charge to OCI</b>	(901)	1,877	976	(493)
<i>Other movements</i>				
Contributions by employee	1,044	(1,455)	(411)	—
Contributions by employer	138	(1,146)	(1,008)	—
Administrative expenses	(21)	(75)	(96)	(16)
Exchange differences	310	(627)	(317)	26
Benefits paid	(4,425)	4,425	—	(103)
<b>Total other movements</b>	(2,954)	1,122	(1,832)	(93)
<b>Balance at 31 December 2016</b>	99,414	(228,503)	(129,089)	4,525

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**16. Employee benefits (continued)**

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

	Defined benefit pension plan		Post-retirement health benefits	
	2017	2016	2017	2016
<b>Parent</b>				
Net (asset)/liability at the start of the year	(9,374)	(9,278)	385	431
Net expense recognised in the statement of income	333	61	38	40
Net income/(expense) recognised in the statement of other comprehensive income	1,019	111	77	(73)
Contributions paid	(332)	(268)	(17)	(13)
Net (asset)/liability recognised at the end of the year	(8,354)	(9,374)	483	385
<b>Group</b>				
Net (asset)/liability at the start of the year	(129,089)	(118,395)	4,525	4,075
Net (asset)/liability acquired in business combination	—	(6,231)	—	456
Net (income)/expense recognised in the statement of income	(4,065)	(3,607)	592	580
Net income/(expense) recognised in the statement of other comprehensive income	4,630	976	614	(493)
Contributions paid	(251)	(1,832)	(149)	(93)
Net (asset)/liability recognised at the end of the year	(128,775)	(129,089)	5,582	4,525

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**16. Employee benefits (continued)**

**d) Actual return on plan assets**

	2017	2016
Parent	865	857
Group	10,056	51,890

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

	Defined benefit pension plan	
	2017	2016
<b>Parent and Group</b>		
Local equities	32%	33%
Local bonds	40%	37%
Foreign investments	21%	15%
Real estate/mortgages	2%	2%
Short-term securities	5%	13%
	100%	100%

**f) Principal actuarial assumptions**

	Defined benefit pension plan	
	2017	2016
<b>Parent and Group</b>		
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:

	Discount rate		Future salary increases		Future medical claims inflation	
Assumptions	+1%	-1%	+1%	-1%	+1%	-1%
<b>Sensitivity level</b>						
At 31 December 2017	(2,003)	2,557	851	(740)	66	(53)
At 31 December 2016	(1,327)	1,686	385	(348)	61	(50)

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**16. Employee benefits (continued)**

**g) Principal actuarial assumptions (continued)**

Group	Discount rate		Future salary increases		Future medical claims inflation	
	Assumptions		Sensitivity level			
	+1%	-1%	+1%	-1%	+1%	-1%
At 31 December 2017	(12,231)	15,466	4,337	(3,836)	553	(443)
At 31 December 2016	(11,689)	14,658	3,043	(2,825)	822	(658)

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 \$1.8 million to its defined benefit plan in 2018 and the average duration of the defined benefit obligation at the end of the reporting period is 15 years (2016: 14 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		Group	
2016	2017	2017	2016
159	191	597	745

**17. Accrued interest and other payables**

Parent		Group	
2016	2017	2017	2016
19,898	17,406	Interest payable	21,824
10,155	10,760	Accrued expenses	17,499
27,238	5,948	Client funds held for investment	15,908
57	71	Due to statutory authorities	3,914
–	–	Distributions payable	1,673
–	–	Deferred fee income	–
–	–	Unapplied premiums	6,315
–	–	Commissions payable	5,142
3,095	1,622	Stale-dated cheques	3,221
–	–	Due to reinsurers	28,464
4,380	9,143	Asset finance promotional items	9,143
4,090	8,543	Related party balances	9,962
2,410	2,005	Other creditors	5,821
71,323	55,498		128,886
			139,719

**18. Customers' deposits and other funding instruments**

Sectorial analysis of customers' deposits and other funding instruments

Parent		Group	
2016	2017	2017	2016
154,793	166,801	Individuals	1,069,399
329,168	92,550	Pension funds/credit unions trustees	223,483
641,595	690,118	Private companies/estates/financial institutions	835,414
1,125,556	949,469		2,128,296
			2,305,241

**19. Debt securities in issue**

Parent		Group	
2016	2017	2017	2016
903,563	904,324	Medium and long-term notes	904,324
100,767	–	Promissory notes	–
1,004,330	904,324		1,004,330

**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 will mature in 2018. Interest is 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. On 3 October 2016, the Bank issued TT\$100.8 million promissory notes in three tranches of TT\$33.6 million each which were repaid on 23 June 2017.

**20. Investment contract liabilities**

Group	
2017	2016
At the beginning of year	224,936
Premiums received	19,003
Interest credited	9,899
Liabilities realised for payment on death, surrender and other terminations in the year	(18,714)
Other movements	(621)
	(884)
	234,503
	224,936

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

**21. Insurance contract liabilities**

		Group			
Notes		2017		2016	
		Insurance contract liabilities	Reinsurers' share of liabilities	Insurance contract liabilities	Reinsurers' share of liabilities
			Net		Net
Life insurance contracts	21(b)	1,100,026	(19,842)	1,080,184	(17,355)
General insurance contracts	21(c)	341,734	(155,283)	352,686	(165,151)
			186,451		187,535
<b>Total insurance contract liabilities</b>		<b>1,441,760</b>	<b>(175,125)</b>	<b>1,364,492</b>	<b>(182,506)</b>
			1,266,635		1,181,986
<b>a) Reinsurance assets</b>		<b>2017</b>	<b>2016</b>		
Life insurance contract		19,842	17,355		
General insurance contracts:					
Premiums		43,015	46,045		
Claims		112,268	119,106		
		175,125	182,506		

21. Insurance contract liabilities (continued)

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

	Group			Group		
	2017			2016		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
With DPF	227,152	—	227,152	227,963	—	227,963
Without DPF	847,729	(19,842)	827,887	752,107	(17,355)	734,752
	1,074,881	(19,842)	1,055,039	980,070	(17,355)	962,715
Outstanding claims	25,145	—	25,145	31,736	—	31,736
<b>Total life insurance contract liabilities</b>	<b>1,100,026</b>	<b>(19,842)</b>	<b>1,080,184</b>	<b>1,011,806</b>	<b>(17,355)</b>	<b>994,451</b>
<b>At 1 January</b>	<b>1,011,806</b>	<b>(17,355)</b>	<b>994,451</b>	<b>966,516</b>	<b>(12,049)</b>	<b>954,467</b>
Premiums received	221,584	(13,678)	207,906	130,472	(12,710)	117,762
Liabilities realised for payment on death, surrender and other terminations in the year	(133,364)	11,191	(122,173)	(85,182)	7,404	(77,778)
<b>At 31 December</b>	<b>1,100,026</b>	<b>(19,842)</b>	<b>1,080,184</b>	<b>1,011,806</b>	<b>(17,355)</b>	<b>994,451</b>

21. Insurance contract liabilities (continued)

c) General insurance contracts may be analysed as follows:

	Group			Group		
	2017			2016		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Claims reported and IBNR	199,425	(112,268)	87,157	214,875	(119,106)	95,769
Provisions for unearned premiums and unexpired risk	142,309	(43,015)	99,294	137,811	(46,045)	91,766
<b>Total at end of year</b>	<b>341,734</b>	<b>(155,283)</b>	<b>186,451</b>	<b>352,686</b>	<b>(165,151)</b>	<b>187,535</b>

21. Insurance contract liabilities (continued)

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

i) Claims reported and IBNR

	Group			Group		
	2017			2016		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Provisions for claims reported by policy holders	172,609	(95,285)	77,324	173,746	(88,932)	84,814
Provisions for claims incurred but not reported (IBNR)	42,266	(23,820)	18,446	42,648	(22,254)	20,394
	214,875	(119,105)	95,770	216,394	(111,186)	105,208
Cash paid for claims settled in the year	(131,293)	28,151	(103,142)	(119,555)	29,966	(89,589)
Claims incurred	115,843	(21,314)	94,529	118,036	(37,886)	80,150
<b>Total at end of year</b>	<b>199,425</b>	<b>(112,268)</b>	<b>87,157</b>	<b>214,875</b>	<b>(119,106)</b>	<b>95,769</b>
Provisions for claims reported by policy holders	160,487	(89,947)	70,540	172,609	(95,285)	77,324
Provisions for claims incurred but not reported (IBNR)	38,938	(22,321)	16,617	42,266	(23,821)	18,445
	199,425	(112,268)	87,157	214,875	(119,106)	95,769

21. Insurance contract liabilities (continued)

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

ii) Provisions for unearned premiums and unexpired risk

	Group			Group		
	2017			2016		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Provisions for unearned premiums	122,525	(40,929)	81,596	126,615	(43,420)	83,195
Provisions for unexpired risk	15,286	(5,116)	10,170	15,658	(5,427)	10,231
	137,811	(46,045)	91,766	142,273	(48,847)	93,426
Increase in the period	351,553	(153,361)	198,192	359,609	(164,905)	194,704
Release in the period	(347,054)	156,391	(190,663)	(364,071)	167,707	(196,364)
<b>Total at end of year</b>	<b>142,310</b>	<b>(43,015)</b>	<b>99,295</b>	<b>137,811</b>	<b>(46,045)</b>	<b>91,766</b>
Provisions for unearned premiums	126,524	(38,236)	88,288	122,525	(40,929)	81,596
Provisions for unexpired risk	15,786	(4,779)	11,007	15,286	(5,116)	10,170
	142,310	(43,015)	99,295	137,811	(46,045)	91,766





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

a) Life insurance contracts and investment contracts (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)

*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	
	2017	2016
2% Increase in mortality	7,200	6,100
5% Increase in expenses	9,000	9,300
10% Change in lapse rates	7,700	7,900
1% Decrease in investment earnings	125,100	118,100

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	
2016	2017	2017	2016
<b>Authorised</b>			
An unlimited number of shares			
<b>Issued and fully paid</b>			
2017: 85,605,263 (2016: 85,605,263)			
667,274	667,274	667,274	667,274
ordinary shares of no par value			



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**32. Personnel expenses**

Parent			Group	
2016	2017		2017	2016
21,579	24,893	Salaries and bonus	82,095	68,260
219	49	Health, life and pension benefits	(661)	(1,290)
1,055	1,066	Other staff cost	4,740	3,532
<u>22,853</u>	<u>26,008</u>		<u>86,174</u>	<u>70,502</u>

**33. General administrative expenses**

Parent			Group	
2016	2017		2017	2016
2,099	1,661	Professional insurance	2,543	2,806
1,937	2,321	Property related expenses	8,577	5,461
2,428	2,570	Subscriptions & donations	4,327	2,885
609	673	Finance charges	1,119	1,411
366	253	Travel & entertainment	2,984	3,432
		Communications, printing & stationery	5,211	3,698
882	838	Write (back)/off of other receivable balances	–	–
–	–		–	–
2,312	2,019	General expenses	50,881	35,357
<u>10,633</u>	<u>10,335</u>		<u>75,642</u>	<u>55,050</u>

The write-off of other receivables balances relates to non-leasing receivable balances for which the future economic benefits were reassessed.

The Group has operating lease arrangements on property and certain items of office equipment. Future minimum rentals payable under non-cancellable operating leases as at 31 December are, as follows:

Parent			Group	
2016	2017		2017	2016
1,553	–	Within one year	250	1,751
–	–	After one year but not more than five years	272	116
–	–	More than five years	–	–
<u>1,553</u>	<u>–</u>		<u>522</u>	<u>1,867</u>

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**34. Taxation**

Parent			Group	
2016	2017		2017	2016
40,071	42,025	Corporation tax	71,295	65,496
(939)	–	Under/(over) provision to prior year tax charge	308	(940)
390	192	Withholding tax	232	472
1,858	3,806	Deferred tax (Note 15)	4,490	3,388
1,047	1,616	Green Fund levy	4,957	1,865
<u>42,427</u>	<u>47,639</u>		<u>81,283</u>	<u>70,281</u>

**Reconciliation between taxation expense and accounting profit**

Income taxes in the consolidated statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

195,488	190,937	Net profit before taxation	313,562	322,028
48,872	57,213	Tax at applicable statutory tax rates	88,732	80,507
		Tax effect of items that are adjustable in determining taxable profit:		
(11,177)	(14,619)	Tax exempt income	(17,402)	(12,423)
2,433	1,802	Non-deductible expenses	2,921	1,049
(1,813)	(2,657)	Allowable deductions	(2,666)	(1,728)
(939)	–	Adjustment to prior year tax charge	308	(940)
3,614	4,092	Other temporary differences	4,201	1,479
		Provision for Green Fund levy and other taxes	5,189	2,337
<u>1,437</u>	<u>1,808</u>		<u>5,189</u>	<u>2,337</u>
<u>42,427</u>	<u>47,639</u>	<b>Total taxation</b>	<u>81,283</u>	<u>70,281</u>

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**35. 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 2017 or 2016.

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**35. Segmental information (continued)**

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

	Banking services	Mutual funds	Life insurance operations	General insurance operations	Eliminations	Total
<b>2017</b>						
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)
Write back/(provision) for impairment	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 tax	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)

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**35. Segmental information (continued)**

	Banking services	Mutual funds	Life insurance operations	General insurance operations	Eliminations	Total
<b>2016</b>						
Total operating income	330,804	37,504	236,013	287,844	(78,386)	813,779
Total operating expense	(63,170)	(11,631)	(130,953)	(80,345)	196	(285,903)
Write back/(provision) for impairment	4,471	(161)	1,305	(9)	—	5,606
Selling and administration expense	(70,284)	(21,725)	(53,274)	(108,837)	42,666	(211,454)
Profit/(loss) before tax	201,821	3,987	53,091	98,653	(35,524)	322,028
Taxation	(43,974)	—	(6,800)	(19,507)	—	(70,281)
Profit/(loss) after taxation	157,847	3,987	46,291	79,146	(35,524)	251,747
Total assets	4,342,819	801,314	2,090,038	1,108,052	(933,101)	7,409,122
Total liabilities	2,823,265	800,365	1,342,077	431,522	(190,271)	5,206,958
Purchase of fixed assets	14,543	—	628	2,253	—	17,424
Depreciation	(9,350)	—	(659)	(1,456)	—	(11,465)

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**35. Segmental information (continued)**

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

	Domestic services	Regional	International	Eliminations	Total
<b>2017</b>					
Total operating income	821,013	147,447	114,804	(101,463)	981,801
Total operating expense	(376,579)	(36,309)	—	—	(412,888)
Write back/(provision) for impairment	(67)	7,680	5,484	—	13,097
Selling and administration expense	(238,475)	(77,450)	—	47,477	(268,448)
Profit/(loss) before tax	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)	7,335,620
Total liabilities	4,542,435	592,381	9,844	(131,210)	5,013,450
Purchase of fixed assets	15,695	41,855	—	—	57,550
Depreciation	(2,480)	(35,148)	—	—	(37,628)

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**35. Segmental information (continued)**

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

	Domestic services	Regional	International	Eliminations	Total
<b>2016</b>					
Total operating income	728,611	67,603	95,951	(78,386)	813,779
Total operating expense	(267,815)	(18,284)	—	196	(285,903)
Write back/(provision) for impairment	1,346	4,573	(313)	—	5,606
Selling and administration expense	(224,809)	(29,311)	—	42,666	(211,454)
Profit before tax	237,333	24,581	95,638	(35,524)	322,028
Taxation	(68,566)	(1,715)	—	—	(70,281)
Profit after taxation	168,767	22,866	95,638	(35,524)	251,747
Total assets	5,796,986	1,064,170	1,481,067	(933,101)	7,409,122
Total liabilities	4,775,096	611,047	11,086	(190,271)	5,206,958
Purchase of fixed assets	3,249	14,176	—	—	17,425
Depreciation	(2,555)	(8,910)	—	—	(11,465)

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**36. 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		Group	
2016	2017	2017	2016
<b>Loans, investments and other assets</b>			
56,957	117,739	ANSA McAL Group	143,800
34,126	33,250	Subsidiaries	—
		Directors and key management	
2,189	945	personnel	8,435
50,740	3,084	Other related parties	27,296
144,012	155,018		81,307
			179,531
			143,320
<b>Deposits and other liabilities</b>			
438,124	260,093	ANSA McAL Group	286,740
96,590	37,771	Subsidiaries	—
		Directors and key management	
55,189	—	personnel	57,981
5,649	5,681	Other related parties	53,334
595,552	303,545		52,789
			398,055
			551,954

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**36. Related party transactions and balances (continued)**

Parent			Group	
2016	2017		2017	2016
<b>Interest and other income</b>				
20,510	6,664	ANSA McAL Group	38,698	54,432
53,329	51,229	Subsidiaries	—	—
		Directors and key management		
23	68	personnel	276	43
4,025	2,228	Other related parties	6,144	8,621
<u>77,887</u>	<u>60,189</u>		<u>45,118</u>	<u>63,096</u>
<b>Interest and other expense</b>				
6,265	6,990	ANSA McAL Group	13,367	13,229
2,345	8,652	Subsidiaries	—	—
		Directors and key management		
2,065	—	personnel	1,544	1,392
66	99	Other related parties	1,165	774
<u>10,741</u>	<u>15,741</u>		<u>16,076</u>	<u>15,395</u>

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

**Key management compensation**

Parent			Group	
2016	2017		2017	2016
6,380	7,539	Short-term benefits	13,478	10,422
		Contribution to defined		
111	91	contribution plans	86	153
133	161	Post employment benefits	406	133
<u>6,624</u>	<u>7,790</u>		<u>13,970</u>	<u>10,708</u>

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**37. 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 2017 and 2016.

2017				Group		
Carrying values	Fair values	Unrecognised gain/(loss)		Carrying values	Fair values	Unrecognised gain/(loss)
860,257	865,458	5,201	Financial assets	3,793,910	3,842,735	48,825
—	—	—	Investment securities	139,268	139,268	—
860,257	865,458	5,201	Investment property	3,933,178	3,982,003	48,825
			<b>Financial liabilities</b>			
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)

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**37. Fair value of financial instruments (continued)**

(i) **Carrying amounts and fair values (continued)**

2016				Group		
Carrying values	Fair values	Unrecognised loss		Carrying values	Fair values	Unrecognised gain
600,215	580,554	(19,661)	Financial assets	3,282,742	3,272,541	(10,201)
—	—	—	Investment securities	139,268	139,268	—
600,215	580,554	(19,661)	Investment property	3,422,010	3,411,809	(10,201)
			<b>Financial liabilities</b>			
1,004,330	830,051	(174,279)	Debt securities in issue	1,004,330	830,051	(174,279)
1,004,330	830,051	(174,279)		1,004,330	830,051	(174,279)

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

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**37. Fair value of financial instruments (continued)**

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

2017	Level 1	Level 2	Level 3	Total
<b>Parent</b>				
<b>Investment securities designated at FVSI</b>				
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
	<u>101,509</u>	<u>582</u>	<u>—</u>	<u>102,091</u>
<b>Investment securities measured at amortised cost for which fair values are disclosed</b>				
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
	<u>173,881</u>	<u>541,224</u>	<u>27,972</u>	<u>743,077</u>
<b>Investment securities measured at FVOCI</b>				
Equity securities	—	20,290	—	20,290

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**37. Fair value of financial instruments (continued)**

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

<b>2017 Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at FVSI</b>				
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
	<u>766,446</u>	<u>88,603</u>	<u>1,058</u>	<u>856,107</u>
<b>Investment securities measured at amortised cost for which fair values are disclosed</b>				
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
	<u>865,829</u>	<u>2,054,970</u>	<u>65,829</u>	<u>2,986,628</u>
<b>Assets measured at fair value</b>				
Investment properties	—	139,268	—	139,268

**37. Fair value of financial instruments (continued)**

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

<b>2016 Parent</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at FVSI</b>				
Equity securities	34,834	—	—	34,834
Government bonds	—	3,387	—	3,387
State-owned company securities	9,931	—	—	9,931
Corporate bonds and debentures	39,810	—	—	39,810
	<u>84,575</u>	<u>3,387</u>	<u>—</u>	<u>87,962</u>
<b>Investment securities measured at amortised cost for which fair values are disclosed</b>				
Government bonds	9,918	2,725	107	12,750
State-owned company securities	33,125	67,450	101,479	202,054
Corporate bonds and debentures	154,200	40,823	62,771	257,794
	<u>197,243</u>	<u>110,998</u>	<u>164,357</u>	<u>472,598</u>
<b>Investment securities measured at FVOCI</b>				
Equity securities	—	19,993	—	19,993

**37. Fair value of financial instruments (continued)**

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

<b>2016 Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at FVSI</b>				
Equity securities	690,144	—	1,058	691,202
Government bonds	7,383	22,748	—	30,131
State-owned company securities	32,703	48,419	—	81,122
Corporate bonds and debentures	138,807	23,724	—	162,531
	<u>869,037</u>	<u>94,891</u>	<u>1,058</u>	<u>964,986</u>
<b>Investment securities measured at amortised cost for which fair values are disclosed</b>				
Government bonds	18,374	529,905	107	548,386
State-owned company securities	79,598	577,568	101,480	758,646
Corporate bonds and debentures	324,988	547,663	127,872	1,000,523
	<u>422,960</u>	<u>1,655,136</u>	<u>229,459</u>	<u>2,307,555</u>
<b>Assets measured at fair value</b>				
Investment properties	—	139,268	—	139,268

**37. Fair value of financial instruments (continued)**

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

**Description of significant unobservable inputs to valuation:**

	<b>Valuation technique</b>	<b>Significant unobservable inputs</b>	<b>Range (weighted average)</b>	<b>Sensitivity of the input to fair value</b>
Unquoted securities	Discounted cash flows	Rate of return	1.73% to 12.00%	2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by \$15,787/(\$13,499)

**(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 2017 (2016: there were no transfers from level 2 to level 1).

**37. Fair value of financial instruments (continued)**

**(v) Movements in Level 3 financial instruments**

Parent			Group	
2016	2017		2017	2016
Assets				
158,459	164,357	Balance at 1 January	230,517	191,615
978	4,379	Gains recognised	7,250	4,329
45,252	—	Purchases	10,102	85,487
4,098	(140,590)	Transfers (out)/in Level 3	(160,750)	36,922
(44,430)	(174)	Disposal	(20,232)	(87,836)
164,357	27,972		66,887	230,517

**38. 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.

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**38. 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.

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**38. 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	
2016	2017		2017	2016
286,015	267,887	Cash and short-term funds	643,185	766,104
–	–	Fixed deposits	110,897	124,947
		Net investment in leased assets		
1,056,495	1,078,103	and other instalment loans	1,445,858	1,427,928
697,428	205,229	Loans and advances	434,920	876,251
545,388	813,823	Investment securities	3,203,079	2,591,540
6,666	8,138	Interest receivable	33,976	29,103
–	–	Insurance receivables	35,619	47,648
–	–	Reinsurance assets	175,125	182,506
<u>2,591,992</u>	<u>2,373,180</u>	<b>Total</b>	<u>6,082,659</u>	<u>6,046,027</u>

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**38. 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	
2016	2017		2017	2016
2,591,992	2,373,180	<b>Total</b>	6,082,659	6,046,027
<u>6,442</u>	<u>1,541</u>	Contingent liabilities	<u>1,541</u>	<u>6,442</u>
<u>2,598,434</u>	<u>2,374,721</u>		<u>6,084,200</u>	<u>6,052,469</u>

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.

**Net investment in leased assets and other instalment loans, mortgages and policy loans**

These leases and loans are individually insignificant. With the exception of policy loans, these facilities are typically secured by the related asset. Policy loans are advanced up to the maximum cash surrender value of the policy to which it relates, and therefore there is no risk of loss to the Group.

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**38. Risk management (continued)**

**Net investment in leased assets and other instalment loans, mortgages and policy loans (continued)**

An aging analysis of these facilities is as follows:

	Current	In Arrears				Total
		1-30 days	31-60 days	61-90 days	Over 90 days	
<b>Parent</b>						
<b>2017</b>	944,853	59,979	22,172	13,202	37,897	1,078,103
<b>2016</b>	950,972	47,730	22,104	16,419	19,270	1,056,495
<b>Group</b>						
<b>2017</b>						
Net leases	1,236,108	115,880	37,888	16,490	39,492	1,445,858
Mortgages	155,814	18,254	1,629	—	—	175,697
Policy loans	11,067	—	—	—	—	11,067
	1,402,989	134,134	39,517	16,490	39,492	1,632,622
<b>2016</b>						
Net leases	1,245,374	108,281	37,696	17,338	19,239	1,427,928
Mortgages	95,565	14,806	—	—	—	110,371
Policy loans	11,340	—	—	—	—	11,340
	1,352,279	123,087	37,696	17,338	19,239	1,549,639

**38. Risk management (continued)**

**Other loans and advances**

The credit quality of other loans and advances has been analysed into the following categories:

<b>High grade</b>	These facilities are current and have been serviced in accordance with the loan agreements. In addition, these loans are well secured typically by sovereign backed mortgages over properties in desirable locations, or shares in publicly traded companies on the local stock exchange. Also included in this category are loans with related parties which meet all of the above criteria.
<b>Standard</b>	These facilities are current and have been serviced in accordance with the loan agreements.
<b>Special monitoring</b>	These are loans that are typically not serviced on time, but are in arrears for less than 90 days. Payments are normally received after follow up with the client.
<b>Sub-standard</b>	These facilities are either greater than 90 days in arrears but are not considered to be impaired, or have been restructured in the past financial year.
<b>Impaired</b>	These facilities are non-performing.

**38. Risk management (continued)**

**Other loans and advances (continued)**

	High grade	Standard	Special monitoring	Sub-standard	Impaired	Total
<b>Parent</b>						
<b>2017</b>	126,150	53,213	20,574	5,160	132	205,229
<b>2016</b>	379,185	316,581	—	1,662	—	697,428
<b>Group</b>						
<b>2017</b>	131,377	220,095	47,630	6,789	29,029	434,920
<b>2016</b>	387,823	423,485	23,248	1,662	40,033	876,251

**Investment debt securities**

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

<b>High grade</b>	These include regional sovereign debt securities issued directly or through a state intermediary body where there has been no history of default.
<b>Standard</b>	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.
<b>Sub-standard</b>	These securities are either greater than 90 days in arrears, display indicators of impairment, or have been restructured in the past financial year.
<b>Impaired</b>	These securities are non-performing.

**38. Risk management (continued)**

**Investment debt securities (continued)**

	High grade	Standard	Sub-standard	Impaired	Total
<b>Parent</b>					
<b>2017</b>					
Investments designated at FVSI	4,243	71,704	—	—	75,947
Investments measured at amortised cost	168,711	569,165	—	—	737,876
	172,954	640,869	—	—	813,823
<b>2016</b>					
Investments designated at FVSI	3,387	49,741	—	—	53,128
Investments measured at amortised cost	162,726	270,177	59,357	—	492,260
	166,113	319,918	59,357	—	545,388
<b>Group</b>					
<b>2017</b>					
Investments designated at FVSI	97,248	168,028	—	—	265,276
Investments measured at amortised cost	887,230	2,050,573	—	—	2,937,803
	984,478	2,218,601	—	—	3,203,079
<b>2016</b>					
Investments designated at FVSI	88,741	185,043	—	—	273,784
Investments measured at amortised cost	900,016	1,401,840	13,810	2,090	2,317,756
	988,757	1,586,883	13,810	2,090	2,591,540

**38. Risk management (continued)**

**Insurance receivables**

An aged analysis of insurance receivables is as follows:

	Up to 45 days	45-90 days	Over 90 days	Total
<b>2017</b>				
Gross premiums receivable	11,856	4,993	12,257	29,106
Provision for premiums receivables	—	—	(3,000)	(3,000)
Gross reinsurance receivables	506	93	8,915	9,514
	<u>12,362</u>	<u>5,086</u>	<u>18,172</u>	<u>35,620</u>
<b>2016</b>				
Gross premiums receivable	12,140	3,768	13,600	29,508
Provision for premiums receivables	—	—	(3,000)	(3,000)
Gross reinsurance receivables	3,219	100	17,821	21,140
	<u>15,359</u>	<u>3,868</u>	<u>28,421</u>	<u>47,648</u>

**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.

**38. 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 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.

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 2017 and 2016.

Change in basis points	Sensitivity of income	
	2017	2016
<b>Parent</b>		
+ 100	950	40
- 100	(950)	(40)
<b>Group</b>		
+ 100	1,352	584
- 100	(1,352)	(584)

**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 2017 and 2016 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.

**38. Risk management (continued)**

**Currency risk (continued)**

The table below indicates the currencies to which the 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
<b>2017</b>				
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
<b>Total financial assets</b>	<u>929,473</u>	<u>298</u>	<u>7,113</u>	<u>936,884</u>
Customers' deposits and other funding instruments	337,685	—	—	337,685
Debt securities	304,324	—	—	304,324
<b>Total financial liabilities</b>	<u>642,009</u>	<u>—</u>	<u>—</u>	<u>642,009</u>
<b>Net currency risk exposure</b>	<u>287,464</u>	<u>298</u>	<u>7,113</u>	<u>294,875</u>
Reasonably possible change in currency rate	5%	5%	5%	5%
<b>Effect on profit before tax</b>	<u>14,373</u>	<u>15</u>	<u>356</u>	<u>14,744</u>

**38. Risk management (continued)**

**Currency risk (continued)**

Parent	USD	EURO	OTHER	TOTAL
<b>2016</b>				
Cash and short-term funds	152,535	211	2,136	154,882
Loans and advances	219,979	—	—	219,979
Investment securities	456,758	—	—	456,758
Interest receivable	4,927	—	17	4,944
Other debtors and prepayments	20,862	—	(2)	20,860
<b>Total financial assets</b>	<u>855,061</u>	<u>211</u>	<u>2,151</u>	<u>857,423</u>
Customers' deposits and other funding instruments	193,307	—	—	193,307
Debt securities	303,563	—	—	303,563
<b>Total financial liabilities</b>	<u>496,870</u>	<u>—</u>	<u>—</u>	<u>496,870</u>
<b>Net currency risk exposure</b>	<u>358,191</u>	<u>211</u>	<u>2,151</u>	<u>360,553</u>
Reasonably possible change in currency rate	5%	5%	5%	5%
<b>Effect on profit before tax</b>	<u>17,910</u>	<u>11</u>	<u>108</u>	<u>18,028</u>

**38. 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
<b>Total financial assets</b>	<b>2,300,357</b>	<b>667,196</b>	<b>342</b>	<b>14,858</b>	<b>2,982,753</b>
Customers' deposits and other funding instruments	337,685	—	—	—	337,685
Debt securities	498,491	515,083	—	—	1,013,574
<b>Total financial liabilities</b>	<b>836,176</b>	<b>515,083</b>	<b>—</b>	<b>—</b>	<b>1,351,259</b>
<b>Net currency risk exposure</b>	<b>1,464,181</b>	<b>152,113</b>	<b>342</b>	<b>14,858</b>	<b>1,631,493</b>
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
<b>Effect on profit before tax</b>	<b>73,209</b>	<b>7,606</b>	<b>17</b>	<b>743</b>	<b>81,575</b>

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**38. Risk management (continued)**

**Currency risk (continued)**

**Group**

2016	USD	BDS	EURO	OTHER	TOTAL
Cash and short-term funds	334,844	141,917	228	4,036	481,025
Fixed deposits	—	32,927	—	4,071	36,998
Net investment in leased assets and other instalment loans	—	373,217	—	—	373,217
Loans and advances	219,979	57,113	—	—	277,092
Investment securities	1,515,720	45,112	—	984	1,561,816
Interest receivable	13,301	493	—	57	13,851
Insurance receivables	13,898	7,856	—	—	21,754
Other debtors and prepayments	21,146	8,898	1	(2)	30,043
Reinsurance assets	—	82,726	—	—	82,726
<b>Total financial assets</b>	<b>2,118,888</b>	<b>750,259</b>	<b>229</b>	<b>9,146</b>	<b>2,878,522</b>
Customers' deposits and other funding instruments	193,307	—	—	—	193,307
Debt securities	503,001	549,403	—	—	1,052,404
<b>Total financial liabilities</b>	<b>696,308</b>	<b>549,403</b>	<b>—</b>	<b>—</b>	<b>1,245,711</b>
<b>Net currency risk exposure</b>	<b>1,422,580</b>	<b>200,856</b>	<b>229</b>	<b>9,146</b>	<b>1,632,811</b>
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
<b>Effect on profit before tax</b>	<b>71,129</b>	<b>10,043</b>	<b>11</b>	<b>457</b>	<b>81,640</b>

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**38. 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 table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2017 and 2016, 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
<b>2017</b>				
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
	<b>924,434</b>	<b>946,765</b>	<b>—</b>	<b>1,871,199</b>

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**38. 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
<b>2016</b>				
Customers' deposits and other funding instruments	840,010	275,546	10,000	1,125,556
Debt securities in issue	33,589	370,741	600,000	1,004,330
Interest payable	11,035	6,546	2,317	19,898
	<b>884,634</b>	<b>652,833</b>	<b>612,317</b>	<b>2,149,784</b>
<b>Group</b>				
<b>2017</b>				
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
	<b>2,128,465</b>	<b>1,160,482</b>	<b>—</b>	<b>3,288,947</b>
<b>2016</b>				
Customers' deposits and other funding instruments	1,795,280	509,961	—	2,305,241
Debt securities in issue	33,589	370,741	600,000	1,004,330
Interest payable	15,553	8,498	1,970	26,021
Investment contracts	224,936	—	—	224,936
	<b>2,069,358</b>	<b>889,200</b>	<b>601,970</b>	<b>3,560,528</b>

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38. 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 2017 and 2016 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	
	%	2017	2016
Parent		+/-	+/-
TTSE	+/- 3	253	403
S&P 500	+/- 8	1,685	3,313
Group			
TTSE	+/- 3	12,711	12,581
S&P 500	+/- 8	15,445	21,390

39. 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.

39. Capital management (continued)

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 2017 and 2016, 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.

40. 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 cash flows.

Parent	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Assets</b>						
Cash and short-term funds	267,887	—	267,887	286,015	—	286,015
Net investment in leased assets and other instalment loans	61,555	1,016,548	1,078,103	85,155	971,340	1,056,495
Loans and advances	110,219	95,010	205,229	570,147	127,281	697,428
Investment securities	215,138	645,119	860,257	105,965	494,250	600,215
Interest receivable	8,138	—	8,138	6,666	—	6,666
Other debtors and prepayments	20,027	—	20,027	51,871	—	51,871
Taxation recoverable	1,219	—	1,219	1,219	—	1,219
Investment in subsidiaries	—	810,320	810,320	—	810,320	810,320
Property and equipment	—	1,242	1,242	—	1,351	1,351
Deferred tax asset	—	17,675	17,675	—	20,179	20,179
Intangible assets	—	12,288	12,288	—	—	—
Employee benefit asset	—	8,354	8,354	—	9,374	9,374
<b>Total assets</b>	<b>684,183</b>	<b>2,606,556</b>	<b>3,290,739</b>	<b>1,107,038</b>	<b>2,434,095</b>	<b>3,541,133</b>

40. Maturity analysis of assets and liabilities (continued)

Parent	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Liabilities</b>						
Customers' deposits and other funding instruments	817,004	132,465	949,469	840,010	285,546	1,125,556
Bank overdraft	—	—	—	—	—	—
Accrued interest and other payables	55,498	—	55,498	71,323	—	71,323
Debt securities in issue	101,441	802,883	904,324	33,589	970,741	1,004,330
Taxation payable	9,235	—	9,235	8,884	—	8,884
Deferred tax liability	—	5,312	5,312	—	4,339	4,339
Employee benefit obligation	—	483	483	—	385	385
<b>Total liabilities</b>	<b>983,178</b>	<b>941,143</b>	<b>1,924,321</b>	<b>953,806</b>	<b>1,261,011</b>	<b>2,214,817</b>



**ANSA MERCHANT BANK LIMITED**  
**NOTES TO THE SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

(Continued)

**40. Maturity analysis of assets and liabilities (continued)**

Group	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Assets</b>						
Cash and short-term funds	643,185	—	643,185	766,104	—	766,104
Fixed deposits	110,897	—	110,897	124,947	—	124,947
Net investment in leased assets and other instalment loans	73,200	1,372,659	1,445,859	98,207	1,329,721	1,427,928
Loans and advances	135,138	299,782	434,920	581,730	294,521	876,251
Investment securities	861,636	2,932,274	3,793,910	870,122	2,412,620	3,282,742
Interest receivable	33,976	—	33,976	29,103	—	29,103
Insurance receivables	35,619	—	35,619	47,648	—	47,648
Other debtors and prepayments	32,401	—	32,401	57,586	—	57,586
Reinsurance assets	155,283	19,842	175,125	165,150	17,356	182,506
Taxation recoverable	2,435	—	2,435	2,417	—	2,417
Investment properties	—	139,268	139,268	—	139,268	139,268
Property and equipment	—	184,054	184,054	—	182,798	182,798
Intangible assets	—	153,417	153,417	—	136,361	136,361
Deferred tax asset	—	21,782	21,782	—	24,374	24,374
Employee benefit asset	—	128,775	128,775	—	129,089	129,089
<b>Total assets</b>	<b>2,083,769</b>	<b>5,251,853</b>	<b>7,335,622</b>	<b>2,743,014</b>	<b>4,666,108</b>	<b>7,409,122</b>

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**40. Maturity analysis of assets and liabilities (continued)**

Group	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Liabilities</b>						
Customers' deposits and other funding instruments	1,778,204	350,092	2,128,296	1,795,279	509,962	2,305,241
Debt securities in issue	101,441	802,883	904,324	33,589	970,741	1,004,330
Bank overdraft	—	—	—	—	—	—
Accrued interest and other payables	128,886	—	128,886	139,719	—	139,719
Taxation payable	14,412	—	14,412	14,597	—	14,597
Deferred tax liability	—	155,688	155,688	—	149,118	149,118
Employee benefit obligation	—	5,582	5,582	—	4,525	4,525
Investment contract liabilities	234,503	—	234,503	224,936	—	224,936
Insurance contract liabilities	366,878	1,074,882	1,441,760	384,421	980,071	1,364,492
<b>Total liabilities</b>	<b>2,624,324</b>	<b>2,389,127</b>	<b>5,013,451</b>	<b>2,592,541</b>	<b>2,614,417</b>	<b>5,206,958</b>

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**41. Business combination**

On 3 October 2016, the Bank capitalised ANSA Financial Holdings (Barbados) Limited and was issued 100% of its share capital. Also on that date the Bank completed the acquisition of 100% of the financial services business of Consolidated Finance Co. Limited (CFC) and as a result of that acquisition ANSA Financial Holdings (Barbados) Limited was made the immediate parent company of CFC. CFC is a financial services company licensed under Part III of the Financial Institutions Act, Cap 324A of Barbados. ANSA Financial Holdings (Barbados) Limited is a non-operating holding company which is incorporated and domiciled in Barbados.

During 2017, AMBL carried out an update to the fair valuing exercise performed at acquisition in which revised fair values were computed as at 3 October 2016.

This business combination was within the scope of IFRS 3, 'Business Combinations.' An analysis of the fair value of the net assets acquired is shown in the table below:

	Fair value of assets acquired and liabilities assumed on 3 October 2016 (revised)	Provisional Fair value of assets acquired and liabilities assumed on 3 October 2016
Net leases and loans receivable	435,624	432,893
Operating lease vehicles	144,777	145,280
Investments	110,765	110,951
Other non-current assets	14,607	14,010
Current assets including cash	91,698	101,313
<b>Total assets</b>	<b>797,471</b>	<b>804,447</b>
Customers' deposits	563,696	570,951
Non-current liabilities	25,406	25,905
Current liabilities	28,497	32,370
<b>Total liabilities</b>	<b>617,599</b>	<b>629,226</b>
<b>Net assets</b>	<b>179,872</b>	<b>175,221</b>

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**41. Business combination (continued)**

Fair value of net assets acquired	179,872	175,221
Fair value of consideration	177,221	177,820
(Bargain purchase)/Purchased goodwill	(2,651)	2,599

The fair value exercise conducted gave rise to a bargain purchase on acquisition and an adjustment of goodwill previously recognised on acquisition

**Analysis of cash flow on acquisition**

Consideration paid for business combination	—
Represented by:	
Cash transferred	77,053
Short and medium-term promissory notes	100,767
	177,820

Cash transferred in the transaction	77,053
Cash included in net assets acquired	32,587
<b>Net cash outflow on business transfer</b>	<b>(44,467)</b>

Debt securities as described above consists of promissory notes payable in three tranches of TT\$33.6 million each which were repaid on 23 June 2017.

From the date of acquisition, the acquiree contributed \$99.3 million to revenue and \$9.7 million to the net profit of the Group for the year ended 31 December 2017.

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42. Capital commitments

Parent			Group	
2016	2017		2017	2016
30,356	13,354	Capital expenditure	47,217	54,186

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			Group	
2016	2017		2017	2016
6,442	1,541		1,541	6,442

44. Dividends

Dividends paid are analysed as follows:	2017	2016
Final dividend for 2016 – \$1.00 per share (2015: \$0.85 per share)	85,604	72,764
Interim dividend for 2017 – \$0.20 per share (2016: \$0.20 per share)	<u>17,122</u>	<u>17,122</u>
	<u>102,726</u>	<u>89,886</u>

On 19 March 2018, the Board of Directors declared a final dividend of \$1.00 (2016: \$1.00) per share for the year ended 31 December 2017. This dividend amounting to \$85,605,000 (2016: \$85,605,000) is not recorded as a liability in the statement of financial position as at 31 December 2017.

45. Events after the reporting period

There were no material events after the statement of financial position date of 31 December 2017 which required recording or disclosure in the financial statements of the Bank or its subsidiaries as at 19 March 2018.





# FUND FACTS

## ANSA Secured Fund Top 10 Holdings - Dec 31 2017

SECURITY	% OF PORTFOLIO
GUARDIAN HOLDINGS LIMITED 7.975% FRB DUE 2023	10.90%
CREDIT SUISSE AG LONDON MTN 8% DUE 06/09/2020	10.42%
NIPDEC 5.15% FRB DUE 2025	9.38%
FIRST CITIZENS BANK LIMITED 3.10% FRB DUE 2021 SERIES 1	5.14%
HDC 8.70% FRB DUE 2023	4.21%
STANDARD CHARTERED PLC 5.70% FRB DUE 2022	3.68%
L BRANDS INC. (US) 5.625% FRB DUE 2022	3.65%
JBS INVESTMENTS GMBH 7.75% NOTES DUE 2020	3.55%
FIAT CHRYSLER 4.5% FRB DUE 15/04/2020	3.47%
MASCO CORP (MAS) 7.75% DUE 08/01/29	3.47%

## Cumulative Returns as at Dec 31st 2017

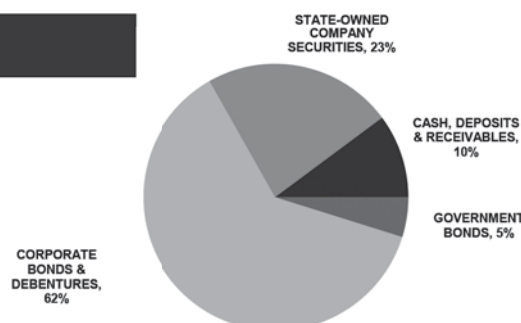
12 month	1.25%
3 Year	3.75%
Since Inception	17.18%

## Historical Performance

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

## Asset Mix - Dec 31 2017

- GOVERNMENT BONDS
- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- CASH, DEPOSITS & RECEIVABLES



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF ANSA SECURED FUND

### 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 2017, 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 2017 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.

*Ernst + Young*

Port of Spain,  
TRINIDAD:

**ANSA SECURED FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2017	2016
<b>Assets</b>			
Cash and cash equivalents	4	19,777	40,254
Interest receivable		2,795	3,122
Investment securities	5	<u>174,873</u>	<u>172,973</u>
<b>Total assets</b>		<u>197,445</u>	<u>216,349</u>
<b>Liabilities</b>			
Management fee payable		2,000	9,557
Trustee fees payable		72	77
Distributions payable		604	638
Other payables		<u>319</u>	<u>334</u>
<b>Total liabilities</b>		<u>2,995</u>	<u>10,606</u>
<b>Net assets</b>		<u><b>194,450</b></u>	<u><b>205,743</b></u>
<b>Unitholders' Capital</b>			
Unitholders' balances	6	191,303	202,222
Retained fund surplus		<u>3,147</u>	<u>3,521</u>
		<u><b>194,450</b></u>	<u><b>205,743</b></u>

The financial statements were approved by the Trustee and authorised for issue on 19 March 2018 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 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2017	2016
<b>Income</b>			
Interest and dividend income	7	9,879	10,706
Net foreign exchange translation and other gains		276	5,672
Net realised and unrealised gains/(losses) on investment securities	8	<u>2,857</u>	<u>(1,453)</u>
<b>Total income</b>		<u>13,012</u>	<u>14,925</u>
<b>Expenses</b>			
Management fees	9	(10,792)	(12,402)
Trustee fees	9	(296)	(321)
Impairment write back		208	27
Other expenses		<u>(43)</u>	<u>(199)</u>
<b>Total expenses</b>		<u>(10,923)</u>	<u>(12,895)</u>
<b>Total comprehensive income for the year</b>		<u><b>2,089</b></u>	<u><b>2,030</b></u>

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 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Unitholders' balances	Retained fund surplus	Total
<b>Balance as at 1 January 2016</b>	228,676	4,170	232,846
Total comprehensive income for the year	–	2,030	2,030
Redemption of units	(26,454)	–	(26,454)
Distribution to Unitholders	<u>–</u>	<u>(2,679)</u>	<u>(2,679)</u>
<b>Balance as at 31 December 2016</b>	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	<u>–</u>	<u>(2,463)</u>	<u>(2,463)</u>
<b>Balance as at 31 December 2017</b>	<u>191,303</u>	<u>3,147</u>	<u>194,450</u>

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

**ANSA SECURED FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		2,089	2,030
Adjustments:			
Interest capitalised		(75)	(101)
Amortisation on investment securities		883	978
(Gains)/losses on sale of investment securities	8	(2,857)	1,453
Write back of impairment		(208)	(13)
Foreign exchange gains		<u>(304)</u>	<u>(5,257)</u>
Deficit before working capital changes		(472)	(910)
Changes in assets/liabilities:			
Decrease in interest receivable		497	585
(Decrease)/increase in payables		<u>(7,611)</u>	<u>4,077</u>
Net cash flows (used in)/provided by operating activities		<u>(7,586)</u>	<u>3,752</u>
<b>Cash flows from investing activities</b>			
Purchase of investments		(69,673)	(11,163)
Proceeds from maturity/sale of investments		<u>70,164</u>	<u>69,731</u>
Net cash flows provided by investing activities		<u>491</u>	<u>58,568</u>
<b>Cash flows from financing activities</b>			
Redemption of units		(10,919)	(26,454)
Distribution to Unitholders		<u>(2,463)</u>	<u>(2,679)</u>
Net cash flows used in financing activities		<u>(13,382)</u>	<u>(29,133)</u>
Net (decrease)/increase in cash and cash equivalents		(20,477)	33,187
Cash and cash equivalents at the beginning of the year		<u>40,254</u>	<u>7,067</u>
Cash and cash equivalents at the end of the year	4	<u>19,777</u>	<u>40,254</u>
<b>Supplemental information:</b>			
Interest and dividend received		11,184	11,941
Distributions paid		2,496	2,773

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





## 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 or 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.

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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 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 2016 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 2017. Except for Phase I 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.

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## 2. Significant accounting policies (continued)

### ii) Changes in accounting policy and disclosures (continued)

#### New and amended standards and interpretations (continued)

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Fund. The nature and the impact of each new standard or amendment is described below:

#### Amendments to IAS 7, 'Statement of Cash Flows' – Effective 1 January 2017

The amendments to IAS 7 - *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Fund.

#### Amendments to IAS 12, 'Income Taxes' – Effective 1 January 2017

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments have no impact on the Fund.

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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.

- IFRS 9, 'Financial Instruments' Phase II and III – Effective 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' – Effective 1 January 2018
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments
- 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

#### IFRS 9, 'Financial Instruments'

The following is an overview of the process which the Fund undertook in preparation for the implementation of IFRS 9 'Financial Instruments.'

IFRS 9, 'Financial Instruments', was developed in three phases:

- Phase 1 – Classification and measurement of financial instruments

This phase was early adopted by the Fund in its financial statements for the year ended 31 December 2011. The exemption given in the transitional provision for early application was applied and hence the Fund did not restate comparative information in the year of application.

- Phase 2 – Impairment

This phase will be implemented by the Fund from 1 January 2018. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to financial assets accounted for at amortised cost or at FVOCI, including commitments and guarantees.

The Fund has assessed that the application of IFRS 9 will result in earlier recognition of credit losses and is currently assessing the extent of the impact and the adjustment required.

- Phase 3 – Hedge accounting

The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. At this time, the Fund is not engaged in hedging strategies and therefore this phase has no impact on the Fund.

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

**ii) Changes in accounting policy and disclosures (continued)**

*Standards issued but not yet effective (continued)*

**IFRS 15, 'Revenue from Contracts with Customers'**

The following is an overview of the potential impact on the Fund's Financial Statements and processes with the adoption of IFRS 15 'Revenue from Contracts with Customers' effective 1 January, 2018.

IFRS 15, 'Revenue from contracts with customers' is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. Implementing this standard required extensive work by the Fund in reassessing their accounting policies, systems and processes, the impact of which is currently being assessed. The Fund has decided to apply the modified retrospective approach from 1 January 2018. Additional information on the new requirements of IFRS 15 are further detailed below.

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11, 'Construction Contracts', IAS 18, 'Revenue', IFRIC 13, 'Customer Loyalty Programmes', IFRIC 15, 'Agreements for the Construction of Real Estate', IFRIC 18, 'Transfers of Assets from Customers' and SIC 31, 'Revenue – Barter Transactions Involving Advertising Services') and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17, 'Leases' (or IFRS 16, 'Leases', once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

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

**ii) Changes in accounting policy and disclosures (continued)**

*Standards issued but not yet effective (continued)*

**IFRS 15, 'Revenue from Contracts with Customers' (continued)**

The standard requires the Fund to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

**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**

**IFRS 9, 'Financial Instruments: Classification and Measurement'**

The Fund early adopted IFRS 9, 'Financial Instruments' (Phase I) (as issued in November 2009), effective 1 January 2018. The Fund chose to apply the exemption given in the transitional provision for early application of IFRS 9 and hence did not restate comparative information in the year of initial application.

**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 in the statement of comprehensive income and is included in the '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 on the principal amount outstanding.

*Financial assets 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

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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 other comprehensive income (FVOCI) (continued)*

A financial asset is held for trading if (continued):

- 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.

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.

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.

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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)*

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 income. The net gain or loss recognised in the statement of 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 IAS 18 - *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 income; and
- for financial assets that are designated as at FVOCI, any foreign exchange component is recognised in other comprehensive income.
- 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**

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 debtor, 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses (ECLs) that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense.

Impaired debts, 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 a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

**iv) Financial instruments (continued)**

**Financial assets (continued)**

**c. Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- the Fund has transferred substantially all of the risks and rewards of the asset, or
- the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

**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.

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**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 derecognition 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.

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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13	<p><b>2. Significant accounting policies (continued)</b></p> <p><b>v) Fair valuation of financial instruments (continued)</b></p> <p><i>Short-term financial assets and liabilities</i></p> <p>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.</p> <p><i>Investment securities</i></p> <p>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.</p> <p>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.</p> <p><i>Determination of fair value and fair values hierarchy</i></p> <p>The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:</p> <p><u>Level 1</u></p> <p>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.</p>	

14	<p><b>2. Significant accounting policies (continued)</b></p> <p><b>v) Fair valuation of financial instruments (continued)</b></p> <p><i>Determination of fair value and fair values hierarchy (continued)</i></p> <p><u>Level 2</u></p> <p>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.</p> <p><u>Level 3</u></p> <p>Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price for those assets.</p> <p><b>vi) Revenue recognition</b></p> <p>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.</p> <p><i>Investment income</i></p> <p>Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium on the constant yield basis. Investment income also includes dividends and any fair value changes.</p> <p>Interest income is accrued until the investment becomes contractually 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.</p> <p>Dividend income is recognised when the Fund's right to receive payment is established.</p> <p><i>Other income and expenditure</i></p> <p>Other income and expenditure are brought into account on the accruals basis.</p>	

15	<p><b>2. Significant accounting policies (continued)</b></p> <p><b>vii) Subscriptions and redemptions</b></p> <p>Subscriptions and redemptions are accounted for on the accruals basis. Subscriptions and redemptions to the Fund are made by investors at a price \$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.</p> <p><b>viii) Expenses</b></p> <p>Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and distribution fees. Audit fees are included within other expenses.</p> <p><b>ix) Distributions to Unitholders</b></p> <p>Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.</p> <p><b>x) Taxation</b></p> <p>With respect to dividends which are derived locally no income tax is payable by residents of Trinidad and Tobago.</p> <p><b>xi) Functional and presentation currency</b></p> <p>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.</p>	

16	<p><b>2. Significant accounting policies (continued)</b></p> <p><b>xii) Foreign currency transactions</b></p> <p>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.</p> <p><b>xiii) Unitholders' Capital</b></p> <p><i>Classification of redeemable shares</i></p> <p>Redeemable shares are classified as equity instruments when:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• 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.</li></ul> <p>In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• The effect of substantially restricting or fixing the residual return to the redeemable unitholders.</li></ul> <p>The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.</p>	

**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)

**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*

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.

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<b>4. Cash and cash equivalents</b>	<b>2017</b>	<b>2016</b>
Cash at bank	11,112	13,079
Short-term funds	<u>8,665</u>	<u>27,175</u>
	<u>19,777</u>	<u>40,254</u>

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.

<b>5. Investment securities</b>	<b>2017</b>	<b>2016</b>
Investment securities designated at fair value through statement of income	12,000	12,000
Investment securities measured at amortised cost	<u>162,873</u>	<u>160,973</u>
<b>Total investment securities</b>	<u>174,873</u>	<u>172,973</u>

**Investment securities designated at fair value through statement of income**

Equity securities	—	—
Corporate bonds and debentures	<u>12,000</u>	<u>12,000</u>
	<u>12,000</u>	<u>12,000</u>

**Investment securities measured at amortised cost**

Government securities	9,394	16,630
State-owned company securities	39,867	53,052
Corporate bonds and debentures	<u>113,612</u>	<u>91,291</u>
	<u>162,873</u>	<u>160,973</u>

The movement in specific provision for impaired investments is analysed as follows:

Balance at 1 January	218	231
Amounts written back	(327)	(13)
Charge for the year	<u>109</u>	<u>—</u>
At 31 December	<u>—</u>	<u>218</u>

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<b>6. Unitholders' balances</b>	<b>2017</b>	<b>2016</b>
Authorised: Unlimited number of units		
<i>Reconciliation of unitholders' balances:</i>		
Units outstanding at the beginning of the year	202,222	228,676
Units redeemed	<u>(10,919)</u>	<u>(26,454)</u>
<b>Units outstanding at the end of the year</b>	<u>191,303</u>	<u>202,222</u>
Guaranteed net asset value per unit	1,000	1,000
<b>7. Interest and dividend income</b>		
Interest income from investments designated at fair value through statement of income	468	482
Interest income on impaired financial assets	(190)	131
Interest income from financial assets measured at amortised cost	9,601	9,678
Dividend income	<u>—</u>	<u>415</u>
	<u>9,879</u>	<u>10,706</u>
<b>8. Net realised and unrealised gains/(losses) on investment securities</b>		
Realised gains/(losses) on sale of investment securities	2,857	(1,453)
Unrealised gains on investments held at year end designated at fair value through statement of income	<u>—</u>	<u>—</u>
	<u>2,857</u>	<u>(1,453)</u>

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<b>9. Fees</b>	<b>2017</b>	<b>2016</b>
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.		
Management fees	10,792	12,402
Trustee fees	<u>296</u>	<u>321</u>
	<u>11,088</u>	<u>12,723</u>

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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.

	Carrying values	Fair values	Unrecognised gain
<b>2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	19,777	19,777	—
Investment securities	174,873	177,552	2,679
Interest receivable	2,795	2,795	—
<b>Total financial assets</b>	<b>197,445</b>	<b>200,124</b>	<b>2,679</b>
<b>Financial liabilities</b>			
Management fee payable	2,000	2,000	—
Trustee fees payable	72	72	—
Distributions payable	604	604	—
Other payables	319	319	—
<b>Total financial liabilities</b>	<b>2,995</b>	<b>2,995</b>	<b>—</b>
<b>2016</b>			
<b>Financial assets</b>			
Cash and cash equivalents	40,254	40,254	—
Investment securities	172,973	176,831	3,858
Interest receivable	3,122	3,122	—
<b>Total financial assets</b>	<b>216,349</b>	<b>220,207</b>	<b>3,858</b>
<b>Financial liabilities</b>			
Management fee payable	9,557	9,557	—
Trustee fees payable	77	77	—
Distributions payable	638	638	—
Other payables	334	334	—
<b>Total financial liabilities</b>	<b>10,606</b>	<b>10,606</b>	<b>—</b>

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**10. Fair value of financial instruments (continued)**

**ii) Determination of fair value and fair values hierarchy**

	Level 1	Level 2	Level 3	Total
<b>2017</b>				
<b>Investment securities designated at fair value through statement of income</b>				
Corporate bonds and debentures	—	—	12,000	12,000
	—	—	12,000	12,000
<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
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
<b>2016</b>				
<b>Investment securities designated at fair value through statement of income</b>				
Corporate bonds and debentures	—	—	12,000	12,000
	—	—	12,000	12,000
<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
Government securities	3,401	13,494	—	16,895
State-owned company securities	6,066	49,935	—	56,001
Corporate bonds and debentures	62,789	28,902	244	91,935
	72,256	92,331	244	164,831

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**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 2017, there were no transfer of assets between Level 1 and Level 2.

**iv) Movements in Level 3 financial instruments**

	2017	2016
Balance at 1 January	12,244	18,420
Gains recognised	320	244
Disposals	—	(6,420)
	<b>12,564</b>	<b>12,244</b>

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**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.

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**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.

**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.

	<b>Gross maximum exposure</b>	
	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	19,777	40,254
Investment securities	174,873	172,973
Interest receivable	2,795	3,122
	<u>197,445</u>	<u>216,349</u>

**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**

**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.

	<b>High grade</b>	<b>Standard</b>	<b>Impaired</b>	<b>Total</b>
<b>2017</b>				
Investment securities designated at fair value through statement of income	—	12,000	—	12,000
Investment securities measured at amortised cost	<u>49,261</u>	<u>113,612</u>	<u>—</u>	<u>162,873</u>
	<u>49,261</u>	<u>125,612</u>	<u>—</u>	<u>174,873</u>

**11. Risk management (continued)**

**Credit quality (continued)**

**Investment debt securities (continued)**

	<b>High grade</b>	<b>Standard</b>	<b>Impaired</b>	<b>Total</b>
<b>2016</b>				
Investment securities designated at fair value through statement of income	—	12,000	—	12,000
Investment securities measured at amortised cost	<u>52,759</u>	<u>106,851</u>	<u>1,363</u>	<u>160,973</u>
	<u>52,759</u>	<u>118,851</u>	<u>1,363</u>	<u>172,973</u>

There are no investment debt securities classified as sub-standard for the years 31 December 2017 and 31 December 2016.

**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.

	<b>USD 2017</b>	<b>USD 2016</b>
<b>Financial assets</b>		
Cash and cash equivalents	8,699	28,868
Investment securities	99,981	74,760
Interest receivable	<u>1,195</u>	<u>1,366</u>
<b>Net currency risk exposure</b>	<u>109,875</u>	<u>104,994</u>
Reasonably possible change in currency rate	5%	5%
<b>Effect on income for the year</b>	5,494	5,250

**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	
	2017	2016
+ 100	—	14
– 100	—	(14)

**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.

**11. Risk management (continued)**

**Liquidity risk (continued)**

	Up to one year	Over one year	Total
<b>2017</b>			
<b>Financial liabilities</b>			
Management fee payable	2,000	—	2,000
Trustee fees payable	72	—	72
Distributions payable	604	—	604
Other payables	319	—	319
<b>Total financial liabilities</b>	<b>2,995</b>	<b>—</b>	<b>2,995</b>
<b>2016</b>			
<b>Financial liabilities</b>			
Management fee payable	9,557	—	9,557
Trustee fees payable	77	—	77
Distributions payable	638	—	638
Other payables	334	—	334
<b>Total financial liabilities</b>	<b>10,606</b>	<b>—</b>	<b>10,606</b>

**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	
		2017 + / -	2016 + / -
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.

	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Assets</b>						
Cash and cash equivalents	19,777	—	19,777	40,254	—	40,254
Investment securities	6,324	168,549	174,873	323	172,650	172,973
Interest receivable	2,795	—	2,795	3,122	—	3,122
<b>Total assets</b>	<b>28,896</b>	<b>168,549</b>	<b>197,445</b>	<b>43,699</b>	<b>172,650</b>	<b>216,349</b>

**12. Maturity analysis of assets and liabilities (continued)**

	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Liabilities</b>						
Management fee payable	2,000	—	2,000	9,557	—	9,557
Trustee fees payable	72	—	72	77	—	77
Distributions payable	604	—	604	638	—	638
Other payables	319	—	319	334	—	334
<b>Total liabilities</b>	<b>2,995</b>	<b>—</b>	<b>2,995</b>	<b>10,606</b>	<b>—</b>	<b>10,606</b>

**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:

	2017	2016
<b>Assets</b>		
Sponsor company	12,201	12,201
Other related parties	1,449	1,699
	<u>13,650</u>	<u>13,900</u>
<b>Liabilities</b>		
Sponsor company	3,307	9,582
Directors and key management personnel	8	9
Other related parties	198	51
	<u>3,513</u>	<u>9,642</u>
<b>Unitholders' balances</b>		
Sponsor company	1,295	1,295
Directors and key management personnel	2,617	2,761
Other related parties	62,910	62,910
	<u>66,822</u>	<u>66,966</u>
<b>Income</b>		
Sponsor company	472	466
Other related parties	79	177
	<u>551</u>	<u>643</u>
<b>Expenses</b>		
Sponsor company	10,792	12,402
	<u>10,792</u>	<u>12,402</u>
<b>Distributions</b>		
Sponsor company	16	16
Directors and key management personnel	34	35
Other related parties	786	863
	<u>836</u>	<u>914</u>

**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 2017 and 2016.

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 2017 which required recording or disclosure in the financial statements of the Fund as at 19 March 2018.





US\$  
SECURED  
FUND

# FUND FACTS

## ANSA US\$ Secured Fund Top 10 Holdings - Dec 31 2017

SECURITY	% OF PORTFOLIO
PETROTRIN 9.75% FRB DUE 2019	14.60%
GOLDMAN SACHS 8.00% EQUITY LINKED NOTES DUE 02/25/2019	8.90%
CREDIT SUISSE 7.50% EQUITY LINKED NOTES DUE 01/16/2020	7.42%
STANDARD CHARTERED PLC 5.70% FRB DUE 2022	5.24%
AEROPUERTO INTL TOCUMEN 5.75% FRB DUE 2023	5.06%
JBS INVESTMENTS GMBH 7.75% NOTES DUE 2020	5.05%
TRINIDAD GENERATION UNLIMITED (TGU) 5.25% DUE 2027	4.95%
MACY'S INC. 6.65% FRB DUE 2024	4.27%
COMISION FED DE ELECTRICIDAD 4.875% NOTES DUE 2021	3.62%
PANGOLIN INVESTMENT STRIP DUE 01/04/2022	3.53%

## Cumulative Returns as at Dec 31st 2017

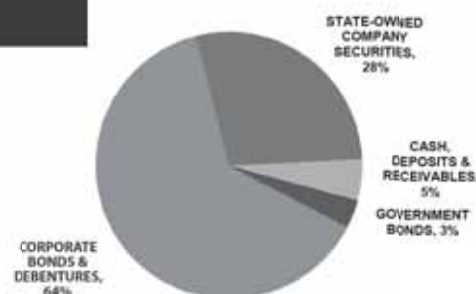
12 month	1.00%
3 Year	3.00%
Since Inception	15.30%

## Historical Performance

2013	1.56%
2014	1.13%
2015	1.00%
2016	1.00%
2017	1.00%

## Asset Mix - Dec 31 2017

- GOVERNMENT BONDS
- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- CASH, DEPOSITS & RECEIVABLES



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF ANSA US\$ SECURED FUND

### 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 2017, 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 2017 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.

*Ernst + Young*

Port of Spain,  
TRINIDAD:



**ANSA US\$ SECURED FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
(Expressed in thousands of United States dollars)

	Notes	2017	2016
<b>Assets</b>			
Cash and cash equivalents	4	1,042	2,458
Investment securities	5	19,220	17,881
Interest receivable		290	575
<b>Total assets</b>		<b>20,552</b>	<b>20,914</b>
<b>Liabilities</b>			
Management fee payable		3	3
Trustee fees payable		8	9
Distributions payable		101	56
Other payables		4	5
<b>Total liabilities</b>		<b>116</b>	<b>73</b>
<b>Net assets</b>		<b>20,436</b>	<b>20,841</b>
<b>Unitholders' Capital</b>			
Unitholders' balances		22,152	23,259
Retained fund deficit		(1,716)	(2,418)
		<b>20,436</b>	<b>20,841</b>

The financial statements were approved by the Trustee and authorised for issue on 19 March 2018 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 2017**  
(Expressed in thousands of United States dollars)



	Notes	2017	2016
<b>Income</b>			
Interest income	7	667	844
Net foreign exchange translation and other gains		2	8
<b>Total income</b>		<b>669</b>	<b>852</b>
<b>Expenses</b>			
Net realised and unrealised losses on investment securities	8	(6)	(202)
Management fees	9	(10)	(3)
Trustee fees	9	(34)	(36)
Impairment write back/(expense)		305	(48)
Other expenses		(6)	(13)
<b>Total expenses</b>		<b>249</b>	<b>(302)</b>
<b>Total comprehensive income for the year</b>		<b>918</b>	<b>550</b>

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 2017**  
(Expressed in thousands of United States dollars)

	Unitholders' balances	Retained fund deficit	Total
<b>Balance as at 1 January 2016</b>	26,035	(2,743)	23,292
Total comprehensive income for the year	—	550	550
Redemption of units	(2,776)	—	(2,776)
Distribution to Unitholders	—	(225)	(225)
<b>Balance as at 31 December 2016</b>	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)
<b>Balance as at 31 December 2017</b>	<b>22,152</b>	<b>(1,716)</b>	<b>20,436</b>

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 2017**  
(Expressed in thousands of United States dollars)

	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		918	550
Adjustments:			
Interest capitalised		(37)	(45)
(Write back)/provision for impairment		(305)	48
Amortisation on investment securities		231	211
Losses on sale of investment securities	8	6	202
Surplus before working capital changes		813	966
Changes in assets/liabilities:			
Decrease/(increase) in interest receivable		590	(218)
Increase/(decrease) in payables		43	(589)
Net cash flows provided by operating activities		<b>1,446</b>	<b>159</b>
<b>Cash flows from investing activities</b>			
Purchase of investments		(5,672)	(6,395)
Proceeds from maturity/sale of investments		4,134	10,342
Net cash flows (used in)/provided by investing activities		<b>(1,538)</b>	<b>3,947</b>
<b>Cash flows from financing activities</b>			
Redemption of units		(1,107)	(2,776)
Distribution to Unitholders		(216)	(225)
Net cash flows used in financing activities		<b>(1,323)</b>	<b>(3,001)</b>
Net (decrease)/increase in cash and cash equivalents		(1,415)	1,105
Cash and cash equivalents at the beginning of the year		2,458	1,353
Cash and cash equivalents at the end of the year	4	<b>1,043</b>	<b>2,458</b>
<b>Supplemental information:</b>			
Interest received		1,208	1,110
Distributions paid		172	254

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

## 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 or 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 Banking (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 2016 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 2017. Except for Phase I 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 effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Fund. The nature and the impact of each new standard or amendment is described below:

#### Amendments to IAS 7, 'Statement of Cash Flows' – Effective 1 January 2017

The amendments to IAS 7 - *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Fund.

#### Amendments to IAS 12, 'Income Taxes' – Effective 1 January 2017

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments have no impact on the Fund.

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## 2. Significant accounting policies (continued)

### ii) Changes in accounting policy and disclosures (continued)

#### New and amended standards and interpretations (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.

- IFRS 9, 'Financial Instruments' Phases II and III – Effective 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018
- IFRIC 23, 'Uncertainty over Income Tax Treatments' - Effective 1 January 2019
- Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28 – Effective 1 January 2018
- 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

#### IFRS 9, 'Financial Instruments'

The following is an overview of the process which the Fund undertook in preparation for the implementation of IFRS 9 'Financial Instruments.'

IFRS 9, 'Financial Instruments', was developed in three phases:

- Phase 1 – Classification and measurement of financial instruments

This phase was early adopted by the Fund in its financial statements for the year ended 31 December 2011. The exemption given in the transitional provision for early application was applied and hence the Fund did not restate comparative information in the year of application.

- Phase 2 – Impairment

This phase will be implemented by the Fund from 1 January 2018. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to financial assets accounted for at amortised cost or at FVOCI, including commitments and guarantees.

The Fund has assessed that the application of IFRS 9 will result in earlier recognition of credit losses and is currently assessing the extent of the impact and the adjustment required.

- Phase 3 – Hedge accounting

The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. At this time, the Fund is not engaged in hedging strategies and therefore this phase has no impact on the Fund.

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2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

*New and amended standards and interpretations* (continued)

*Standards issued but not yet effective* (continued)

**IFRS 15, 'Revenue from Contracts with Customers'**

The following is an overview of the potential impact on the Fund's Financial Statements and processes with the adoption of IFRS 15 'Revenue from Contracts with Customers' effective 1 January, 2018.

IFRS 15, 'Revenue from contracts with customers' is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. Implementing this standard required extensive work by the Fund in reassessing their accounting policies, systems and processes, the impact of which is currently being assessed. The Fund has decided to apply the modified retrospective approach from 1 January 2018. Additional information on the new requirements of IFRS 15 are further detailed below.

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11, 'Construction Contracts', IAS 18, 'Revenue', IFRIC 13, 'Customer Loyalty Programmes', IFRIC 15, 'Agreements for the Construction of Real Estate', IFRIC 18, 'Transfers of Assets from Customers' and SIC 31, 'Revenue – Barter Transactions Involving Advertising Services') and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17, 'Leases' (or IFRS 16, 'Leases', once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

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2. Significant accounting policies (continued)

ii) Changes in accounting policy and disclosures (continued)

*New and amended standards and interpretations* (continued)

*Standards issued but not yet effective* (continued)

**IFRS 15, 'Revenue from Contracts with Customers'** (continued)

The standard requires the Fund to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

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

**IFRS 9, 'Financial Instruments: Classification and Measurement'**

The Fund early adopted IFRS 9, 'Financial Instruments' (Phase I) (as issued in November 2009), effective 1 January 2018. The Fund chose to apply the exemption given in the transitional provision for early application of IFRS 9 and hence did not restate comparative information in the year of initial application.

**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)

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*

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 comprehensive income and is included in the '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 on the principal amount outstanding.

*Financial assets 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.

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2. Significant accounting policies (continued)

iv) Financial instruments (continued)

**Financial assets** (continued)

a. *Initial recognition and subsequent measurement* (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of resale 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 statement of income on disposal of the investments.

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.

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.

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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)*

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 statement of income. The net gains or losses recognised in the statement of comprehensive income is included in the 'investment income' line item (Note 8).

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 statement of income when the Fund's right to receive the dividends is established in accordance with IAS 18 - *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 statement of comprehensive income; and
- for financial assets that are designated as at FVOCI, any foreign exchange component is recognised in other comprehensive income.
- 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**

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 debtor 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses (ECLs) that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense.

Impaired debts, 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 a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

**iv) Financial instruments (continued)**

**Financial assets (continued)**

**c. Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- the Fund has transferred substantially all of the risks and rewards of the asset, or
- the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

**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.

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**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 derecognition 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.

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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13	<p>2. Significant accounting policies (continued)</p> <p>v) Fair valuation of financial instruments (continued)</p> <p><i>Short-term financial assets and liabilities</i></p> <p>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.</p> <p><i>Investment securities</i></p> <p>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.</p> <p>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.</p> <p><i>Determination of fair value and fair values hierarchy</i></p> <p>The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:</p> <p><u>Level 1</u></p> <p>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.</p>	

14	<p>2. Significant accounting policies (continued)</p> <p>v) Fair valuation of financial instruments (continued)</p> <p><i>Determination of fair value and fair values hierarchy (continued)</i></p> <p><u>Level 2</u></p> <p>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.</p> <p><u>Level 3</u></p> <p>Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price for those assets.</p> <p>vi) Revenue recognition</p> <p>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.</p> <p><i>Investment income</i></p> <p>Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium on the constant yield basis. Investment income also includes dividends and any fair value changes.</p> <p>Interest income is accrued until the investment becomes contractually 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.</p> <p>Dividend income is recognized when the Fund's right to receive payment is established.</p> <p><i>Other income and expenditure</i></p> <p>Other income and expenditure are brought into account on the accruals basis.</p>	

15	<p>2. Significant accounting policies (continued)</p> <p>vii) Subscriptions and redemptions</p> <p>Subscriptions and redemptions are accounted for on the accruals basis. Subscriptions and redemptions to the Fund are made by investors at a price \$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.</p> <p>viii) Expenses</p> <p>Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and distribution fees. Audit fees are included within other expenses.</p> <p>ix) Distributions to Unitholders</p> <p>Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.</p> <p>x) Taxation</p> <p>With respect to dividends which are derived locally no income tax is payable by residents of Trinidad and Tobago.</p> <p>xi) Functional and presentation currency</p> <p>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.</p> <p>xii) Foreign currency transactions</p> <p>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.</p>	

16	<p>2. Significant accounting policies (continued)</p> <p>xiii) Unitholders' Capital</p> <p><i>Classification of redeemable shares</i></p> <p>Redeemable shares are classified as equity instruments when:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• 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.</li></ul> <p>In addition to the redeemable shares having all of the above features, the Fund must have no other financial instrument or contract that has:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• The effect of substantially restricting or fixing the residual return to the redeemable unitholders.</li></ul> <p>The issuance, acquisition and cancellation of redeemable shares are accounted for as equity transactions.</p> <p>3. Significant accounting judgements and estimates</p> <p>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.</p>	



**3. Significant accounting judgements and estimates (continued)**

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

- 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 assets*

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.

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<b>4. Cash and cash equivalents</b>	<b>2017</b>	<b>2016</b>
Cash at bank	804	114
Short-term funds	<u>238</u>	<u>2,344</u>
	<u>1,042</u>	<u>2,458</u>

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.

<b>5. Investment securities</b>	<b>2017</b>	<b>2016</b>
Investment securities designated at fair value through statement of income	—	—
Investment securities measured at amortised cost	<u>19,220</u>	<u>17,881</u>
<b>Total investment securities</b>	<u>19,220</u>	<u>17,881</u>

**Investment securities designated at fair value through statement of income**

Equity securities	<u>—</u>	<u>—</u>
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**Investment securities measured at amortised cost**

Government securities	695	743
State-owned company securities	4,973	5,123
Corporate bonds and debentures	<u>13,552</u>	<u>12,015</u>
	<u>19,220</u>	<u>17,881</u>

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<b>6. Unitholders' balances</b>	<b>2017</b>	<b>2016</b>
Authorised: Unlimited number of units		
<i>Reconciliation of unitholders' balances:</i>		
Units outstanding at the beginning of the year	116,297	130,176
Units redeemed	<u>(5,536)</u>	<u>(13,879)</u>
<b>Units outstanding at the end of the year</b>	<u>110,761</u>	<u>116,297</u>
Guaranteed net asset value per unit	200	200
<b>7. Interest income</b>		
Interest income from investments designated at fair value through statement of income	—	2
Interest income on impaired financial assets	(342)	—
Interest income from financial assets measured at amortised cost	<u>1,009</u>	<u>842</u>
	<u>667</u>	<u>844</u>
<b>8. Net realised and unrealised losses on investment securities</b>		
Realised losses on sale of investment securities	(6)	(202)
Unrealised gains on investments held at year end designated at fair value through statement of income	<u>—</u>	<u>—</u>
	<u>(6)</u>	<u>(202)</u>

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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 0.15% on the average net asset value and such fee shall be subject to a minimum annual fee of TT\$10,000, exclusive of VAT.

	<b>2017</b>	<b>2016</b>
Management fees	10	3
Trustee fees	<u>34</u>	<u>36</u>
	<u>44</u>	<u>39</u>

**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.

<b>2017</b>	<b>Carrying values</b>	<b>Fair values</b>	<b>Unrecognised gain</b>
<b>Financial assets</b>			
Cash and cash equivalents	1,042	1,042	—
Investment securities	19,220	20,137	917
Interest receivable	<u>290</u>	<u>290</u>	<u>—</u>
<b>Total financial assets</b>	<u>20,552</u>	<u>21,469</u>	<u>917</u>
<b>Financial liabilities</b>			
Management fee payable	3	3	—
Trustee fees payable	8	8	—
Distributions payable	101	101	—
Other payables	<u>4</u>	<u>4</u>	<u>—</u>
<b>Total financial liabilities</b>	<u>116</u>	<u>116</u>	<u>—</u>

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**10. Fair value of financial instruments (continued)**

**(i) Carrying amounts and fair values (continued)**

2016	Carrying values	Fair values	Unrecognised gain
<b>Financial assets</b>			
Cash and cash equivalents	2,458	2,458	—
Investment securities	17,881	18,074	193
Interest receivable	575	575	—
<b>Total financial assets</b>	<b>20,914</b>	<b>21,107</b>	<b>193</b>
<b>Financial liabilities</b>			
Management fee payable	3	3	—
Trustee fees payable	9	9	—
Distributions payable	56	56	—
Other payables	5	5	—
<b>Total financial liabilities</b>	<b>73</b>	<b>73</b>	<b>—</b>

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**10. Fair value of financial instruments (continued)**

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

2017	Level 1	Level 2	Level 3	Total
<b>Investment securities designated at fair value through statement of income</b>				
Equity securities	—	—	—	—
<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
Government securities	715	—	—	715
State-owned company securities	4,979	—	—	4,979
Corporate bonds and debentures	9,752	4,023	668	14,443
	<b>15,446</b>	<b>4,023</b>	<b>668</b>	<b>20,137</b>
<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at fair value through statement of income</b>				
Equity securities	—	—	—	—

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**10. Fair value of financial instruments (continued)**

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

2016	Level 1	Level 2	Level 3	Total
<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
Government securities	749	—	—	749
State-owned company securities	4,944	—	—	4,944
Corporate bonds and debentures	9,751	841	1,789	12,381
	<b>15,444</b>	<b>841</b>	<b>1,789</b>	<b>18,074</b>

**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 2017, there were no transfer of assets between Level 1 and Level 2.

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**10. Fair value of financial instruments (continued)**

**(iv) Movements in Level 3 financial instruments**

	2017	2016
Balance at 1 January	1,789	1,000
Losses recognised	379	—
Purchases	1,500	2,000
Transfers into Level 3	—	289
Disposals	(3,000)	(1,500)
	<b>668</b>	<b>1,789</b>

**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.

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# 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	
	2017	2016
Cash and cash equivalents	1,042	2,458
Investment securities	19,220	17,881
Interest receivable	290	575
	<u>20,552</u>	<u>20,914</u>

## 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

### 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.

# 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
<b>2017</b>			
Investment securities designated at amortised cost	<u>5,669</u>	<u>13,551</u>	<u>19,220</u>
<b>2016</b>			
Investment securities designated at amortised cost	<u>5,867</u>	<u>12,014</u>	<u>17,881</u>

There were no investment debt securities classified as sub-standard or impaired for the year ended 31 December 2017 and 31 December 2016.

## Currency risk

As at 31 December 2017, 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.

	Sensitivity of income	
	2017	2016
+ 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.

	Up to one year	Over one year	Total
<b>2017</b>			
<b>Financial liabilities</b>			
Management fee payable	3	—	3
Trustee fees payable	8	—	8
Distributions payable	101	—	101
Other payables	4	—	4
<b>Total financial liabilities</b>	<u>116</u>	<u>—</u>	<u>116</u>

**11. Risk management (continued)**

**Liquidity risk (continued)**

<b>2016</b>	<b>Up to one year</b>	<b>Over one year</b>	<b>Total</b>
<b>Financial liabilities</b>			
Management fee payable	3	—	3
Trustee fees payable	9	—	9
Distributions payable	56	—	56
Other payables	5	—	5
<b>Total financial liabilities</b>	<b>73</b>	<b>—</b>	<b>73</b>

**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:

<b>Market indices</b>	<b>Change in equity price %</b>	<b>Effect on income 2017 + / -</b>	<b>2016 + / -</b>
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.

	<b>2017</b>			<b>2016</b>		
	<b>Less than 12 months</b>	<b>Over 12 months</b>	<b>Total</b>	<b>Less than 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	1,042	—	1,042	2,458	—	2,458
Investment securities	160	19,060	19,220	1,160	16,721	17,881
Interest receivable	290	—	290	575	—	575
<b>Total assets</b>	<b>1,492</b>	<b>19,060</b>	<b>20,552</b>	<b>4,193</b>	<b>16,721</b>	<b>20,914</b>

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**12. Maturity analysis of assets and liabilities (continued)**

	<b>2017</b>			<b>2016</b>		
	<b>Less than 12 months</b>	<b>Over 12 months</b>	<b>Total</b>	<b>Less than 12 months</b>	<b>Over 12 months</b>	<b>Total</b>
<b>Liabilities</b>						
Management fee payable	3	—	3	3	—	3
Trustee fees payable	8	—	8	9	—	9
Distributions payable	101	—	101	56	—	56
Other payables	4	—	4	5	—	5
<b>Total liabilities</b>	<b>116</b>	<b>—</b>	<b>116</b>	<b>73</b>	<b>—</b>	<b>73</b>

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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 from these transactions are as follows:

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Other related parties	714	840
	<u>714</u>	<u>840</u>
<b>Liabilities</b>		
Sponsor company	3	4
Other related parties	2	2
	<u>5</u>	<u>6</u>
<b>Unitholders' balances</b>		
Sponsor company	1,000	1,000
Directors and key management personnel	124	157
Other related parties	692	692
	<u>1,816</u>	<u>1,849</u>
<b>Income</b>		
Other related parties	37	43
	<u>37</u>	<u>43</u>
<b>Expenses</b>		
Sponsor company	10	3
	<u>10</u>	<u>3</u>
<b>Distributions</b>		
Directors and key management personnel	2	2
Other related parties	7	7
	<u>9</u>	<u>9</u>

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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 for the years ended 31 December 2017 and 2016.

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 are no material events after the statement of financial position date of 31 December 2017 which required recording or disclosure in the financial statements of the Fund as at 19 March 2018.







# FUND FACTS

## ANSA TT\$ Income Fund Top 10 Holdings - Dec 31 2017

SECURITY	% OF PORTFOLIO
WASA STRIP ZERO COUPON DUE 2023	6.34%
TTNGL SHARES (NGL TP EQUITY)	4.44%
BARCLAYS 6.05% FRB DUE 2017	3.48%
GS 8.0% EQUITY LINKED NOTES DUE 02/25/2019	3.48%
BARCLAY'S BANK 8.05% EQUITY LINKED NOTES DUE 2019	3.48%
GHL 7.975% DUE 2023	3.44%
GUARDIAN HOLDINGS LTD 4.25% FRB DUE 2019	2.57%
TTMF 4.62% FIXED RATE MTG BACKED BOND SERIES 1 DUE 2021	2.57%
CLICO INVESTMENT FUND	2.43%
GOTT CLICO DUE 2018	2.28%

## Cumulative Returns as at Dec 31st 2017

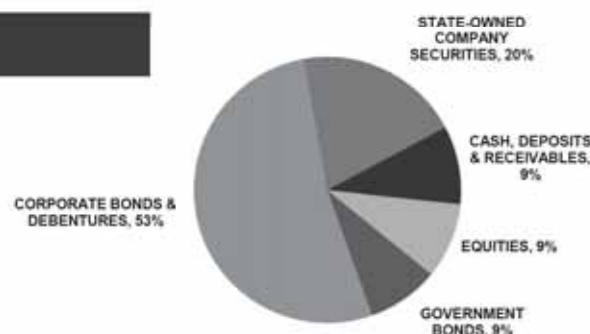
12 month	3.76%
3 Year	6.27%
Since Inception	23.06%

## Historical Performance

2013	4.98%
2014	1.23%
2015	-0.17%
2016	2.59%
2017	3.76%

## Asset Mix - Dec 31 2017

- GOVERNMENT BONDS
- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- CASH, DEPOSITS & RECEIVABLES
- EQUITIES



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF ANSA TT\$ INCOME FUND

### 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 2017, 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 2017 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.

*Ernst + Young*

Port of Spain,  
TRINIDAD:

**ANSA TT\$ INCOME FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2017	2016
<b>Assets</b>			
Cash and cash equivalents	4	21,592	35,951
Interest receivable		2,490	2,604
Investment securities	5	<u>345,263</u>	<u>327,073</u>
<b>Total assets</b>		<u>369,345</u>	<u>365,628</u>
<b>Liabilities</b>			
Management fee payable		2,149	1,814
Trustee fees payable		138	138
Distributions payable		408	415
Other payables		<u>359</u>	<u>75</u>
<b>Total liabilities</b>		<u>3,054</u>	<u>2,442</u>
<b>Net assets</b>		<u><b>366,291</b></u>	<u><b>363,186</b></u>
<b>Unitholders' Capital</b>			
Unitholders' balances at par	6	343,683	346,761
Retained fund surplus		<u>22,608</u>	<u>16,425</u>
		<u><b>366,291</b></u>	<u><b>363,186</b></u>

The financial statements were approved by the Trustee and authorised for issue on 19 March 2018 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 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2017	2016
<b>Income</b>			
Interest and dividend income	7	17,424	17,543
Net realised and unrealised gains/(losses) on investment securities	8	2,856	(10,048)
Net foreign exchange translation and other gains		<u>468</u>	<u>7,953</u>
<b>Total income</b>		<u>20,748</u>	<u>15,448</u>
<b>Expenses</b>			
Management fees	9	(6,987)	(5,149)
Trustee fees	9	(549)	(611)
Impairment (expense)/writeback		(449)	41
Other expenses		<u>(95)</u>	<u>(481)</u>
<b>Total expenses</b>		<u>(8,080)</u>	<u>(6,200)</u>
<b>Total comprehensive income for the year</b>		<u><b>12,668</b></u>	<u><b>9,248</b></u>

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 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Note	Unitholders' balances at par	Retained fund surplus	Total
<b>Balance as at 1 January 2016</b>		459,474	18,921	478,395
Issue of units	6	15,381	—	15,381
Redemption of units	6	(132,802)	—	(132,802)
Distribution to Unitholders		—	(7,036)	(7,036)
Unitholders' transfer of losses	6	4,708	(4,708)	—
Total comprehensive income for the year		<u>—</u>	<u>9,248</u>	<u>9,248</u>
<b>Balance as at 31 December 2016</b>		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		<u>—</u>	<u>12,668</u>	<u>12,668</u>
<b>Balance as at 31 December 2017</b>		<u><b>343,683</b></u>	<u><b>22,608</b></u>	<u><b>366,291</b></u>

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 2017**

(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		12,668	9,248
Adjustments:			
Interest capitalised		(2,143)	(2,358)
Provision/(writeback) for impairment		449	(41)
Amortisation on investment securities		161	128
Unrealised (gains)/losses on investment securities	8	(3,157)	4,785
Losses on sale of investment securities	8	301	5,263
Foreign exchange gains		<u>(495)</u>	<u>(5,918)</u>
Surplus before working capital changes		7,784	11,107
Changes in assets/liabilities:			
(Increase)/decrease in interest receivable		(335)	1,038
Increase/(decrease) in payables		<u>612</u>	<u>(4,298)</u>
Net cash flows provided by operating activities		<u>8,061</u>	<u>7,847</u>
<b>Cash flows from investing activities</b>			
Purchase of investments		(130,050)	(141,765)
Proceeds from maturity/sale of investments		<u>117,193</u>	<u>252,200</u>
Net cash flows (used in)/provided by investing activities		<u>(12,857)</u>	<u>110,435</u>
<b>Cash flows from financing activities</b>			
Issue of units	6	23,260	15,381
Redemption of units	6	(26,520)	(132,802)
Distribution to Unitholders		<u>(6,303)</u>	<u>(7,036)</u>
Net cash flows used in financing activities		<u>(9,563)</u>	<u>(124,457)</u>
Net decrease in cash and cash equivalents		(14,359)	(6,175)
Cash and cash equivalents at the beginning of the year		<u>35,951</u>	<u>42,126</u>
Cash and cash equivalents at the end of the year	4	<u><b>21,592</b></u>	<u><b>35,951</b></u>

**Supplemental information:**

Interest and dividend received	17,248	16,353
Distributions paid	6,303	7,036

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

## 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 or 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 2016 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 2017. Except for Phase I 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 effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Fund. The nature and the impact of each new standard or amendment is described below:

#### **Amendments to IAS 7, 'Statement of Cash Flows' – Effective 1 January 2017**

The amendments to IAS 7 - *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Fund.

#### **Amendments to IAS 12, 'Income Taxes' – Effective 1 January 2017**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments have no impact on the Fund.

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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.

- IFRS 9, 'Financial Instruments' Phases II and III – Effective 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' – Effective 1 January 2018
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2018
- Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28 – Effective 1 January 2018
- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Effective 1 January 2018

#### **IFRS 9, 'Financial Instruments'**

The following is an overview of the process which the Fund undertook in preparation for the implementation of IFRS 9 'Financial Instruments.'

IFRS 9, 'Financial Instruments', was developed in three phases:

- Phase 1 – Classification and measurement of financial instruments

This phase was early adopted by the Fund in its financial statements for the year ended 31 December 2011. The exemption given in the transitional provision for early application was applied and hence the Fund did not restate comparative information in the year of application.

- Phase 2 – Impairment

This phase will be implemented by the Fund from 1 January 2018. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to financial assets accounted for at amortised cost or at FVOCI, including commitments and guarantees.

The Fund has assessed that the application of IFRS 9 will result in earlier recognition of credit losses and is currently assessing the extent of the impact and the adjustment required.

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

**ii) Changes in accounting policy and disclosures (continued)**

*Standards issued but not yet effective (continued)*

**IFRS 9, 'Financial Instruments' (continued)**

• Phase 3 – Hedge accounting

The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. At this time, the Fund is not engaged in hedging strategies and therefore this phase has no impact on the Fund.

**IFRS 15, 'Revenue from Contracts with Customers'**

The following is an overview of the potential impact on the Fund's Financial Statements and processes with the adoption of IFRS 15 'Revenue from Contracts with Customers' effective 1 January, 2018.

IFRS 15, 'Revenue from contracts with customers' is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. Implementing this standard required extensive work by the Fund in reassessing their accounting policies, systems and processes, the impact of which is currently being assessed. The Fund has decided to apply the modified retrospective approach from 1 January 2018. Additional information on the new requirements of IFRS 15 are further detailed below.

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11, 'Construction Contracts', IAS 18, 'Revenue', IFRIC 13, 'Customer Loyalty Programmes', IFRIC 15, 'Agreements for the Construction of Real Estate', IFRIC 18, 'Transfers of Assets from Customers' and SIC 31, 'Revenue – Barter Transactions Involving Advertising Services') and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17, 'Leases' (or IFRS 16, 'Leases', once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

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

**ii) Changes in accounting policy and disclosures (continued)**

*Standards issued but not yet effective (continued)*

**IFRS 15, 'Revenue from Contracts with Customers' (continued)**

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

The standard requires the Fund to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

**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.

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

**iv) Financial instruments**

**IFRS 9, 'Financial Instruments: Classification and Measurement'**

The Fund early adopted IFRS 9, 'Financial Instruments' (Phase I) (as issued in November 2009), effective 1 January 2018. The Fund chose to apply the exemption given in the transitional provision for early application of IFRS 9 and hence did not restate comparative information in the year of initial application.

**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*

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 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 on the principal amount outstanding.

*Financial assets 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.

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

**iv) Financial instruments (continued)**

**Financial assets (continued)**

**a. Initial recognition and subsequent measurement (continued)**

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 the 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.

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 are no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed.

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 IAS 18 - *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 financial assets that are designated as at FVOCI, any foreign exchange component is recognised in other comprehensive income.
- 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**

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.

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

**iv) Financial instruments (continued)**

**Financial assets (continued)**

**b. Impairment of financial assets (continued)**

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses (ECLs) that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense.

Impaired debts, 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 a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**c. Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- the Fund has transferred substantially all of the risks and rewards of the asset, or
- the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

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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 derecognition 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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<div>2. Significant accounting policies (continued)</div> <div>v) Fair valuation of financial instruments (continued)</div> <p>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.</p> <p>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.</p> <p>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.</p> <p><i>Short-term financial assets and liabilities</i></p> <p>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.</p> <p><i>Investment securities</i></p> <p>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.</p>	13
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<div>2. Significant accounting policies (continued)</div> <div>v) Fair valuation of financial instruments (continued)</div> <p>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.</p> <p><i>Determination of fair value and fair value hierarchies</i></p> <p>The Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:</p> <p><u>Level 1</u></p> <p>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.</p> <p><u>Level 2</u></p> <p>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.</p> <p><u>Level 3</u></p> <p>Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price for those assets.</p>	14
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<div>2. Significant accounting policies (continued)</div> <div>vi) Revenue recognition</div> <p>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.</p> <p><i>Investment income</i></p> <p>Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium on the constant yield basis. Investment income also includes dividends and any fair value changes.</p> <p>Interest income is accrued until the investment becomes contractually 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.</p> <p>Dividend income is recognised when the Fund's right to receive payment is established.</p> <p><i>Other income and expenditure</i></p> <p>Other income and expenditure are brought into account on the accruals basis.</p> <div>vii) Subscriptions and redemptions</div> <p>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.</p>	15
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<div>2. Significant accounting policies (continued)</div> <div>viii) Expenses</div> <p>Fees are recognised on an accrual basis. Refer to Note 9 for management, administration and trustee fees. Audit fees are included within other expenses.</p> <div>ix) Distributions to Unitholders</div> <p>Distributions to Unitholders are recognised when they are ratified by the Trustees and are paid out quarterly.</p> <div>x) Taxation</div> <p>With respect to dividends which are derived locally no income tax is payable by residents of Trinidad and Tobago.</p> <div>xi) Functional &amp; presentation currency</div> <p>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.</p> <div>xii) Foreign currency transactions</div> <p>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.</p>	16
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**2. Significant accounting policies (continued)**

**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.

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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**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 assets*

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.

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<b>4. Cash and cash equivalents</b>	<b>2017</b>	<b>2016</b>
Cash at bank	4,377	10,511
Short-term funds	17,215	25,440
	<u>21,592</u>	<u>35,951</u>

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.

<b>5. Investment securities</b>	<b>2017</b>	<b>2016</b>
Investment securities designated at fair value through statement of income	194,887	224,106
Investment securities measured at amortised cost	150,376	102,967
<b>Total investment securities</b>	<u>345,263</u>	<u>327,073</u>

**Investment securities designated at fair value through statement of income**

Equity securities	34,987	30,618
Government securities	15,174	24,165
State-owned company securities	68,382	68,218
Corporate bonds and debentures	76,344	101,105
	<u>194,887</u>	<u>224,106</u>

**Investment securities measured at amortised cost**

Government securities	18,422	8,406
State-owned company securities	20,457	32,461
Corporate bonds and debentures	111,497	62,100
	<u>150,376</u>	<u>102,967</u>

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<b>6. Unitholders' balances at par</b>	<b>2017</b>	
	<b>Units</b>	<b>\$</b>
Authorised:		
Unlimited number of units		
<i>Reconciliation of unitholders' balances:</i>		
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
<b>Units outstanding at the end of the year (value of units at par)</b>	<u>687,291</u>	<u>343,683</u>
Unitholders' earnings above par		<u>25,193</u>
<b>Unitholders' balance</b>		<u>368,876</u>
<b>Net asset value per unit on unitholders' balance</b>		<u>536.71</u>
Undistributed fund deficit		<u>(2,585)</u>
<b>Total net asset value of fund</b>		<u>366,291</u>
<b>Adjusted net asset value per unit</b>		<u>532.95</u>

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**ANSA TT\$ INCOME FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

(Expressed in thousands of Trinidad and Tobago dollars)  
(Continued)

**6. Unitholders' balances at par (continued)**

	<b>2016</b>	
	<b>Units</b>	<b>\$</b>
Authorised: Unlimited number of units		
<i>Reconciliation of unitholders' balances:</i>		
Units outstanding at the beginning of the year	918,917	459,474
Units issued	29,345	15,381
Units redeemed	(254,815)	(132,802)
Value of units above par issued and redeemed in the year	—	4,708
<b>Units outstanding at the end of the year (value of units at par)</b>	<b>693,447</b>	<b>346,761</b>
Unitholders' earnings above par		18,082
<b>Unitholders' balance</b>		<b>364,843</b>
<b>Net asset value per unit on unitholders' balance</b>		<b>526.13</b>
Undistributed fund deficit		(1,657)
<b>Total net asset value of fund</b>		<b>363,186</b>
<b>Adjusted net asset value per unit</b>		<b>523.74</b>

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**7. Interest and dividend income**

	<b>2017</b>	<b>2016</b>
Interest income from investments designated at fair value through statement of income	9,313	10,381
Interest income from financial assets measured at amortised cost	6,557	5,360
Dividend income	1,554	1,802
	<b>17,424</b>	<b>17,543</b>

**8. Net realised and unrealised gains/(losses) on investment securities**

Realised losses on sale of investment securities	(301)	(5,263)
Unrealised gains/(losses) on investments held at year end designated at fair value through statement of income	3,157	(4,785)
	<b>2,856</b>	<b>(10,048)</b>

**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.

	<b>2017</b>	<b>2016</b>
Management fees	6,987	5,149
Trustee fees	549	611
	<b>7,536</b>	<b>5,760</b>

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**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.

	<b>Carrying values</b>	<b>Fair values</b>	<b>Unrecognised loss</b>
<b>2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	21,592	21,592	—
Investment securities	345,263	343,302	(1,961)
Interest receivable	2,490	2,490	—
<b>Total financial assets</b>	<b>369,345</b>	<b>367,384</b>	<b>(1,961)</b>
<b>Financial liabilities</b>			
Management fee payable	2,149	2,149	—
Trustee fees payable	138	138	—
Distributions payable	408	408	—
Other payables	359	359	—
<b>Total financial liabilities</b>	<b>3,054</b>	<b>3,054</b>	<b>—</b>
<b>2016</b>			
<b>Financial assets</b>			
Cash and cash equivalents	35,951	35,951	—
Investment securities	327,073	323,961	(3,112)
Interest receivable	2,604	2,604	—
<b>Total financial assets</b>	<b>365,628</b>	<b>362,516</b>	<b>(3,112)</b>
<b>Financial liabilities</b>			
Management fee payable	1,814	1,814	—
Trustee fees payable	138	138	—
Distributions payable	415	415	—
Other payables	75	75	—
<b>Total financial liabilities</b>	<b>2,442</b>	<b>2,442</b>	<b>—</b>

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**10. Fair value of financial instruments (continued)**

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

<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at fair value through statement of income</b>				
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
	<b>103,291</b>	<b>79,596</b>	<b>12,000</b>	<b>194,887</b>
<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
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
	<b>49,646</b>	<b>98,769</b>	<b>—</b>	<b>148,415</b>
<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at fair value through statement of income</b>				
Equity securities	30,618	—	—	30,618
Government securities	4,805	19,360	—	24,165
State-owned company securities	27,773	40,445	—	68,218
Corporate bonds and debentures	65,381	23,724	12,000	101,105
	<b>128,577</b>	<b>83,529</b>	<b>12,000</b>	<b>224,106</b>
<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
Government securities	—	7,569	—	7,569
State-owned company securities	3,527	27,510	—	31,037
Corporate bonds and debentures	22,318	18,693	20,238	61,249
	<b>25,845</b>	<b>53,772</b>	<b>20,238</b>	<b>99,855</b>

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**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 5.5% to 11.0% return	2% increase/(decrease) in the rate of return would result in decrease/(increase) in fair value by \$353/(\$353)

**(iii) Transfers between Level 1 and 2**

For the year ended 31 December 2017 there were no transfer of assets between Level 1 and Level 2.

**(iv) Movements in Level 3 financial instruments**

	2017	2016
Balance at 1 January	32,238	24,838
Gains recognised	—	778
Purchases	—	26,743
Transfers (from)/into Level 3	(20,238)	—
Disposals	—	(20,121)
Balance at 31 December	12,000	32,238

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**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.

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**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.

	<b>Gross maximum exposure</b>	
	2017	2016
Cash and cash equivalents	21,592	35,951
Investment securities	310,277	296,456
Interest receivable	2,490	2,604
	<u>334,359</u>	<u>335,011</u>

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**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**

**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
<b>2017</b>			
Investment securities designated at fair value through statement of income	83,556	76,344	159,900
Investment securities measured at amortised cost	<u>38,879</u>	<u>111,498</u>	<u>150,377</u>
	<u>122,435</u>	<u>187,842</u>	<u>310,277</u>
<b>2016</b>			
Investment securities designated at fair value through statement of income	87,775	105,713	193,488
Investment securities measured at amortised cost	<u>40,867</u>	<u>62,101</u>	<u>102,968</u>
	<u>128,642</u>	<u>167,814</u>	<u>296,456</u>

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

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 2017	USD 2016
<b>Financial assets</b>		
Cash and cash equivalents	17,213	25,440
Investment securities	167,026	148,338
Interest receivables	1,944	1,593
<b>Net currency risk exposure</b>	<b>186,183</b>	<b>175,371</b>
Reasonably possible change in currency rate	5%	5%
<b>Effect on income for the year</b>	<b>9,309</b>	<b>8,769</b>

## 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	
	2017	2016
+ 100	40	45
- 100	-40	-45

## 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.

# 11. Risk management (continued)

## Liquidity risk (continued)

2017	Up to one year	Over one year	Total
<b>Financial liabilities</b>			
Management fee payable	2,149	—	2,149
Trustee fees payable	138	—	138
Distributions payable	408	—	408
Other payables	359	—	359
<b>Total financial liabilities</b>	<b>3,054</b>	<b>—</b>	<b>3,054</b>

## 2016

<b>Financial liabilities</b>			
Management fee payable	1,814	—	1,814
Trustee fees payable	138	—	138
Distributions payable	415	—	415
Other payables	75	—	75
<b>Total financial liabilities</b>	<b>2,442</b>	<b>—</b>	<b>2,442</b>

## 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	
		2017 + / -	2016 + / -
TTSE	+ / - 3%	1,050	786
S & P 500	+ / - 8%	—	355

# 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.

	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Assets</b>						
Cash and cash equivalents	21,592	—	21,592	35,951	—	35,951
Investment securities	76,013	269,250	345,263	91,612	235,461	327,073
Interest receivable	2,490	—	2,490	2,604	—	2,604
<b>Total assets</b>	<b>100,095</b>	<b>269,250</b>	<b>369,345</b>	<b>130,167</b>	<b>235,461</b>	<b>365,628</b>

**12. Maturity analysis of assets and liabilities (continued)**

	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Liabilities</b>						
Management fee payable	2,149	–	2,149	1,814	–	1,814
Trustee fees payable	138	–	138	138	–	138
Distributions payable	408	–	408	415	–	415
Other payables	359	–	359	75	–	75
<b>Total liabilities</b>	<u>3,054</u>	<u>–</u>	<u>3,054</u>	<u>2,442</u>	<u>–</u>	<u>2,442</u>

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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 from these transactions are as follows:

	2017	2016
<b>Assets</b>		
Sponsor company	12,000	17,210
Other related parties	<u>4,346</u>	<u>5,098</u>
	<u>16,346</u>	<u>22,308</u>
<b>Liabilities</b>		
Sponsor company	2,163	1,835
Directors and key management personnel	<u>230</u>	<u>226</u>
	<u>2,393</u>	<u>2,061</u>
<b>Income</b>		
Sponsor company	571	502
Other related parties	<u>237</u>	<u>519</u>
	<u>808</u>	<u>1,021</u>
<b>Expenses</b>		
Sponsor company	<u>6,987</u>	<u>5,149</u>
<b>Unitholders' balances</b>		
Sponsor company	5,367	5,261
Directors and key management personnel	53,452	51,458
Other related parties	<u>26,245</u>	<u>25,284</u>
	<u>85,064</u>	<u>82,003</u>

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**13. Related party transactions and balances (continued)**

	2017	2016
<b>Distributions</b>		
Directors	919	897
Other related parties	<u>448</u>	<u>852</u>
	<u>1,367</u>	<u>1,749</u>

**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 2017 and 2016.

**16. Events after the reporting period**

There are no material events after the statement of financial position date of 31 December 2017 which required recording or disclosure in the financial statements of the Fund as at 19 March 2018.

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# FUND FACTS

## ANSA US\$ Income Fund Top 10 Holdings - Dec 31 2017

SECURITY	% OF PORTFOLIO
UDECOTT FRB 2020 SERIES #18 STRIP	11.42%
SOVEREIGN BANK 8.75% FRB DUE 2018	9.42%
COMMERBANK AG FRANKFURT MEDIUM TERM NOTE 8.125% DUE 2023	5.46%
RABOBANK 11% FLR DUE 2049 (PERPETUAL)	5.13%
UBS AG 5.125% CONTINGENT CAPITAL FRB DUE 2024	4.86%
COMISION FED DE ELECTRICIDAD 4.875% 2021	4.86%
VERIZON COMMUNICATIONS INC 4.15% DUE 2024	4.74%
ICAHN ENT. (IEP) 6% DUE AUGUST 1ST 2020	4.73%
AEROPUERTO INTL TOCUMEN 5.75% FRB DUE 2023	4.69%
JBS INVESTMENTS 7.75% NOTES DUE 2020	4.68%

## Cumulative Returns as at Dec 31st 2017

12 month	3.85%
3 Year	6.43%
Since Inception	15.01%

## Historical Performance

2013	-2.41%
2014	0.93%
2015	-0.11%
2016	2.60%
2017	3.85%

## Asset Mix - Dec 31 2017

- CORPORATE BONDS & DEBENTURES
- STATE-OWNED COMPANY SECURITIES
- CASH, DEPOSITS & RECEIVABLES



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF ANSA US\$ INCOME FUND

### 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 2017, 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 2017 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.

*Ernst + Young*

Port of Spain,  
TRINIDAD:

**ANSA US\$ INCOME FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2017**  
(Expressed in thousands of United States dollars)

	Notes	2017	2016
<b>Assets</b>			
Cash and cash equivalents	4	524	1,454
Interest receivable		141	122
Investment securities	5	10,350	10,024
<b>Total assets</b>		<b>11,015</b>	<b>11,600</b>
<b>Liabilities</b>			
Management fee payable		11	33
Trustee fees payable		4	4
Distributions payable		7	6
Other payables		6	9
<b>Total liabilities</b>		<b>28</b>	<b>52</b>
<b>Net assets</b>		<b>10,987</b>	<b>11,548</b>
<b>Unitholders' Capital</b>			
Unitholders' balances at par	6	10,836	11,660
Retained fund surplus/(deficit)		151	(112)
		<b>10,987</b>	<b>11,548</b>

The financial statements were approved by the Trustee and authorised for issue on 19 March 2018 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 2017**  
(Expressed in thousands of United States dollars)



	Notes	2017	2016
<b>Income</b>			
Interest income	7	583	618
Net foreign exchange translation and other gains		1	8
<b>Total income</b>		<b>584</b>	<b>626</b>
<b>Expenses</b>			
Net realised and unrealised losses on investment securities	8	(37)	(202)
Management fees	9	(113)	(89)
Trustee fees	9	(17)	(18)
Impairment write back		–	14
Other expenses		(10)	(17)
<b>Total expenses</b>		<b>(177)</b>	<b>(312)</b>
<b>Total comprehensive income for the year</b>		<b>407</b>	<b>314</b>

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 2017**  
(Expressed in thousands of United States dollars)

	Note	Unitholders' balances at par	Retained fund surplus/(deficit)	Total
<b>Balance as at 1 January 2016</b>		16,220	(335)	15,885
Issue of units	6	780	–	780
Redemption of units	6	(5,262)	–	(5,262)
Distribution to Unitholders		–	(169)	(169)
Unitholders' transfer of gains	6	(78)	78	–
Total comprehensive income for the year		–	314	314
<b>Balance as at 31 December 2016</b>		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
<b>Balance as at 31 December 2017</b>		<b>10,836</b>	<b>151</b>	<b>10,987</b>

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 2017**  
(Expressed in thousands of United States dollars)

	Notes	2017	2016
<b>Cash flows from operating activities</b>			
Total comprehensive income for the year		407	314
Adjustments:			
Interest capitalised		(89)	(88)
Write back of impairment		–	(14)
Amortisation on investment securities		17	15
Unrealised losses on investment securities	8	37	174
Losses on sale of investment securities	8	–	28
Surplus before working capital changes		372	429
Changes in assets/liabilities:			
(Increase)/decrease in interest receivable		(20)	50
Decrease in payables		(24)	(233)
Net cash flows provided by operating activities		<b>328</b>	<b>246</b>
<b>Cash flows from investing activities</b>			
Proceeds from maturity/sale of investments		582	5,963
Purchase of investments		(872)	(2,194)
Net cash flows (used in)/provided by investing activities		<b>(290)</b>	<b>3,769</b>
<b>Cash flows from financing activities</b>			
Issue of units	6	1,013	780
Redemption of units	6	(1,830)	(5,262)
Distribution to Unitholders		(151)	(169)
Net cash flows used in financing activities		<b>(968)</b>	<b>(4,651)</b>
Net decrease in cash and cash equivalents		(930)	(636)
Cash and cash equivalents at the beginning of the year		1,454	2,090
Cash and cash equivalents at the end of the year	4	<b>524</b>	<b>1,454</b>
<b>Supplemental information:</b>			
Interest received		582	684
Distributions paid		151	172

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



## 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.

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## 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 or 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.

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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 2016 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 2017. Except for Phase I of IFRS 9, 'Financial Instruments' (see Note 2 iv), the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Fund. The nature and the impact of each new standard or amendment is described below:

#### Amendments to IAS 7, 'Statement of Cash Flows' – Effective 1 January 2017

The amendments to IAS 7 - *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Application of amendments resulted in additional disclosure provided by the Fund.

#### Amendments to IAS 12, 'Income Taxes' – Effective 1 January 2017

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments have no impact on the Fund.

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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 Group intends to adopt these standards, if applicable, when they become effective.

- IFRS 9, 'Financial Instruments' Phase II and III - Effective 1 January 2018
- IFRS 15, 'Revenue from Contracts with Customers' – Effective 1 January 2018
- IFRIC 23, 'Uncertainty over Income Tax Treatments' - Effective 1 January 2019
- Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28 – Effective 1 January 2018
- 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

#### IFRS 9, 'Financial Instruments'

The following is an overview of the process which the Fund undertook in preparation for the implementation of IFRS 9 'Financial Instruments.'

IFRS 9, 'Financial Instruments', was developed in three phases:

- Phase 1 – Classification and measurement of financial instruments

This phase was early adopted by the Fund in its financial statements for the year ended 31 December 2011. The exemption given in the transitional provision for early application was applied and hence the Fund did not restate comparative information in the year of application.

- Phase 2 – Impairment

This phase will be implemented by the Fund from 1 January 2018. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to financial assets accounted for at amortised cost or at FVOCI, including commitments and guarantees.

The Fund has assessed that the application of IFRS 9 will result in earlier recognition of credit losses and is currently assessing the extent of the impact and the adjustment required.

- Phase 3 – Hedge accounting

The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. At this time, the Fund is not engaged in hedging strategies and therefore this phase has no impact on the Fund.

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

**ii) Changes in accounting policy and disclosures (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 15, 'Revenue from Contracts with Customers'**

The following is an overview of the potential impact on the Fund's Financial Statements and processes with the adoption of IFRS 15 'Revenue from Contracts with Customers' effective 1 January, 2018.

IFRS 15, 'Revenue from contracts with customers' is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The disclosure requirements are also more extensive. Implementing this standard required extensive work by the Fund in reassessing their accounting policies, systems and processes, the impact of which is currently being assessed. The Fund has decided to apply the modified retrospective approach from 1 January 2018. Additional information on the new requirements of IFRS 15 are further detailed below.

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11, 'Construction Contracts', IAS 18, 'Revenue', IFRIC 13, 'Customer Loyalty Programmes', IFRIC 15, 'Agreements for the Construction of Real Estate', IFRIC 18, 'Transfers of Assets from Customers' and SIC 31, 'Revenue – Barter Transactions Involving Advertising Services') and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17, 'Leases' (or IFRS 16, 'Leases', once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance

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

**ii) Changes in accounting policy and disclosures (continued)**

**Standards issued but not yet effective (continued)**

**IFRS 15, 'Revenue from Contracts with Customers' (continued)**

The standard requires the Fund to exercise judgement, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with its customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

**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**

**IFRS 9, 'Financial Instruments: Classification and Measurement'**

The Fund early adopted IFRS 9, 'Financial Instruments' (Phase I) (as issued in November 2009 and revised in November 2013), effective 1 January 2018. The Fund chose to apply the exemption given in the transitional provision for early application of IFRS 9 and hence did not restate comparative information in the year of initial application.

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

**iv) Financial instruments (continued)**

**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**

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 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 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 on the principal amount outstanding.

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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 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.

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.

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

**iv) Financial instruments (continued)**

**Financial assets (continued)**

**a. Initial recognition and subsequent measurement (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 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.

*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.

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 IAS 18 - *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.

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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 (continued)*

Therefore,

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

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.

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

**iv) Financial instruments (continued)**

**Financial assets (continued)**

**b. Impairment of financial assets (continued)**

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses (ECLs) that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as credit loss expense.

Impaired debts, 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 a previous write-off is later recovered, the recovery is credited to the credit loss expense.

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

**c. Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- the Fund has transferred substantially all of the risks and rewards of the asset, or
- the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

**iv) Financial instruments (continued)**

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

**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 derecognition 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

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.

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 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.

Level 3

Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price for those assets.

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.

*Investment income*

Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortisation of any discount or premium on the constant yield basis. Investment income also includes dividends and any fair value changes.

Interest income is accrued until the investment becomes contractually 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.

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.

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.

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.



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

**xiii) Unitholders' Capital (continued)**

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)

**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*

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.

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**3. Significant accounting judgements and estimates (continued)**

**ii) Estimates and assumptions (continued)**

*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.

<b>4. Cash and cash equivalents</b>	<b>2017</b>	<b>2016</b>
Cash at bank	118	151
Short-term funds	406	1,303
	<u>524</u>	<u>1,454</u>

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.

<b>5. Investment securities</b>	<b>2017</b>	<b>2016</b>
Investment securities designated at fair value through statement of income	5,974	6,165
Investment securities measured at amortised cost	4,376	3,859
<b>Total investment securities</b>	<u>10,350</u>	<u>10,024</u>

**Investment securities designated at fair value through statement of income**

Equity securities	—	—
State-owned company securities	1,246	1,182
Corporate bonds and debentures	4,728	4,983
	<u>5,974</u>	<u>6,165</u>

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**5. Investment securities (continued)**

	<b>2017</b>	<b>2016</b>
<b>Investment securities measured at amortised cost</b>		
State-owned company securities	511	513
Corporate bonds and debentures	3,865	3,346
	<u>4,376</u>	<u>3,859</u>

**6. Unitholders' balances at par**

	<b>2017</b>	
Authorised:	<b>Units</b>	<b>\$</b>
Unlimited number of units		
<i>Reconciliation of unitholders' balances:</i>		
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 above par issued and redeemed in the year	—	(7)
<b>Units outstanding at the end of the year (value of units at par)</b>	<u>108,113</u>	10,836
Unitholders' deficit below par		140
<b>Unitholders' balance</b>		<u>10,976</u>
<b>Net asset value per unit on unitholders' balance</b>		<u>101.52</u>
Fund surplus		11
<b>Total net asset value of fund</b>		<u>10,987</u>
<b>Adjusted net asset value per unit</b>		<u>101.63</u>

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**6. Unitholders' balances at par (continued)**

	<b>2016</b>	
Authorised:	<b>Units</b>	<b>\$</b>
Unlimited number of units		
<i>Reconciliation of unitholders' balances:</i>		
Units outstanding at the beginning of the year	162,469	16,220
Units issued	7,867	780
Units redeemed	(53,746)	(5,262)
Value of unit above par issued and redeemed in the year	—	(78)
<b>Units outstanding at the end of the year (value of units at par)</b>	<u>116,590</u>	11,660
Unitholders' deficit below par		(95)
<b>Unitholders' balance</b>		<u>11,565</u>
<b>Net asset value per unit on unitholders' balance</b>		<u>99.19</u>
Fund deficit		(17)
<b>Total net asset value of fund</b>		<u>11,548</u>
<b>Adjusted net asset value per unit</b>		<u>99.05</u>

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<b>7. Interest income</b>	<b>2017</b>	<b>2016</b>
Interest income from investments designated at fair value through statement of income	408	379
Interest income from financial assets measured at amortised cost	175	239
	<u>583</u>	<u>618</u>

<b>8. Net realised and unrealised losses on investment securities</b>		
Realised losses on sale of investment securities	–	(28)
Unrealised losses on investments held at year end designated at fair value through statement of income	(37)	(174)
	<u>(37)</u>	<u>(202)</u>

**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.

	<b>2017</b>	<b>2016</b>
Management fees	113	89
Trustee fees	17	18
	<u>130</u>	<u>107</u>

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**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.

	<b>Carrying values</b>	<b>Fair values</b>	<b>Unrecognised gain</b>
<b>2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	524	524	–
Investment securities	10,350	10,428	78
Interest receivable	141	141	–
<b>Total financial assets</b>	<u>11,015</u>	<u>11,093</u>	<u>78</u>

<b>Financial liabilities</b>			
Management fee payable	11	11	–
Trustee fees payable	4	4	–
Distributions payable	7	7	–
Other payables	6	6	–
<b>Total financial liabilities</b>	<u>28</u>	<u>28</u>	<u>–</u>

**2016**

<b>Financial assets</b>			
Cash and cash equivalents	1,454	1,454	–
Investment securities	10,024	10,059	35
Interest receivable	122	122	–
<b>Total financial assets</b>	<u>11,600</u>	<u>11,635</u>	<u>35</u>

<b>Financial liabilities</b>			
Management fee payable	33	33	–
Trustee fees payable	4	4	–
Distributions payable	6	6	–
Other payables	9	9	–
<b>Total financial liabilities</b>	<u>52</u>	<u>52</u>	<u>–</u>

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**10. Fair value of financial instruments (continued)**

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

<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at fair value through statement of income</b>				
State-owned company securities	–	1,246	–	1,246
Corporate bonds and debentures	4,728	–	–	4,728
	<u>4,728</u>	<u>1,246</u>	<u>–</u>	<u>5,974</u>

<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
State-owned company securities	536	–	–	536
Corporate bonds and debentures	3,556	362	–	3,918
	<u>4,092</u>	<u>362</u>	<u>–</u>	<u>4,454</u>

<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at fair value through statement of income</b>				
State-owned company securities	–	1,182	–	1,182
Corporate bonds and debentures	4,983	–	–	4,983
	<u>4,983</u>	<u>1,182</u>	<u>–</u>	<u>6,165</u>

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**10. Fair value of financial instruments (continued)**

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

<b>2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Investment securities designated at amortised cost for which fair values are disclosed</b>				
State-owned company securities	523	–	–	523
Corporate bonds and debentures	2,951	420	–	3,371
	<u>3,474</u>	<u>420</u>	<u>–</u>	<u>3,894</u>

**(iii) Transfers between Level 1 and Level 2**

For the year ended 31 December 2017, there were no transfer of assets between Level 1 and Level 2.

**(iv) Movements in Level 3 financial instruments**

	<b>2017</b>	<b>2016</b>
Balance at 1 January	–	1,000
Loss recognised	–	–
Purchases	–	–
Transfers (from)/into Level 3	–	–
Disposals	–	(1,000)
	<u>–</u>	<u>–</u>

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## 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.

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## 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	
	2017	2016
Cash and cash equivalents	524	1,454
Investment securities	10,350	10,024
Interest receivable	141	122
	<u>11,015</u>	<u>11,600</u>

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## 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

#### 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
<b>2017</b>			
Investments designated at			
fair value through statement of income	1,246	4,729	5,975
Investments measured at			
amortised cost	<u>511</u>	<u>3,864</u>	<u>4,375</u>
	<u>1,757</u>	<u>8,593</u>	<u>10,350</u>
<b>2016</b>			
Investments designated at			
fair value through statement of income	–	6,165	6,165
Investments measured at			
amortised cost	<u>513</u>	<u>3,346</u>	<u>3,859</u>
	<u>513</u>	<u>9,511</u>	<u>10,024</u>

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 2017, 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
<b>2017</b>			
<b>Financial liabilities</b>			
Management fee payable	11	—	11
Trustee fees payable	4	—	4
Distributions payable	7	—	7
Other payables	6	—	6
<b>Total financial liabilities</b>	<b>28</b>	<b>—</b>	<b>28</b>
<b>2016</b>			
<b>Financial liabilities</b>			
Management fee payable	33	—	33
Trustee fees payable	4	—	4
Distributions payable	6	—	6
Other payables	9	—	9
<b>Total financial liabilities</b>	<b>52</b>	<b>—</b>	<b>52</b>

**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	
			2017 + / -	2016 + / -
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.

	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Assets</b>						
Cash and cash equivalents	524	—	524	1,454	—	1,454
Investment securities	1,107	9,243	10,350	597	9,427	10,024
Interest receivable	141	—	141	122	—	122
<b>Total assets</b>	<b>1,772</b>	<b>9,243</b>	<b>11,015</b>	<b>2,173</b>	<b>9,427</b>	<b>11,600</b>

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**12. Maturity analysis of assets and liabilities (continued)**

	2017			2016		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
<b>Liabilities</b>						
Management fee payable	11	—	11	33	—	33
Trustee fees payable	4	—	4	4	—	4
Distributions payable	7	—	7	6	—	6
Other payables	6	—	6	9	—	9
<b>Total liabilities</b>	<b>28</b>	<b>—</b>	<b>28</b>	<b>52</b>	<b>—</b>	<b>52</b>

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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:

	2017	2016
<b>Assets</b>		
Other related parties	357	420
<b>Liabilities</b>		
Sponsor company	13	27
<b>Unitholders' balances</b>		
Sponsor company	1,000	1,000
Directors and key management personnel	116	171
Other related parties	161	204
	<b>1,277</b>	<b>1,375</b>
<b>Income</b>		
Other related parties	18	21
<b>Expense</b>		
Sponsor company	113	89
<b>Distributions</b>		
Directors and key management personnel	2	3
Other related parties	2	2
	<b>4</b>	<b>5</b>

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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 2017 and 2016.

**16. Events after the reporting date**

There were no material events after the statement of financial position date of 31 December 2017 which required recording or disclosure in the financial statements of the Fund as at 19 March 2018.







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