



# TRINIDAD AND TOBAGO GAZETTE (EXTRAORDINARY)

VOL. 50

Port-of-Spain, Trinidad, Thursday 21st April, 2011—Price \$1.00

No. 56

581



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

### REPORT OF THE AUDITOR GENERAL

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

FOR THE YEAR ENDED

2010 December 31



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

**REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO  
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO  
UNIT TRUST CORPORATION FOR THE YEAR ENDED 2010 DECEMBER 31**

The accompanying Consolidated Financial Statements of the Trinidad and Tobago Unit Trust Corporation for the year ended 2010 December 31 have been audited. The Statements as set out on pages 1 to 67 comprise:

- (i) a Consolidated Statement of Financial Position as at 2010 December 31, a Consolidated Statement of Income, a Consolidated Statement of Comprehensive Income, a Consolidated Statement of Changes in Equity and a Consolidated Statement of Cash Flows for the year ended 2010 December 31 in respect of the Trinidad and Tobago Unit Trust Corporation;
- (ii) a Statement of Financial Position as at 2010 December 31, a Statement of Comprehensive Income and a Statement of Cash Flows for the year ended 2010 December 31 in respect of each of the following: the Growth and Income Fund (First Unit Scheme), the TT Dollar Income Fund, the Universal Retirement Fund and the US Dollar Income Fund respectively, and
- (iii) Notes to the Consolidated Financial Statements for the year ended 2010 December 31 numbered 1 to 39.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

3. The Auditor General's responsibility is to express an opinion on these Financial Statements in accordance with section 30 (4) of the Unit Trust Corporation of Trinidad and Tobago Act, Chapter 83:03 (the Act) based on the audit. The audit which was carried out in accordance with section 30 (1) of the said Act was conducted in accordance with generally accepted Auditing Standards. Those Standards require that ethical requirements be complied with and that the audit be planned and performed to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of



expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the comments made at paragraphs 6 and 7 of this Report.

### OPINION

6. In my opinion the Consolidated Financial Statements present fairly, in all material respects, the financial position of the Trinidad and Tobago Unit Trust Corporation as at 2010 December 31 and its financial performance and its cash flows for the year ended 2010 December 31 in accordance with International Financial Reporting Standards.

### EMPHASIS OF MATTER

7. Without qualifying the above opinion, attention is drawn to the following:

(i) Section 13 (1A) of the Act states inter alia:

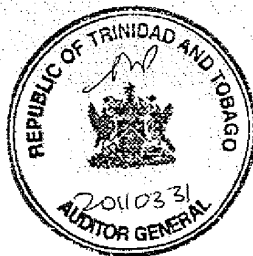
*"Subject to subsection (1B), the Board may carry on and transact any of the following kinds of business:  
(a) merchant banking business;..."*

(ii) Section 13(1B) of the Act states:

*"In the exercise of its powers under subsection (1A), the Board shall not utilise any funds held for the purpose of a unit trust scheme."*

(iii) It was noted that funds of the unit trust schemes are invested in Guaranteed Investment Certificates which were arranged to fund the Corporation's merchant banking business.

2011 MARCH 31



*Sharmar Ottey*  
SHARMAN OTTEY  
AUDITOR GENERAL

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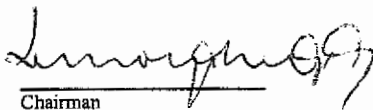
## Trinidad &amp; Tobago Unit Trust Corporation

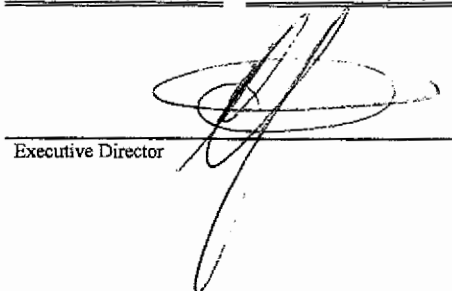
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2010

	Notes	31-Dec-10 \$ '000	31-Dec-09 \$ '000
<b>ASSETS</b>			
Investment Funds	3	17,472,833	18,449,327
Cash and Cash Equivalents		260,557	311,998
Receivables	4	868,876	257,848
Prepayments and Other Assets		25,490	17,951
Investment Securities	5	2,159,188	3,416,205
Property, Plant and Equipment	6	186,226	190,246
Intangible Assets	7	25,499	25,737
<b>TOTAL ASSETS</b>		<b>20,998,669</b>	<b>22,669,312</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts Payable and Short-term Liabilities		29,947	54,773
Other Liabilities		33,439	36,802
Short-term Financial Instruments	8(a)	2,312,160	2,873,962
Current Portion of Finance Lease	9	-	3,289
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,375,546</b>	<b>2,968,826</b>
<b>LONG TERM</b>			
Long-term Financial Instruments	8(b)	271,425	286,117
Deferred Income Tax Liability	33	2,244	1,399
Finance Lease	9	-	49,758
<b>TOTAL LIABILITIES</b>		<b>2,649,215</b>	<b>3,306,100</b>
<b>CAPITAL AND RESERVES</b>			
Initial Capital	10	4,766	4,766
Unit Capital	11	17,468,067	18,444,561
		<b>17,472,833</b>	<b>18,449,327</b>
Fund Reserves	12	89,793	66,478
Statutory Reserves	13	5,050	5,050
Revaluation Reserve	14	(20,214)	24,707
Retained Income		704,637	725,533
		<b>778,266</b>	<b>821,768</b>
Non-controlling Interest		98,355	92,117
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<b>20,998,669</b>	<b>22,669,312</b>



  
Chairman

  
Executive Director

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**Trinidad & Tobago Unit Trust Corporation**  
**CONSOLIDATED STATEMENT OF INCOME**

**For the year ended December 31, 2010**

	Notes	31-Dec-10 \$ '000	31-Dec-09 \$ '000
<b>INCOME</b>			
<b>Investment Income -</b>			
Growth & Income Fund		155,395	211,654
TT\$ Income Fund		456,816	528,443
Universal Retirement Fund		9,522	12,824
US\$ Income Fund		158,781	196,244
Net Investment Income - Group Operations	16	123,191	184,831
Initial Charge		5,530	7,033
Other Income		16,148	17,227
<b>Total Income</b>		<b>925,383</b>	<b>1,158,256</b>
<b>EXPENSES</b>			
Commissions		16,773	13,629
Impairment	18	180,329	193,319
Administrative	19	205,439	230,710
Depreciation and Amortisation	6 & 7	19,017	18,688
<b>Total Expenses</b>		<b>421,558</b>	<b>456,346</b>
<b>Net Income before Finance Charges</b>		<b>503,825</b>	<b>701,910</b>
Finance Charges	21	(4,672)	(9,786)
<b>Net Income after Finance Charges</b>		<b>499,153</b>	<b>692,124</b>
Undistributed (Loss)/Income at beginning of period		(82,768)	33,143
Distributions	22	(330,954)	(700,132)
Transfer from Investment Funds to Reserves	12	(22,613)	(6,286)
Income Capitalized		(6,220)	(9,594)
Undistributed (Income)/Loss at end of period		(1,423)	82,768
<b>Net Income before Taxation</b>		<b>55,175</b>	<b>92,023</b>
Taxation	32	(3,606)	(3,135)
<b>Net Income after Taxation</b>		<b>51,569</b>	<b>88,888</b>
Net Income after Taxation Attributable to:			
Owners of the Parent		46,503	87,366
Non-controlling Interest		5,066	1,522
		<b>51,569</b>	<b>88,888</b>

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

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## Trinidad &amp; Tobago Unit Trust Corporation

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2010

	Notes	31-Dec-10 \$ '000	31-Dec-09 \$ '000
<b>Net Income after taxation</b>		<b>51,569</b>	88,888
<b>Other Comprehensive Income:</b>			
Revaluation of Available-for-sale financial assets		(20,382)	55,198
Exchange differences on translating foreign operations		(24,539)	(20,078)
<b>Other Comprehensive Income for the year</b>		<b>(44,921)</b>	35,120
<b>Total Comprehensive Income for the year</b>		<b>6,648</b>	124,008
<b>Total Comprehensive Income attributable to:</b>			
Owners of the parent		(5,940)	116,709
Non-controlling Interest		12,588	7,299
		<b>6,648</b>	124,008

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**Trinidad and Tobago Unit Trust Corporation**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**For the year ended December 31, 2010**

	<i>Fund Reserves</i> <i>\$'000</i>	<i>Statutory Reserves</i> <i>\$'000</i>	<i>Revaluation</i> <i>Reserve</i> <i>\$'000</i>	<i>Retained Income</i> <i>\$'000</i>	<i>Non-Controlling</i> <i>Interest</i> <i>\$'000</i>	<i>Total</i> <i>\$'000</i>
<b>Balance as at January 1, 2010</b>	66,478	5,050	24,707	725,533	92,117	913,885
Total Comprehensive Income for the period	-	-	(44,921)	46,503	12,585	14,167
Exchange translation differences	-	-	-	-	(143)	(143)
Capital contributions from minority shareholders and other changes in minority interest	-	-	-	-	(6,204)	(6,204)
Transfers (to)/from Investment Funds	22,612	-	-	(16,587)	-	6,025
Transfers from Retained Income	50,812	-	-	(50,812)	-	-
Guarantee reserves payments	(51,812)	-	-	-	-	(51,812)
Interest on Reserve Assets	703	-	-	-	-	703
<b>Balance as at December 31, 2010</b>	<b>88,793</b>	<b>5,050</b>	<b>(20,214)</b>	<b>704,637</b>	<b>98,355</b>	<b>876,621</b>
<b>Balance as at January 1, 2009</b>	<b>84,462</b>	<b>5,050</b>	<b>(10,413)</b>	<b>701,421</b>	<b>103,235</b>	<b>883,755</b>
Total Comprehensive Income for the year	-	-	35,120	87,366	7,299	129,785
Exchange translation differences	-	-	-	-	(260)	(260)
Capital contributions from minority shareholders and other changes in minority interest	-	-	-	-	(18,157)	(18,157)
Transfers from Investment Funds	1,279	-	-	-	-	1,279
Transfers from Retained Income	63,254	-	-	(63,254)	-	-
Guarantee reserves payments	(84,254)	-	-	-	-	(84,254)
Interest on Reserve Assets	1,737	-	-	-	-	1,737
<b>Balance as at December 31, 2009</b>	<b>66,478</b>	<b>5,050</b>	<b>24,707</b>	<b>725,533</b>	<b>92,117</b>	<b>913,885</b>

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

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## Trinidad &amp; Tobago Unit Trust Corporation

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	31-Dec-10 \$ '000	31-Dec-09 \$ '000
<b>OPERATING ACTIVITIES</b>		
Net Income before taxation	55,175	92,023
<i>Adjustment to reconcile net income to net cash flows from operating activities:</i>		
Depreciation Expense	19,017	18,688
Impairment	166,406	80,678
Loss on sale of Property, Plant and Equipment	315	77
	<u>240,913</u>	<u>191,466</u>
Decrease/(Increase) in Receivables	(611,029)	(95,323)
Increase in Prepayments and Other Assets	(7,539)	(10,138)
(Decrease)/Increase in Accounts Payable and Liabilities	(28,188)	2,419
Taxation paid	(2,761)	(1,735)
Net Cash from Operating Activities	<u>(408,604)</u>	<u>86,689</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of Property, Plant and Equipment	(10,262)	(16,364)
Proceeds from Disposal of Property, Plant and Equipment	126	25
Purchase of Intangible Assets	(4,940)	(12,627)
Purchase of Investment Securities	(373,991)	(2,681,404)
Proceeds from Disposal of Investments	1,420,856	2,842,694
Net Cash Inflow from Investing Activities	<u>1,031,789</u>	<u>132,324</u>
<b>FINANCING ACTIVITIES</b>		
Finance Lease Repayments	(53,047)	(2,983)
Decrease in Short-term Financial Instruments	(561,802)	(247,073)
(Decrease)/Increase in Long-term Financial Instruments	(14,693)	15,324
Allocation to Reserves (net)	23,315	3,015
Distribution	(16,587)	-
Guarantee Reserve Payments	(51,812)	(84,254)
Net Cash used in Financing Activities	<u>(674,626)</u>	<u>(315,971)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(51,441)</b>	<b>(96,958)</b>
Cash and Cash Equivalents at beginning of year	311,998	408,956
Cash and Cash Equivalents at end of year	<u>260,557</u>	<u>311,998</u>

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



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**Trinidad and Tobago Unit Trust Corporation**  
**GROWTH AND INCOME FUND**  
**(FIRST UNIT SCHEME)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2010**

<b>ASSETS</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
		<b>\$ '000</b>	<b>\$ '000</b>
Investment Securities	25	2,583,547	2,849,155
Cash and Cash Equivalents		327,747	246,486
Income Receivable		19,258	24,022
Other Receivables		154,795	3,039
<b>Total Assets</b>		<b>3,085,347</b>	<b>3,122,702</b>
<b>LIABILITIES</b>			
Distribution Payable		6,776	35,482
Amount Due to Corporation		31,054	32,960
Other Liabilities		14,869	13,207
		<b>52,699</b>	<b>81,649</b>
<b>RESERVES</b>			
Undistributed Income /(Loss)		1,423	(82,768)
<b>Total Liabilities and Reserves</b>		<b>54,122</b>	<b>(1,119)</b>
<b>NET ASSETS</b>		<b>3,031,225</b>	<b>3,123,821</b>
<b>CAPITAL ACCOUNT</b>		<b>2,451,435</b>	<b>2,562,002</b>
<b>UNREALISED CAPITAL APPRECIATION</b>		<b>579,790</b>	<b>561,819</b>
		<b>3,031,225</b>	<b>3,123,821</b>

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

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**Trinidad and Tobago Unit Trust Corporation**  
 (GROWTH AND INCOME FUND)  
 (FIRST UNIT SCHEME)  
 STATEMENT OF COMPREHENSIVE INCOME  
 For the year ended December 31, 2010

INVESTMENT INCOME	Notes	2010 \$ '000	2009 \$ '000
Dividends		64,463	63,599
Interest		48,463	78,349
Realised Capital Gains		42,469	69,707
<b>Total Investment Income</b>		<b>155,395</b>	<b>211,655</b>
<b>EXPENSES</b>			
Management Charge	15	61,355	67,649
Impairment	18	-	105,249
Other Expenses		74	68
<b>Total Expenses</b>		<b>61,429</b>	<b>172,966</b>
<b>NET INVESTMENT INCOME</b>		<b>93,966</b>	<b>38,689</b>
Withholding Taxes		(1,837)	(1,090)
<b>UNDISTRIBUTED INCOME AT BEGINNING OF YEAR</b>		<b>(82,768)</b>	<b>33,143</b>
<b>DISTRIBUTION EXPENSE:</b>		<b>9,361</b>	<b>70,742</b>
Distribution Paid to Initial Contributors \$0.04c per unit (2009 - 0.60c per unit)		29	572
Distribution Paid to Unitholders \$0.04c per unit (2009 -0.60c per unit)		6,909	151,938
<b>Total Distribution</b>	22	<b>6,938</b>	<b>152,510</b>
<b>UNDISTRIBUTED GAIN/(LOSS) BEFORE RESERVES</b>		<b>2,423</b>	<b>(81,768)</b>
Allocation to Guarantee Reserve Fund	12(a)	1,000	1,000
<b>UNDISTRIBUTED GAIN/(LOSS) AT END OF YEAR</b>		<b>1,423</b>	<b>(82,768)</b>

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

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**Trinidad & Tobago Unit Trust Corporation**

GROWTH AND INCOME FUND

(FIRST UNIT SCHEME)

STATEMENT OF CASH FLOWS

**For the year ended December 31, 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$ '000</b>	<b>\$ '000</b>
<b>Cash Flows from Operating Activities</b>		
Net Income before distribution	92,966	37,689
Adjustments for:		
Impairment	-	105,249
Exchange Rate Loss/(Gains)	1,062	(1,504)
Realised Exchange Gains	(452)	(726)
Realised Capital Gains	(43,080)	(67,476)
Taxation Paid	(1,837)	(1,090)
	<u>48,659</u>	<u>72,142</u>
Decrease in receivables	(146,993)	19,462
Decrease in payables	(28,950)	(202,647)
	<u>(127,284)</u>	<u>(111,043)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investment Securities	(276,962)	(817,291)
Disposal of Investment Securities	603,010	1,152,783
	<u>326,048</u>	<u>335,492</u>
<b>Cash Flows From Financing Activities</b>		
Subscriptions	93,783	400,424
Redemptions	(204,349)	(631,785)
Distributions	(6,938)	(152,510)
	<u>(117,504)</u>	<u>(383,871)</u>
<b>Net Cash Flows Used In Financing Activities</b>		
	<u>(117,504)</u>	<u>(383,871)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>81,261</b>	<b>(159,422)</b>
<b>Cash and Cash Equivalents at beginning of year</b>	<b>246,486</b>	<b>405,908</b>
<b>Cash and Cash Equivalents at end of year</b>	<b><u>327,747</u></b>	<b><u>246,486</u></b>

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

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**Trinidad & Tobago Unit Trust Corporation**  
**TT DOLLAR INCOME FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2010**

	Notes	2010 <u>\$ '000</u>	2009 <u>\$ '000</u>
<b>ASSETS</b>			
Investments	26	6,872,417	8,100,000
Cash & Cash Equivalents		3,080,605	2,083,009
Interest Receivable		66,535	101,464
Other Receivables		642,353	485,309
<b>Total Assets</b>		<u>10,661,910</u>	<u>10,769,782</u>
<b>LIABILITIES</b>			
Accruals for Distribution	22 (b)	22,380	22,204
Amount Due to Corporation		9,995	16,791
Other Liabilities		481,396	375,053
		<u>513,771</u>	<u>414,048</u>
<b>RESERVES</b>			
Reserves		9,918	9,918
Undistributable Income		-	-
<b>Total Liabilities and Reserves</b>		<u>523,689</u>	<u>423,966</u>
<b>NET ASSETS</b>		<u>10,138,221</u>	<u>10,345,816</u>
<b>CAPITAL ACCOUNT</b>		10,164,662	10,352,183
<b>UNREALIZED CAPITAL DEPRECIATION</b>		(26,441)	(6,367)
		<u>10,138,221</u>	<u>10,345,816</u>

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

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**Trinidad & Tobago Unit Trust Corporation**  
**TT DOLLAR INCOME FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended December 31, 2010**

	Notes	2010 \$ '000	2009 \$ '000
<b>INVESTMENT INCOME</b>			
Interest Income		456,816	528,443
<b>Total Investment Income</b>		<u>456,816</u>	<u>528,443</u>
<b>EXPENSES</b>			
Management Charge	15	202,764	125,610
Impairment	18	2,035	789
Commissions		13,225	11,129
Other Expenses		741	693
<b>Total Expenses</b>		<u>218,765</u>	<u>138,221</u>
<b>NET INVESTMENT INCOME</b>		<b>238,051</b>	<b>390,222</b>
Distribution Expense	22	209,372	365,218
Accruals for Distribution	22 (b)	22,381	22,204
Allocation to Primary Reserve	12 (b)	2,800	2,800
Allocation to Secondary Reserve	12 (b)	3,498	-
<b>UNDISTRIBUTED INCOME AT END OF YEAR</b>		<u>-</u>	<u>-</u>

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

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**Trinidad & Tobago Unit Trust Corporation**  
**TT DOLLAR INCOME FUND**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2010**

	<b>2010</b>	2009
	<b><u>\$ '000</u></b>	<u>\$ '000</u>
<b>Cash Flows from operating Activities</b>		
Net Income before distribution	231,753	387,422
Adjustment for:		
Impairment	<u>2,035</u>	<u>789</u>
	233,788	388,211
(Increase)/Decrease in receivables	(122,115)	14,348
Increase/(Decrease) in payables	99,722	(28,204)
	<u>211,395</u>	<u>374,355</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investment Securities	(4,526,668)	(8,179,070)
Disposal of Investment Securities	5,732,142	7,782,796
	<u>1,205,474</u>	<u>(396,274)</u>
<b>Cash Flows From Financing Activities</b>		
Subscriptions	1,973,107	3,729,345
Redemptions	(2,160,627)	(1,458,284)
Distributions	(231,753)	(387,422)
	<u>(419,273)</u>	<u>1,883,639</u>
Net Cash Flows (Used In)/ From Financing Activities	<u>(419,273)</u>	<u>1,883,639</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>997,596</b>	1,861,720
Cash and Cash Equivalents at Beginning of the year	2,083,009	221,289
<b>Cash and Cash Equivalents at End of the year</b>	<b><u>3,080,605</u></b>	<u>2,083,009</u>

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

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**Trinidad & Tobago Unit Trust Corporation**  
 UNIVERSAL RETIREMENT FUND  
 STATEMENT OF FINANCIAL POSITION  
 As at December 31, 2010

	Notes	2010 <u>\$ '000</u>	2009 <u>\$ '000</u>
<b><u>ASSETS</u></b>			
Investment Securities	27	158,451	135,905
Cash and Cash Equivalents		2,576	12,162
Income Receivable		958	1,156
Other Receivables		1,227	37
<b>Total Assets</b>		<b>163,212</b>	<b>149,260</b>
<b><u>LIABILITIES</u></b>			
Amount Due to Corporation		171	-
Other Payables		145	2
<b>NET ASSETS OF THE FUND</b>		<b>162,896</b>	<b>149,258</b>
<b>CAPITAL ACCOUNT</b>		<b>150,578</b>	<b>137,034</b>
<b>UNREALISED CAPITAL APPRECIATION</b>		<b>12,318</b>	<b>12,224</b>
		<b>162,896</b>	<b>149,258</b>

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

581—Continued

**Trinidad & Tobago Unit Trust Corporation**  
**UNIVERSAL RETIREMENT FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended December 31, 2010**

	Notes	2010 \$ '000	2009 \$ '000
<b>INVESTMENT INCOME</b>			
Dividends		2,922	2,144
Interest		4,901	5,623
Realised Capital Gains		1,698	3,219
Miscellaneous Income		-	1,838
<b>Total Investment Income</b>		<b>9,521</b>	<b>12,824</b>
<b>EXPENSES</b>			
Management Charge	15	3,196	1,415
Impairment	18	-	1,808
Other Expenses		2	2
<b>Total Expenses</b>		<b>3,198</b>	<b>3,225</b>
<b>Net Investment Income</b>		<b>6,323</b>	<b>9,599</b>
Withholding Tax		(103)	(4)
<b>NET INCOME FOR CAPITALISATION</b>		<b>6,220</b>	<b>9,595</b>

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



581—Continued

**Trinidad & Tobago Unit Trust Corporation**  
**UNIVERSAL RETIREMENT FUND**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2010**

	<b>2010</b>	<b>2009</b>
	<b><u>\$ '000</u></b>	<b><u>\$ '000</u></b>
<b>Cash Flows from Operating Activities</b>		
Net Investment Income	6,323	9,599
Adjustments for:		
Impairment	-	1,808
Exchange (Loss/Gains)	(474)	73
Realised Exchange Gains/(Loss)	9	(18)
Realised Capital Gains/(Loss)	2,163	(3,274)
Taxation Paid	(103)	(4)
	<u>7,918</u>	<u>8,184</u>
Decrease in receivables	(991)	39
Increase/(Decrease) in payables	314	(1,409)
	<u>7,241</u>	<u>6,814</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investment Securities	(44,466)	(29,284)
Disposal of Investment Securities	20,315	21,633
	<u>(24,151)</u>	<u>(7,651)</u>
<b>Cash Flows From Financing Activities</b>		
Subscriptions	19,466	17,352
Redemptions	(12,142)	(9,281)
	<u>7,324</u>	<u>8,071</u>
<b>Net (Decrease) / Increase in Cash and Cash Equivalents</b>	<b>(9,586)</b>	<b>7,234</b>
Cash and Cash Equivalents at beginning of year	12,162	4,928
<b>Cash and Cash Equivalents at end of year</b>	<b><u>2,576</u></b>	<b><u>12,162</u></b>

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

581—Continued

**Trinidad & Tobago Unit Trust Corporation**  
**US DOLLAR INCOME FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As at December 31, 2010**

	Notes	2010 <u>\$'000</u>	2009 <u>\$'000</u>
<b>ASSETS</b>			
Investment Securities	28	3,411,858	4,209,840
Cash and Cash Equivalents		524,632	494,027
Income Receivable		33,003	56,193
Other Receivables		264,096	212,215
<b>Total Assets</b>		<u><u>4,233,589</u></u>	<u><u>4,972,275</u></u>
<b>LIABILITIES</b>			
Amount Due to Corporation		13,351	17,698
Distribution Payable		20,784	28,209
Other Liabilities		<u>58,817</u>	<u>95,798</u>
		<u>92,952</u>	<u>141,705</u>
<b>RESERVES</b>			
Reserves		146	138
Undistributed Income		-	-
<b>Total Liabilities and Reserves</b>		<u><u>93,098</u></u>	<u><u>141,843</u></u>
<b>NET ASSETS</b>		<u><u>4,140,491</u></u>	<u><u>4,830,432</u></u>
<b>CAPITAL ACCOUNT</b>		4,220,253	4,929,786
<b>UNREALIZED CAPITAL DEPRECIATION</b>		(79,762)	(99,354)
		<u><u>4,140,491</u></u>	<u><u>4,830,432</u></u>

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

581—Continued

**Trinidad & Tobago Unit Trust Corporation**  
**US DOLLAR INCOME FUND**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended December 31, 2010**

	Notes	2010 <u>\$'000</u>	2009 <u>\$'000</u>
<b>INVESTMENT INCOME</b>			
Interest Income		158,781	196,243
<b>Total Investment Income</b>		<u>158,781</u>	<u>196,243</u>
<b>EXPENSES</b>			
Management Charge	15	37,120	27,507
Impairment	18	12,345	4,794
Commissions		1,559	1,000
Other Expenses		181	255
<b>Total Expenses</b>		<u>51,205</u>	<u>33,556</u>
<b>NET INVESTMENT INCOME</b>		<b>107,575</b>	162,687
Undistributed Income at start of year		-	-
Distribution Expense	22	92,263	160,200
Allocation to Primary Reserve	12(c)	8,689	2,487
Allocation to Secondary Reserve	12(c)	6,624	-
<b>UNDISTRIBUTED INCOME AT END OF YEAR</b>		<u><u>-</u></u>	<u><u>-</u></u>

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

581—Continued

**Trinidad & Tobago Unit Trust Corporation**  
 US DOLLAR INCOME FUND  
 STATEMENT OF CASH FLOWS  
 For the year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Cash Flows from Operating Activities</b>		
Net Income before distribution	92,264	160,200
Adjustment for:		
Impairment	12,345	4,794
	<u>104,609</u>	<u>164,994</u>
(Increase)/Decrease in receivables	(29,116)	(135,299)
(Decrease)/Increase in payables	(48,530)	24,191
Cash From Operating Activities	<u>26,963</u>	<u>53,886</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of Investment Securities	(1,726,524)	(2,317,927)
Disposal of Investment Securities	2,524,969	1,757,940
Net Cash Flows From/(Used In) Investing Activities	<u>798,444</u>	<u>(559,988)</u>
<b>Cash Flows From Financing Activities</b>		
Subscriptions	1,333,589	1,904,877
Redemptions	(2,035,350)	(1,173,017)
Distributions	(92,263)	(160,200)
Net Cash Flows (Used In)/ From Financing Activities	<u>(794,024)</u>	<u>571,660</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>31,384</b>	<b>65,559</b>
Cash and Cash Equivalents at beginning of year	494,027	371,532
Translation Adjustment	(779)	(1,025)
<b>Cash and Cash Equivalents at end of year</b>	<u><b>524,632</b></u>	<u><b>436,066</b></u>

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

**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**1) INCORPORATION AND PRINCIPAL ACTIVITIES**

The Trinidad & Tobago Unit Trust Corporation was established by the Unit Trust Corporation of Trinidad and Tobago Act (“the Act”), Chapter 83:03 of the Laws of the Republic of Trinidad and Tobago, generally to provide facilities for participation by members of the public in investing in shares and securities approved by the Board. The Finance Act of 1997 permitted expansion of the Corporation’s scope of activities to include other financial services, such as merchant banking, trustee services and card services.

In addition to the Trinidad & Tobago Unit Trust Corporation, there are nine (9) subsidiary companies which comprise the Group.

**2) SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Basis of Preparation**

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

Certain new standards, amendments to published standards and interpretations came into effect during the current financial year. During 2010 the Group has adopted the following new and amended International Financial Reporting Standards, which are relevant to its operations:

- IAS 27 (revised) – Consolidated and separate financial statements – effective July 1, 2009. This amendment requires the effect of all transactions with non-controlling interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It also specifies the accounting treatment when control is lost, requiring that any remaining interest in the equity be re-measured to fair value, and a gain or loss recognised in the statement of comprehensive income.
- IFRS 5 (amendment) – Non-current assets held for sale and discontinued operations – effective January 1, 2010. The amendment to IFRS 5 clarifies that the disclosure requirements in other IFRS’s do not apply to Non-current assets classified as held for sale except such IFRS’s specifically require such disclosures. The amendment has no impact on the net income of the Group or the disclosures required in these financial statements.
- IAS 7 (amendment) – Statement of Cash Flows – effective January 1, 2010. The amendments specify that only expenditures that result in a recognised asset in the Statement of Financial Position may be classified as Investing Activities in the Statement of Cash Flows. The amendment has had no impact on the amounts reported as “Investing Activities” in the Cash Flow.

**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a) Basis of Preparation (continued)**

The Group has not early adopted the following new and amended Standards which are not yet effective:

- IAS 24 (revised) – Related Party Disclosures – effective January 1, 2011. This revised standard amends the definition of a related party and modifies certain related party disclosure requirements for government related entities.
- IFRS 9 (new) – Financial Instruments – effective January 1, 2013. This new standard is part of a wider project to replace IAS 39. It establishes two primary measurement categories for financial assets: amortised cost and fair value. The Group is adopting IFRS 9 on January 1, 2011. It is not practicable at present to assign a dollar value to the potential change in the total value of the Group's financial instruments.

**b) Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Corporation and its subsidiaries drawn up as at December 31, 2010 and include all the assets and liabilities and results of operations of the Group. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

'Non-controlling interest' represents the portion of the profit and net assets not owned directly or indirectly by the Corporation. It is presented in the consolidated statement of income, the consolidated statement of comprehensive income and the consolidated statement of financial position, separately from the parent's shareholding interest.

All material inter-company transactions and accounts have been eliminated in preparing the consolidated financial statements. Accounting policies of the subsidiaries are consistent with the policies of the Group.

**c) Investment securities**

The Group classifies its financial assets in the following categories: available for sale, held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Investment securities intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in exchange rates, are classified as available-for-sale. Available-for-sale investments are carried at fair value.

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

**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

**c) Investment securities (continued)**

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

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

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

**d) Security Valuation**

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

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

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

**e) Impairment of financial assets**

*Assets carried at amortised cost*

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

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

- a) of significant financial difficulty of the issuer or obligor;
- b) of a breach of contract, such as a default or delinquency in interest or principal payments of the issuer or obligor;
- c) that the issuer's lender, for economic or legal reasons relating to the issuer's financial difficulty, has granted to the issuer a concession that the lender would not otherwise consider;
- d) that it is probable that the borrower will enter bankruptcy or other financial reorganization;
- e) of the disappearance of an active market for the financial asset because of financial difficulties; or
- f) indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the portfolio, including:

**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

- i) adverse changes in the payment status of borrowers in the portfolio; and
- ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

*Assets classified as available-for-sale*

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

**f) Repurchase and Reverse Repurchase Agreements**

A repurchase agreement is the sale of securities for cash with a simultaneous agreement to repurchase them at a fixed price on a contracted date. An interest rate is negotiated for the term of the agreement. A reverse repurchase agreement is the corollary of this and is the purchase of the securities for cash with a simultaneous agreement to re-sell them at a fixed price on a contracted date and at an agreed rate of interest.

A repurchase agreement may be construed as a borrowing and in the normal course of business the Corporation does not enter into repurchase agreements. However, as part of its short-term investment activity, it does enter into reverse repurchase agreements. Deterioration in the value of the securities bought under reverse repurchase agreements is materially covered through margin calls comprising cash and/or additional securities.



**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

**g) Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs for repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

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

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

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

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

Property, plant and equipment category:	Estimated useful life:
Building	50 years
Office Improvements	7-15 years
Computer Equipment	2-8 years
Office Equipment	3-13 years
Office Furniture & Fixtures	3-10 years

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

The property, plant and equipment of the subsidiary, Unit Trust Corporation (Belize) Limited (formerly Belize Unit Trust Corporation Limited), are depreciated on a straight line basis, at the rates estimated to write off the value of the assets over their useful lives. Rates used are:

Computer Equipment	20% per annum
Office Equipment	20% per annum
Furniture	10% per annum
Motor Vehicles	25% per annum

**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h) Intangible Assets**

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

**i) Impairment of Non-Financial Assets**

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised as the amount by which an asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of income. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**j) Foreign Currency Translation**

The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Corporation's functional and presentation currency.

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

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency. All resulting exchange differences are recognised in the consolidated statement of comprehensive income.

**k) Leases**

Assets held under finance leases are capitalised as property, plant and equipment and duly depreciated. The liability net of finance charges is shown on the statement of financial position and the interest element is charged to the consolidated statement of income over the term of the lease.

**l) Cash and Cash Equivalents**

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

**m) Provisions**

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

**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

**n) Revenue Recognition**

Income comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities. Income is shown net of value-added tax, discounts and after eliminating services within the Group.

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

**o) Borrowings**

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

**p) Segment reporting**

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

**q) Separate Funds Under Management**

The assets and liabilities pertaining to pension and other funds, which are managed in accordance with specific Investment Management Agreements, are not included in the Statement of Financial Position of the Corporation. The market value of these portfolios as at December 31, 2010 is \$439 million (2009: \$500 million).

**r) Taxation**

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

Corporation tax is payable on profits realised by the subsidiaries and is recognised as an expense in the period in which profits arise. Taxes are based on the applicable tax laws in each jurisdiction. The tax effects of taxation losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates that have been enacted by the date of the Consolidated Statement of Financial Position and are expected to apply when the related deferred tax asset is realised or the deferred corporation tax liability is settled.

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

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**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**2) SIGNIFICANT ACCOUNTING POLICIES (continued)**

**s) Comparative information**

Certain changes in presentation have been made in these financial statements. In particular the comparatives of the Risk Note have been restated. These changes had no effect on the operating results or net income after tax of the Group for the previous year.

**3) INVESTMENT FUNDS**

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

	2010 \$'000	2009 \$'000
Growth & Income Fund	3,031,225	3,123,821
TT\$ Income Fund	10,138,221	10,345,816
Universal Retirement Fund	162,896	149,258
US\$ Income Fund	<u>4,140,491</u>	<u>4,830,432</u>
<b>Total</b>	<b><u>17,472,833</u></b>	<b><u>18,449,327</u></b>

The Corporation has in its portfolio a bond that was considered sovereign debt. As a result, the Corporation's participation, which was in excess of 10% of the securities issued, was not considered to be in contravention of section 13 (3) of the Unit Trust Corporation of Trinidad and Tobago Act Chapter 83:03 (the "Act"). Subsequently, management recognized the facility was not a sovereign issue. The bond was restructured on December 30, 2009 and the Corporation participated in the restructured facility due 2029. At restructuring, the Corporation's participation continued to be in excess of 10% of the securities in issue. During 2010 the Corporation reduced its participation in the restructured facility to an amount within the statutory limit and was in compliance with the Act as at December 31, 2010.

**4) RECEIVABLES**

	2010 \$'000	2009 \$'000
Receivables transferred from Investment Securities	784,765	60,208
Receivables - Other	<u>84,111</u>	<u>197,640</u>
<b>Total</b>	<b><u>868,876</u></b>	<b><u>257,848</u></b>

Amounts due and payable in respect of investment securities have been transferred to receivables.

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**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**5) INVESTMENT SECURITIES**

	2010 \$'000	2009 \$'000
Held to maturity	835,044	1,304,727
Available for sale	960,664	1,731,765
Loans and receivables	<u>363,480</u>	<u>379,713</u>
<b>Total</b>	<b><u>2,159,188</u></b>	<b><u>3,416,205</u></b>

Investment securities represent short-term investments and equity securities held by the Corporation, including the holdings of the Merchant Bank Department in local and regional government and corporate securities with maturity dates of up to twenty-one (21) years.

**6) PROPERTY, PLANT AND EQUIPMENT**

	Land \$'000	Building \$'000	Office Improvements \$'000	Motor Vehicles \$'000	Office & Computer Equipment \$'000	Office Furniture \$'000	TOTAL \$'000
<b>Year ended Dec 31, 2010</b>							
Opening Net Book Value	16,205	118,270	23,953	4,306	20,687	6,825	190,246
Additions	-	-	4,444	800	4,681	336	10,261
Transfers in/out	-	-	-	-	-	-	-
Disposals	-	-	(129)	(101)	(204)	(7)	(441)
Depreciation/Amortisation	(22)	(2,809)	(3,053)	(1,125)	(5,646)	(1,185)	(13,840)
Closing Net Book Value	<u>16,183</u>	<u>115,461</u>	<u>25,215</u>	<u>3,880</u>	<u>19,518</u>	<u>5,969</u>	<u>186,226</u>
<b>As at Dec 31, 2010</b>							
Cost	16,569	139,427	42,161	7,011	58,173	20,235	283,576
Accumulated Depreciation/Amortisation	(386)	(23,966)	(16,946)	(3,131)	(38,655)	(14,266)	(97,350)
<b>Net Book Value</b>	<u>16,183</u>	<u>115,461</u>	<u>25,215</u>	<u>3,880</u>	<u>19,518</u>	<u>5,969</u>	<u>186,226</u>
<b>Year ended Dec 31, 2009</b>							
Opening Net Book Value	16,227	121,078	21,532	3,025	18,963	7,623	188,448
Additions	-	-	5,331	2,528	7,707	798	16,364
Transfers in/out	-	-	(248)	-	(529)	398	(379)
Disposals	-	-	(15)	(75)	(5)	(7)	(102)
Depreciation/Amortisation	(22)	(2,808)	(2,647)	(1,172)	(5,449)	(1,987)	(14,085)
Closing Net Book Value	<u>16,205</u>	<u>118,270</u>	<u>23,953</u>	<u>4,306</u>	<u>20,687</u>	<u>6,825</u>	<u>190,246</u>
<b>As at Dec 31, 2009</b>							
Cost	16,569	139,427	38,905	6,601	55,274	19,971	276,747
Accumulated Depreciation/Amortisation	(364)	(21,157)	(14,952)	(2,295)	(34,587)	(13,146)	(86,501)
<b>Net Book Value</b>	<u>16,205</u>	<u>118,270</u>	<u>23,953</u>	<u>4,306</u>	<u>20,687</u>	<u>6,825</u>	<u>190,246</u>

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**6) PROPERTY, PLANT AND EQUIPMENT (continued)**

**Land**

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

**a) Leasehold Land**

This reflects the Corporation's interest in a ninety-nine (99) year lease. On November 19, 1999 the Corporation entered into an arrangement with London Street Project Company Limited to transfer its interest for twenty (20) years to facilitate the construction of its Headquarters Building through a build, own, lease and transfer arrangement described in Note 8 below. On May 19, 2010, the Corporation fully repaid the Finance Lease in respect of the building. The legal formalities related to the surrender of the lease granted on November 19, 1999 are in process.

**b) Freehold Land**

This reflects freehold land on which buildings have been constructed / renovated to facilitate the operations of the Parent company.

**7) INTANGIBLE ASSETS**

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>Year ended Dec 31</b>		
Opening Net Book Value	25,737	17,334
Additions	4,939	12,627
Transfers in/out	-	379
Disposals	-	-
Depreciation Charge	<u>(5,177)</u>	<u>(4,603)</u>
<b>Closing Net Book Value</b>	<u>25,499</u>	<u>25,737</u>
<b>As at Dec 31</b>		
Cost	47,971	43,031
Accumulated Depreciation	<u>(22,472)</u>	<u>(17,294)</u>
<b>Net Book Value</b>	<u>25,499</u>	<u>25,737</u>

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**8) FINANCIAL INSTRUMENTS****a) Short-term Financial Instruments**

	2010 \$'000	2009 \$'000
Fixed term borrowing	2,282,200	2,442,804
Borrowing at notice	-	-
Repo borrowing	-	431,158
Guaranteed Investment Certificate	<u>29,960</u>	<u>-</u>
<b>Total</b>	<b><u>2,312,160</u></b>	<b><u>2,873,962</u></b>

Fixed term borrowings represent financial liabilities in the form of Investment Note Certificates.

**b) Long-term Financial Instruments**

	Interest Rate	Term	2010 \$'000	2009 \$'000
Guaranteed Investment Certificates	7.7%-12.6%	10-25 years	240,474	248,393
Long-term bond	8%	10 years	20,584	24,797
Long-term bond	8%	7.5 years	4,602	6,442
Long-term loan	8.15%	10 years	<u>5,765</u>	<u>6,485</u>
<b>Total</b>			<b><u>271,425</u></b>	<b><u>286,117</u></b>

The long-term interest bearing bonds/loan represent debt raised by the subsidiary UTC Property Holdings Limited for financing the construction of its properties. There have been no new borrowing costs capitalized since 2006. As at December 31, 2009, \$3.9 million in borrowing costs had been capitalized.

**9) FINANCE LEASE**

	2010 \$'000	2009 \$'000
<b>Lease payments due:</b>		
within 1 year	-	3,289
within 1 to 5 years	-	22,246
greater than 5 years	<u>-</u>	<u>27,512</u>
<b>Total</b>	<b><u>-</u></b>	<b><u>53,047</u></b>

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**Trinidad & Tobago Unit Trust Corporation**  
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**9) FINANCE LEASE (continued)**

The Corporation entered into a finance lease agreement with London Street Project Company Limited effective November 19, 1999 through a build, own, lease and transfer arrangement. This agreement was for a term of twenty (20) years, with purchase options at the end of the tenth and fifteenth years. On May 19, 2010 the Corporation exercised its right to terminate the lease and paid off the lease balance.

**10) INITIAL CAPITAL**

Initial Capital is capital subscribed by the Initial Capital Contributors to the Trinidad and Tobago Unit Trust Corporation in accordance with Section 17 of the Act and invested in the Growth and Income Fund. Initial Capital at the end of the reporting period was \$4.77 million (2009: \$4.77 million).

**11) UNIT CAPITAL**

Unit Capital represents the capital value of units issued by the four Investment Funds incorporated in Trinidad and Tobago and operated by the Corporation. In respect of the Growth and Income Fund (First Unit Scheme), this excludes the acquisition cost of the units issued in respect of Initial Capital.

	2010 \$'000	2009 \$'000
Growth and Income Fund	3,026,459	3,119,055
TT\$ Income Fund	10,138,221	10,345,816
Universal Retirement Fund	162,896	149,258
US\$ Income Fund	<u>4,140,491</u>	<u>4,830,432</u>
<b>Total</b>	<b><u>17,468,067</u></b>	<b><u>18,444,561</u></b>

**12) FUND RESERVES**

	2010 \$'000	2009 \$'000
Growth and Income Fund Guarantee Reserve	-	-
TT\$ Income Fund	32,758	26,037
US\$ Income Fund	<u>56,035</u>	<u>40,441</u>
<b>Total</b>	<b><u>88,793</u></b>	<b><u>66,478</u></b>

**a) Growth and Income Fund Guarantee Reserve**

In accordance with the provisions of Section 26(1) and (2) of the Act, in 1984 the Corporation established a Guarantee Reserve Fund in respect of the Growth and Income Fund (First Unit Scheme) to ensure adequate funding of the Guarantee Pricing Plan. During 2010, calls totalling \$51.8 million were made on the Fund, of which the Corporation met



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**Trinidad & Tobago Unit Trust Corporation**  
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**12) FUND RESERVES (continued)**

\$50.8 million through its Retained Income. The Corporation will continue to meet any shortfalls in the reserves through its Retained Income.

	2010 \$'000	2009 \$'000
Fund reserve as at January 1	-	20,000
Allocation to reserve (Growth and Income Fund)	1,000	1,000
Call on reserve	(51,812)	(84,254)
Allocation to reserve (Corporation)	<u>50,812</u>	<u>63,254</u>
<b>Fund reserve as at December 31</b>	<u>-</u>	<u>-</u>

**b) TT\$ Income Fund Reserve**

In accordance with the provisions of Section 13 of the TT\$ Income Fund (Second Unit Scheme) Regulations issued under the Act, in 1991 the Corporation established a reserve to satisfy any shortfall that may arise from the liquidation of securities in the portfolio of the Scheme.

	2010 \$'000	2009 \$'000
Fund reserve as at January 1	26,037	22,090
Allocation to primary reserve	2,800	2,800
Allocation to secondary reserve	3,498	-
Interest earned on reserve	<u>423</u>	<u>1,147</u>
<b>Fund reserve as at December 31</b>	<u>32,758</u>	<u>26,037</u>

During 2010, the Corporation established a secondary reserve to augment the capital maintenance capability of the Fund and to provide for the funding of any distribution liability which may arise.

**c) US\$ Income Fund Reserve**

In accordance with the provisions of Section 26 (1) and (2) of the Act, in 2001 the Corporation established a special reserve fund in respect of the US\$ Income Fund to provide for maintenance of the capital value of the Fund.

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**Trinidad & Tobago Unit Trust Corporation**  
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**12) FUND RESERVES (continued)****c) US\$ Income Fund Reserve (continued)**

	2010 \$'000	2009 \$'000
Fund reserve as at January 1	40,441	42,372
Allocation to primary reserve	8,689	2,487
Allocation to secondary reserve	6,624	-
Call on reserve	-	(5,007)
Interest earned on reserve	<u>281</u>	<u>589</u>
<b>Fund reserve as at December 31</b>	<b><u>56,035</u></b>	<b><u>40,441</u></b>

During 2010, the Corporation established a secondary reserve to augment the capital maintenance capability of the Fund and to provide for the funding of any distribution liability which may arise.

**13) STATUTORY RESERVES**

In accordance with Section 59(3)(d)(ii) of the Securities Industries Act, 1995 and Section 12(1)(a) and (b) of the Securities Industry By-Laws 1997, a reserve of \$5 million was established to satisfy the capital requirements for registration as an Underwriter and \$50,000 for registration as an Investment Adviser.

**14) REVALUATION RESERVE**

The revaluation reserve reflects unrealised capital appreciation and depreciation from changes in the fair values of available-for-sale financial instruments held by the Group. Minor changes for foreign currency translations are also reflected therein. The revaluation of the investments held by the Investment Funds is reflected on the balance sheet of each of the Funds and is not included in this revaluation reserve.

**15) MANAGEMENT CHARGE**

	2010 \$'000	2009 \$'000
Growth and Income Fund	61,355	67,649
TT\$ Income Fund	202,764	125,610
Universal Retirement Fund	3,196	1,415
US\$ Income Fund	<u>37,120</u>	<u>27,507</u>
<b>Total</b>	<b><u>304,435</u></b>	<b><u>222,181</u></b>

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**Trinidad & Tobago Unit Trust Corporation**  
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**15) MANAGEMENT CHARGE (continued)**

- a) The Corporation, in accordance with the regulations governing the Growth and Income Fund, the TT\$ Income Fund, the Universal Retirement Fund and the US\$ Income Fund may charge a management fee of up to 2% on the value of the funds under management in the respective schemes and funds. The average management fee charged for the year was 1.7% (2009: 1.2%).
- b) In accordance with the regulations governing the Belize Money Market Fund, Unit Trust Corporation (Belize) Limited (formerly Belize UTC), may charge a management fee not exceeding 2% of the funds under management. The management fee charged for the year was 2.0% (2009: 1.7%).
- c) In accordance with the prospectus governing the segregated portfolio funds of the Unit Trust Corporation (Cayman) SPC Limited, the Corporation may charge a management fee not exceeding 1.5% of funds under management. The management fee charged for the year was 1.3% (2009: 0.5%).

In addition to this management charge, the Group earned additional management charge of \$3.3 million from its foreign investment portfolios and other funds under management. This is carried in other income in the consolidated statement of income.

**16) NET INVESTMENT INCOME – GROUP OPERATIONS**

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

	2010 \$'000	2009 \$'000
Interest and Other Fee Income	190,159	326,785
Interest Expense & Other Charges	<u>(66,968)</u>	<u>(141,954)</u>
<b>Total</b>	<b><u>123,191</u></b>	<b><u>184,831</u></b>

**17) FOREIGN EXCHANGE GAINS/(LOSSES)**

The exchange differences credited to the consolidated statement of income are included in Other Income as follows:

	2010 \$'000	2009 \$'000
Foreign exchange gains	<u>2,801</u>	<u>4,370</u>

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**Trinidad & Tobago Unit Trust Corporation**  
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**18) IMPAIRMENT OF INVESTMENT SECURITIES**

The Group has recognised impairment charges of \$180.3 million during 2010 of which \$165.9 million is within Investment Securities of the Corporation and its subsidiaries and \$14.4 million is within the Investment Funds.

	2010 \$'000	2009 \$'000
Impairment	<u>165,948</u>	<u>80,678</u>
Carrying value of impaired investments	234,117	433,884
Fair value of collateral held for impaired investments	234,117	434,655

This impairment represents securities past due and/or in receivership, for which there was a shortfall in the fair value of the collateral.

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

	2010 \$'000	2009 \$'000
Impairment	<u>14,380</u>	<u>112,641</u>
Carrying value of impaired investments	19,935	33,751
Fair value of collateral held for impaired investments	19,935	33,751

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**19) ADMINISTRATIVE EXPENSES**

Administrative expenses include:

	2010 \$'000	2009 \$'000
Staff Costs (Note 19)	84,035	117,860
Audit Fees	588	333
Directors' Fees	1,829	2,301

**20) STAFF COSTS**

	2010 \$'000	2009 \$'000
Salaries and Benefits	80,488	114,394
National Insurance	<u>3,547</u>	<u>3,466</u>
<b>Total</b>	<b><u>84,035</u></b>	<b><u>117,860</u></b>
<b>Number of employees</b>	<b>532</b>	<b>554</b>

**21) FINANCE CHARGES**

	2010 \$'000	2009 \$'000
Long-term bonds (Note 7b)	2,684	3,215
Finance lease (Note 8)	<u>1,988</u>	<u>6,571</u>
<b>Total</b>	<b><u>4,672</u></b>	<b><u>9,786</u></b>

**22) DISTRIBUTIONS**

	2010 \$'000	2009 \$'000
Growth and Income Fund	6,938	152,510
TT\$ Income Fund	231,753	387,422
US\$ Income Fund	<u>92,263</u>	<u>160,200</u>
<b>Total</b>	<b><u>330,954</u></b>	<b><u>700,132</u></b>

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**22) DISTRIBUTIONS (continued)**

**a) Growth and Income Fund**

The Growth and Income Fund paid \$6.9 million to its unit holders in respect of the December 2010 distribution. Included in the \$6.9 million, referred to, are distributions to Initial Capital Contributors of \$0.03 million (2009: \$0.6 million).

In addition, in July 2010, the Corporation paid unit holders of the Growth and Income Fund a special distribution in the amount of \$16.5 million from its Retained Earnings.

**b) TT\$ Income Fund**

Distributions in the TT\$ Income Fund are made quarterly in February, May, August and November. Income accrued as at December 31, 2010 for distribution in the quarter ending February 2011 amounted to \$22.4 million (2009: \$22.20 million).

**c) US\$ Income Fund**

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

**23) FINANCIAL RISK MANAGEMENT**

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

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

The Board of Directors of the Trinidad and Tobago Unit Trust Corporation has overall responsibility for the management of the financial, operational and business risks faced by all lines. Several Committees assist the Board including:

- *The Board's Risk & Governance Committee* which meets on a monthly basis in order to ensure that the overall risk profile and policy environment of the Corporation is consistent with its strategic objectives. The Risk & Governance Committee also considers the specific risk issues highlighted by the Asset/Liability Committee and the Operational Risk Committee - internal committees comprising senior management personnel from several business units;
- *The Asset/Liability Committee* utilizes the collective experience and expertise of meeting participants to determine appropriate approaches for managing and mitigating the financial risks facing the Corporation. This Committee meets on a monthly basis to consider various risk reports tabled by management personnel
- *The Operational Risk Committee* provides a forum for key operating activities to be evaluated from a multi-disciplined perspective in order to analyze past operational failures/losses with a view to mitigating recurrence. The Operational Risk Committee also meets on a monthly basis

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**23) FINANCIAL RISK MANAGEMENT (continued)**

- *The Board's Investment Committee* approves each mutual funds' investment policy statement which includes various constraints on the investment portfolios
- *The Board's Merchant Banking Committee* approves underwriting limits for various credit relationships maintained by the Merchant Banking function, and
- *The Board's Audit Committee* has oversight of the key internal control systems affecting the Corporation's significant operating activities.

An independent risk management function led by the Chief Risk Officer submits relevant reports and recommendations to all the aforementioned Committees and participates in all the meetings. Its key responsibilities include: risk management policy-setting, scenario and stress testing and risk exposure monitoring across all business and operating activities. The risk management function, in consultation with relevant line management, may also make recommendations for the management and mitigation of financial and other risks.

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

**Strategy in using financial instruments**

Financial risks arise from the acquisition of various classes of financial instruments including equities and debt instruments (traded and non-traded). With regard to its Collective Investment Scheme business, the Corporation's practice is to acquire financial assets that provide consistent risk-adjusted returns relative to specific investment objectives of the individual fund portfolios. In general, the investment activities of the Funds involve taking long positions in securities with a focus on medium term performance as opposed to short-term gains-taking. The Collective Investment Schemes neither use leverage nor sell securities short and have no financial liabilities arising out of their investment activities. In respect of its combined Merchant Banking and Treasury lines of business, the Corporation's strategy is to earn intermediation income via the interest spread of its proprietary financial assets over its associated funding instruments while managing credit, market and liquidity risks.

**Equity price risk**

*Collective Investment Schemes – Registered locally as unit trusts*

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

Key influences on the asset allocation decision include domestic as well as global economic and financial market trends. In the case of equity, the security selection decision is typically influenced by consideration of fundamental and technical valuation factors as well as by the instrument's historical price sensitivity to the market. The amount of a

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**23) FINANCIAL RISK MANAGEMENT (continued)**

particular security eventually acquired takes into account the need to maintain appropriate levels of diversification at the overall portfolio level.

The equity price risk exposure of the fund portfolios is monitored and measured via categorization of the stocks by their historical price sensitivity to the overall market. A historical price sensitivity below 90% is considered to be low whereas an historical price sensitivity above 110% is considered to be high. A historical price sensitivity between 90% and 110% is regarded as comparable to the overall market.

The categorization of the Fund portfolios' equity holdings is provided below both in dollar terms and as a percentage of total equity holdings in the relevant Fund:

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

	Lower than market \$'000	Comparable to market \$'000	Higher than market \$'000
<b>At December 31, 2009</b>			
Growth & Income Fund	756,753 38.8%	423,057 21.7%	769,463 39.5%
Universal Retirement Fund	26,734 38.7%	13,259 19.2%	29,097 42.1%

The following table presents the approximate sensitivity of the net asset value of the Growth & Income Fund and the Universal Retirement Fund to a 5% change in the TTSE Composite Index and the S&P 500 Composite Index respectively as at December 31, 2010 and December 31, 2009 with all other variables held constant. The sensitivity is provided in dollar amounts and as a percentage of net asset value:

	<b>December 31, 2010</b>		<b>December 31, 2009</b>	
	<b>TTSE Composite Index</b>		<b>S&amp;P 500 Composite Index</b>	
Growth & Income Fund	\$51.39 million (1.7%)		\$77.35 million (2.5%)	
Universal Retirement Fund	\$2.77 million (1.7%)		\$3.15 million (2.1%)	
Growth & Income Fund	\$24.03 million (0.8%)		\$23.45 million (0.8%)	
Universal Retirement Fund	\$0.99 million (0.6%)		\$0.25 million (0.2%)	



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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)**

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

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

	Lower than market TTS'000	Comparable to market TTS'000	Higher than market TTS'000
<b>At December 31, 2010</b>			
UTC Energy Fund	6,297 23.0%	8,285 30.2%	12,813 46.8%
UTC European Fund	1,712 31.0%	1,347 24.4%	2,470 44.6%
UTC Asia Pacific Fund	5,390 52.1%	3,946 38.2%	1,005 9.7%
UTC Latin American Fund	1,051 15.4%	2,338 34.3%	3,436 50.3%
UTC North American Fund	77,470 45.4%	51,801 30.4%	41,383 24.2%

	Lower than market TTS'000	Comparable to market TTS'000	Higher than market TTS'000
<b>At December 31, 2009</b>			
UTC Energy Fund	2,347 16.6%	4,472 34.4%	6,959 49.0%
UTC European Fund	1,287 43.7%	459 15.7%	1,197 40.6%
UTC Asia Pacific Fund	1,272 36.5%	1,035 29.7%	1,183 33.8%
UTC Latin American Fund	189 7.3%	692 26.5%	1,730 66.2%
UTC North American Fund	30,453 21.6%	23,248 16.5%	87,068 61.9%

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**23) FINANCIAL RISK MANAGEMENT (continued)**

As at December 31, 2010 and December 31 2009, using the S&P 500 Index, had US equity securities prices increased/decreased as a whole by 5% (with all other variables held constant), the respective net asset values would have increased/decreased in both dollar and percentage terms as follows:

	2010		2009	
	\$'000	%	\$'000	%
UTC Energy Fund	1,375	5.0	714	5.5
UTC European Fund	273	4.9	148	5.0
UTC Asia Pacific Fund	450	4.4	174	5.0
UTC Latin American Fund	355	5.2	132	5.0
UTC North American Fund	6,321	3.7	6,759	4.8

The Global Bond Fund does not hold equity positions.

*Merchant Bank & Treasury*

The Merchant Bank does not hold any equity positions. However, Treasury holds shares/units in the collective investment schemes registered as overseas investment companies by the Corporation. This aggregate shareholding was valued at the equivalent of TT\$162.18 million and as such Treasury's exposure to equity price risk is proportionate to that disclosed in the preceding section.

In addition, Treasury holds strategic positions in five (5) unquoted equities with a total book value equivalent to TT\$86.66 million. These positions are assumed to be uncorrelated with recognized stock exchanges and as such equity price risk is deemed immaterial for these positions.

**Interest rate risk**

*Collective Investment Schemes – Registered locally as unit trusts*

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

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

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

An interest rate re-pricing analysis (as defined by the earlier of the contractual maturity or interest fixing date for each instrument) is provided below for the Mutual Funds' fixed income portfolio as at December 31, 2010 and December 31, 2009:

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**23) FINANCIAL RISK MANAGEMENT (continued)**

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At December 31, 2010</b>				
<b>Growth &amp; Income Fund</b>				
Debt instruments – traded	-	-	7,959	7,959
Debt instruments – non-traded	239,806	187,746	254,981	689,533
Cash & other net assets	<u>445,175</u>	<u>-</u>	<u>-</u>	<u>445,175</u>
	<u>684,981</u>	<u>187,746</u>	<u>262,940</u>	<u>1,135,667</u>
<b>TTS Income Fund</b>				
Debt instruments – traded	102,819	-	193,545	296,364
Debt instruments – non-traded	4,308,534	865,015	1,402,507	6,576,056
Cash & other net assets	<u>3,265,804</u>	<u>-</u>	<u>-</u>	<u>3,265,804</u>
	<u>7,677,157</u>	<u>865,015</u>	<u>1,596,052</u>	<u>10,138,224</u>
<b>Universal Retirement Fund</b>				
Debt instruments – traded	-	-	-	-
Debt instruments – non-traded	6,655	32,800	19,783	59,238
Cash & other net assets	<u>4,445</u>	<u>-</u>	<u>-</u>	<u>4,445</u>
	<u>11,100</u>	<u>32,800</u>	<u>19,783</u>	<u>63,683</u>
<b>USS Income Fund</b>				
Debt instruments – traded	636,871	35,519	408,831	1,081,221
Debt instruments – non-traded	1,810,015	410,000	113,599	2,333,614
Cash & other net assets	<u>725,657</u>	<u>-</u>	<u>-</u>	<u>725,657</u>
	<u>3,172,543</u>	<u>445,519</u>	<u>522,430</u>	<u>4,140,492</u>
	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>At December 31, 2009</b>				
<b>Growth &amp; Income Fund</b>				
Debt instruments – traded	-	-	5,545	5,545
Debt instruments – non-traded	179,099	214,737	419,642	813,478
Cash & other net assets	<u>274,665</u>	<u>-</u>	<u>-</u>	<u>274,665</u>
	<u>453,764</u>	<u>214,737</u>	<u>425,187</u>	<u>1,093,688</u>
<b>TTS Income Fund</b>				
Debt instruments – traded	-	-	226,905	226,905
Debt instruments – non-traded	5,030,662	816,756	2,025,677	7,873,095
Cash & other net assets	<u>2,245,816</u>	<u>-</u>	<u>-</u>	<u>2,245,816</u>
	<u>7,276,478</u>	<u>816,756</u>	<u>2,252,582</u>	<u>10,345,816</u>
<b>Universal Retirement Fund</b>				
Debt instruments – traded	-	-	-	-
Debt instruments – non-traded	9,363	28,293	28,762	66,418
Cash & other net assets	<u>13,353</u>	<u>-</u>	<u>-</u>	<u>13,353</u>
	<u>22,716</u>	<u>28,293</u>	<u>28,762</u>	<u>79,771</u>
<b>USS Income Fund</b>				
Debt instruments – traded	31,343	344,560	446,906	822,809
Debt instruments – non-traded	3,001,531	297,713	87,787	3,387,031
Cash & other net assets	<u>620,592</u>	<u>-</u>	<u>-</u>	<u>620,592</u>
	<u>3,653,466</u>	<u>642,273</u>	<u>534,693</u>	<u>4,830,432</u>

As at December 31, 2010 the Funds' TT dollar denominated fixed income positions were almost exclusively categorized as held to maturity and as a consequence changes in TT dollar interest rates would not have materially affected the net

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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)**

assets of the fund portfolios given that this category of financial asset is always carried at amortized cost in accordance with International Accounting Standards.

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

With all other variables held constant, sensitivity analysis performed for a 100 basis point increase and decrease in US interest rates as at December 31, 2010 and December 31, 2009 would have had the following estimated impact on the net assets of the individual fund portfolios:

<b>100 basis point increase</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Growth & Income Fund	(\$0.57 million)	(\$0.38 million)
TT\$ Income Fund	(\$12.48 million)	(\$13.79 million)
US\$ Income Fund	(\$22.72 million)	(\$26.95 million)
<b>100 basis point decrease</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Growth & Income Fund	\$0.64 million	\$0.39 million
TT\$ Income Fund	\$13.70 million	\$14.11 million
US\$ Income Fund	\$24.58 million	\$27.39 million

The Universal Retirement Fund had no exposure to US interest rate movements as at December 31, 2010 or as at December 31, 2009.

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

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

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**23) FINANCIAL RISK MANAGEMENT (continued)**

An interest rate re-pricing analysis (as defined by the earlier of the contractual maturity or interest fixing date for each instrument) is provided below for the Funds' fixed income portfolio as at December 31, 2010 and December 31, 2009:

**As at December 31, 2010**

	Up to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non-Interest bearing \$'000	Total \$'000
<b>Assets</b>					
<u>Investment securities</u>					
UTC Energy Fund	-	122	13	27,395	27,530
UTC European Fund	219	287	-	5,529	6,035
UTC Asia Pacific Fund	-	653	-	10,341	10,994
UTC Latin American Fund	-	-	-	6,825	6,825
UTC Global Bond Fund	998	676	1,257	5,316	8,247
UTC North American Fund	-	3,337	20,316	170,654	194,307
<u>Interest income receivable</u>					
UTC Energy Fund	-	-	-	-	-
UTC European Fund	5	-	-	-	5
UTC Asia Pacific Fund	9	-	-	-	9
UTC Latin American Fund	-	-	-	-	-
UTC Global Bond Fund	29	-	-	-	29
<u>Other receivables</u>					
- UTC Energy Fund	16	-	-	-	16
- UTC European Fund	2	-	-	-	2
- UTC Asia Pacific Fund	-	-	-	-	-
- UTC Latin American Fund	10	-	-	-	10
- UTC Global Bond Fund	8	-	-	-	8
<u>Cash</u>					
- UTC Energy Fund	7,021	-	-	-	7,021
- UTC European Fund	742	-	-	-	742
- UTC Asia Pacific Fund	2,927	-	-	-	2,927
- UTC Latin American Fund	1,410	-	-	-	1,410
- UTC Global Bond Fund	2,517	-	-	-	2,517
- UTC North American Fund	1,367	-	-	-	1,367

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**23) FINANCIAL RISK MANAGEMENT (continued)**

As at December 31, 2009

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

Sensitivity analysis was conducted to determine the effect had US interest rates changed by 100 basis points. With all other variables held constant, net assets attributable to unit holders and equity would have decreased or increased as at December 31, 2010 and December 31, 2009 as follows:

100 basis point increase	December 31, 2010 \$TT'000	December 31, 2009 TTS'000
UTC Energy Fund	-	(313)
UTC European Fund	(11)	(21)
UTC Asia Pacific Fund	(27)	(56)
UTC Latin American Fund	-	(9)
UTC Global Bond Fund	(58)	(95)
UTC North American Fund	(811)	(2,940)
100 basis point decrease	TTS'000	TTS'000
UTC Energy Fund	-	323
UTC European Fund	11	23
UTC Asia Pacific Fund	28	59
UTC Latin American Fund	-	9
UTC Global Bond Fund	61	101
UTC North American Fund	867	2,941

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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)***Merchant Bank & Treasury*

The Merchant Bank's & Treasury's interest bearing asset and liability positions are exposed to movements in market rates of interest.

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

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

The combined interest rate re-pricing exposures of the Merchant Bank and Treasury assets and liabilities are provided below as at December 31, 2010 and December 31, 2009:

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>At December 31, 2010</b>					
<b>Assets</b>					
Cash & Cash Equivalents	1,045,544	-	-	-	1,045,544
Money Market Instruments	-	-	-	-	-
Fixed Income Securities	493,010	687,255	683,009	-	1,863,274
Equities	-	-	-	295,965	295,965
<b>Liabilities</b>					
Short Term Financial Instruments	(2,282,200)	-	-	-	(2,282,200)
Long Term Financial Instruments	-	(60,911)	(240,474)	-	(301,385)
Other Liabilities	-	-	-	-	-
<b>Rate Re-pricing Position</b>	<u>(743,646)</u>	<u>626,344</u>	<u>442,535</u>	<u>295,965</u>	<u>621,198</u>
<b>At December 31, 2009</b>					
<b>Assets</b>					
Cash & Cash Equivalents	372,207	-	-	-	372,207
Money Market Instruments	406,194	-	-	-	406,194
Fixed Income Securities	1,527,194	660,182	485,858	-	2,673,234
Equities	-	-	-	337,548	337,548
<b>Liabilities</b>					
Short Term Financial Instruments	(2,873,962)	-	-	-	(2,873,962)
Long Term Financial Instruments	-	(26,752)	(259,365)	-	(286,117)
Other Liabilities	(36,802)	-	-	-	(36,802)
<b>Rate Re-pricing Position</b>	<u>(605,169)</u>	<u>633,430</u>	<u>226,493</u>	<u>337,548</u>	<u>592,302</u>

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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)**

Given the above rate re-pricing profile, a change in short term market rates of interest of 100 basis points effective from December 31, 2010 would have modified net interest income over the coming twelve months by an estimated TT\$4.8 million with all other variables held constant.

**Exchange rate risk***Collective Investment Schemes - Registered as local unit trust schemes*

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

The fund portfolios' foreign currency holdings as at December 31 were as follows:

	At December 31, 2010		At December 31, 2009	
	USD (Presented in TT\$) \$'000	OTHER (Presented in TT\$) \$'000	USD (Presented in TT\$) \$'000	OTHER (Presented in TT\$) \$'000
<b>Growth &amp; Income Fund</b>				
Equities	705,809	18,057	619,488	15,583
Debt instruments - traded	7,959	-	5,545	-
Debt instruments - non-traded	149,812	-	472,396	-
Cash & other net assets	<u>320,588</u>	-	<u>109,582</u>	-
	<u>1,184,168</u>	<u>18,057</u>	<u>1,207,011</u>	<u>15,583</u>
<b>TT\$ Income Fund</b>				
Debt instruments - traded	296,364	-	214,472	-
Debt instruments - non-traded	225,693	-	386,885	-
Cash & other net assets	<u>209,410</u>	-	<u>41,506</u>	-
	<u>731,467</u>	-	<u>642,863</u>	-
<b>Universal Retirement Fund</b>				
Equities	39,567	-	15,881	-
Debt instruments - traded	-	-	-	-
Debt instruments - non-traded	8,692	-	15,141	-
Cash & other net assets	<u>1763</u>	-	<u>2,351</u>	-
	<u>50,022</u>	-	<u>33,373</u>	-
<b>Total</b>	<u>1,965,657</u>	<u>18,057</u>	<u>1,883,247</u>	<u>15,583</u>



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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)**

A 1% change in the TT dollar relative to the US dollar would have changed the net assets of the individual Funds as at December 31, 2010 and December 31, 2009 as follows:

	2010	2009
	\$'000	\$'000
Growth & Income Fund	11,841	12,070
TT\$ Income Fund	7,315	6,429
Universal Retirement Fund	500	334

*Collective Investment Schemes – Registered as overseas subsidiary companies*

The reporting currency of the overseas subsidiaries is the US dollar. Moreover, the portfolio assets of the Funds issued by these subsidiaries are denominated almost exclusively in US dollars (except in the case of the North American Fund which holds Canadian dollar denominated positions from time to time). As a result, there is no material exchange rate risk in those Funds.

For the North American Fund nonetheless, a 1% change in the USD/CAD exchange rate would have impacted net assets by \$2,202 approximately as at December 31, 2010 (2009: \$255,131).

Moreover, the translation effect of the subsidiaries on the Group's consolidated financial statements is considered minimal.

*Merchant Bank & Treasury*

The combined foreign currency assets and liabilities of the Merchant Bank and Treasury as at December 31, 2010 and as at December 31, 2009 are as follows:

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

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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)**

At December 31, 2009	USD (Presented in TTD) \$'000	Other (Presented in TTD) \$'000
<b>Assets</b>		
Cash & Cash Equivalents	307,015	-
Money Market Instruments	116,355	-
Fixed Income Securities	1,663,303	-
Equities	337,548	-
<b>Liabilities</b>		
Short Term Certificates of Interest	(2,222,505)	-
Long Term Financial Instruments	-	-
Other liabilities	-	-
<b>Total</b>	<u><u>201,716</u></u>	<u><u>-</u></u>

A 1% change in the TT dollar relative to the US dollar as at that date would have affected the net income position of the Corporation by TT\$2.07 million as at December 31, 2010 and by TT\$2.02 million as at December 31, 2009.

**Credit risk**

*Merchant Bank & Treasury*

Credit risk is defined as the risk of loss due to default or the risk of diminution of value or loss due to poor asset quality. The Merchant Banking operation is exposed to credit risk arising out of its direct lending and underwriting operations. The credit risk exposure of the Merchant Banking Department is managed through credit administration policies and limits that are approved by the Merchant Banking Committee of the Board. The Merchant Banking Committee is also responsible for the approval of all credit advances and underwriting transactions. The Corporation's policy is (i) for all existing facilities to be relationship managed and reviewed annually; and (ii) for the credit portfolio to be routinely monitored for compliance with approved limits. Balances of instruments past due but not impaired at the 2010 and 2009 year ends were as follows:

	2010 \$'000	2009 \$'000
Past due up to 30 days	13,072	7,164
Past due 30-90 days	231,303	157,493
Past due 90-180 days	16,692	361,447
Past due over 180 days	<u>523,872</u>	<u>65,865</u>
<b>Total</b>	<u><u>784,939</u></u>	<u><u>591,969</u></u>

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**23) FINANCIAL RISK MANAGEMENT (continued)**

A remedial management process is in place to manage more closely past due accounts with a view to recovery via realization of collateral or restructure of the facility where feasible. These accounts are individually reviewed and reported on to the Risk and Governance and Merchant Banking Board committees.

The Treasury’s holdings of debt instruments apart from inter-company transactions are minimal and do not give rise to material credit risks.

*Collective Investment Schemes - Registered as local unit trust schemes*

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

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

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

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

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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)**

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

	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
<b>At December 31, 2010</b>				
<b>Growth &amp; Income Fund</b>				
Cash & Cash Equivalents	292,284	-	152,891	445,175
Debt instruments - traded	-	-	7,959	7,959
Debt instruments – non-traded	<u>548,649</u>	<u>105,173</u>	<u>28,711</u>	<u>682,533</u>
	<u>840,933</u>	<u>105,173</u>	<u>189,561</u>	<u>1,135,667</u>
<b>TTS Income Fund</b>				
Cash & Cash Equivalents	3,210,349	-	55,455	3,265,804
Debt instruments - traded	162,465	104,668	29,232	296,365
Debt instruments – non-traded	<u>6,214,184</u>	<u>154,928</u>	<u>206,943</u>	<u>6,576,055</u>
	<u>9,586,998</u>	<u>259,596</u>	<u>291,630</u>	<u>10,138,224</u>
<b>Universal Retirement Fund</b>				
Cash & Cash Equivalents	3,222	-	1,223	4,445
Debt instruments - traded	-	-	-	-
Debt instruments – non-traded	<u>42,565</u>	<u>15,030</u>	<u>1,643</u>	<u>59,238</u>
	<u>45,787</u>	<u>15,030</u>	<u>2,866</u>	<u>63,683</u>
<b>US\$ Income Fund</b>				
Cash & Cash Equivalents	549,978	-	175,679	725,657
Debt instruments - traded	696,388	353,829	31,004	1,081,221
Debt instruments – non-traded	<u>1,800,911</u>	<u>382,701</u>	<u>150,002</u>	<u>2,333,614</u>
	<u>3,047,277</u>	<u>736,530</u>	<u>356,685</u>	<u>4,140,492</u>
	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
<b>At December 31, 2009</b>				
<b>Growth &amp; Income Fund</b>				
Cash & Cash Equivalents	274,665	-	-	274,665
Debt instruments - traded	-	-	5,545	5,545
Debt instruments – non-traded	<u>359,087</u>	<u>299,294</u>	<u>155,097</u>	<u>813,478</u>
	<u>633,752</u>	<u>299,294</u>	<u>160,642</u>	<u>1,093,688</u>
<b>TTS Income Fund</b>				
Cash & Cash Equivalents	2,241,045	-	4,771	2,245,816
Debt instruments - traded	91,741	93,014	42,150	226,905
Debt instruments – non-traded	<u>7,349,901</u>	<u>465,218</u>	<u>57,976</u>	<u>7,873,095</u>
	<u>9,682,687</u>	<u>558,232</u>	<u>104,897</u>	<u>10,345,816</u>
<b>Universal Retirement Fund</b>				
Cash & Cash Equivalents	13,353	-	-	13,353
Debt instruments - traded	-	-	-	0
Debt instruments – non-traded	<u>44,952</u>	<u>19,651</u>	<u>1,816</u>	<u>66,419</u>
	<u>58,305</u>	<u>19,651</u>	<u>1,816</u>	<u>79,772</u>
<b>US\$ Income Fund</b>				
Cash & Cash Equivalents	591,611	-	28,981	620,592
Debt instruments - traded	544,775	192,838	85,196	822,809
Debt instruments – non-traded	<u>2,343,030</u>	<u>637,487</u>	<u>406,514</u>	<u>3,387,031</u>
	<u>3,479,416</u>	<u>830,325</u>	<u>520,691</u>	<u>4,830,432</u>

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**23) FINANCIAL RISK MANAGEMENT (continued)**

The corresponding credit quality of the Funds registered as overseas subsidiary companies is presented below for December 31, 2010 and December 31, 2009:

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

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**23) FINANCIAL RISK MANAGEMENT (continued)**

	High \$'000	Moderate \$'000	Low \$'000	Total \$'000
<b>As at December 31, 2009</b>				
<b>Corporate debt Securities</b>				
UTC Energy Fund	3,772	3,968	2,728	10,468
UTC Global Bond Fund	2,040	519	2,460	5,019
UTC European Fund	620	260	-	880
UTC Asia Pacific Fund	1,286	-	622	1,908
UTC Latin American Fund	482	260	627	1,369
UTC North American Fund	70,149	-	701	70,850
<b>Treasury bills</b>				
UTC Energy Fund	-	-	746	746
UTC Global Bond Fund	-	-	-	-
UTC European Fund	-	-	-	-
UTC Asia Pacific Fund	-	-	-	-
UTC Latin American Fund	5,430	-	-	5,430
UTC North American Fund	-	-	-	-
<b>Interest income receivable</b>				
UTC Energy Fund	195	-	-	195
UTC Global Bond Fund	38	-	-	38
UTC European Fund	2	-	-	2
UTC Asia Pacific Fund	24	-	-	24
UTC Latin American Fund	20	-	-	20
UTC North American Fund	-	-	-	-
<b>Other assets</b>				
UTC Energy Fund	49	-	-	49
UTC Global Bond Fund	12	-	-	12
UTC European Fund	-	-	-	-
UTC Asia Pacific Fund	-	-	-	-
UTC Latin American Fund	-	-	-	-
UTC North American Fund	-	-	-	-
<b>Cash</b>				
UTC Energy Fund	6,058	-	-	6,058
UTC Global Bond Fund	2,368	-	-	2,368
UTC European Fund	2,623	-	-	2,623
UTC Asia Pacific Fund	3,741	-	-	3,741
UTC Latin American Fund	2,555	-	-	2,555
UTC North American Fund	-	-	-	-

Past due, impaired or other distressed investments held by the Corporation's Collective Investment Schemes are monitored by management and reported to the Asset/Liability Committee, the Investment Committee and the Risk & Governance Committee. The carrying values of assets past due but not impaired at the 2010 year end for the Collective Investment Schemes as follows:

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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)**

	<u>Days past due as at December 31 2010</u>			
	1-30 days	31-90 days	91-180 days	Over 180 days
Energy Fund	-	-	-	\$122
USD Income Fund	-	-	-	\$190,146
TTD Income Fund	-	-	-	\$55,449
Growth & Income Fund	-	-	-	\$152,886
Universal Retirement Fund	-	-	-	\$1,223
<b>Total</b>	-	-	-	<b>\$399,826</b>

One instrument was deemed past due but not impaired as at December 31, 2009 in the Collective Investment Schemes. This asset which had a carrying value of TT\$7.7 million in the US\$ Income Fund was fully repaid in 2010.

*Impaired assets*

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

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

*Merchant Bank & Treasury*

The impairment charge for the year ended December 31, 2010 is TT\$165.8 million across six (6) financial instruments held by the Merchant Bank. No impairment charge was required for the assets held by Treasury in 2010 or 2009.

*Collective Investment Schemes - Registered as local unit trust schemes*

With regard to the local unit trusts, as at December 31, 2010 one asset (2009: two assets) was impaired across the Funds with the following losses recorded as a result:

	2010	2009
	\$'000	\$'000
Growth & Income Fund	-	105,250
TT\$ Income Fund	2,000	790
Universal Retirement Fund	-	1,810
US\$ Income Fund	<u>12,400</u>	<u>4,790</u>
<b>Total</b>	<b><u>14,400</u></b>	<b><u>112,640</u></b>

*Collective Investment Schemes - Registered as overseas subsidiary companies*

With regard to these Funds, impairment losses of \$0.5 million were recorded in respect of a two financial instruments for the year ended December 31, 2010. This compares with impairment losses of \$0.9 million for the year ended December 31, 2009.

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**Trinidad & Tobago Unit Trust Corporation**  
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**23) FINANCIAL RISK MANAGEMENT (continued)****Concentration risk***Collective Investment Schemes – Registered as local unit trust schemes*

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

Statutory restrictions limit the exposure of the Funds to any issuer (i) to a maximum of 10% of the Fund's combined net assets and (ii) a maximum of 10% in securities in issue. This prevents the undue build up of issuer, sector and country concentrations in the Funds. As at December 31, 2010 there were no exposures to any single entity or group of related entities exceeding 10% of the Funds' combined net assets.

*Collective Investment Schemes – Registered as overseas subsidiary companies*

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

*Merchant Bank & Treasury*

In the Merchant Bank, concentrations of credit risk are managed and controlled wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries. As at December 31, 2010, the Merchant Banking portfolio was exposed to significant concentration risk in the real estate sector. With respect to individual counterparties and group concentration, there was significant exposure to the CL Financial borrower group. Concentration is considered significant if the exposure to the borrower group is more than 25% of the Merchant Banking total asset portfolio. The Merchant Bank holds \$1.14 billion in fully secured investments with the CL Financial Group.

*Collective Investment Schemes - Registered as local unit trust schemes*

The local unit trust schemes collectively hold \$0.86 billion (2009: \$0.94 billion) investments in the CL Financial Group, of which \$0.39 billion (2009: \$0.45 billion) is fully secured. The remaining \$0.47 billion (2009: \$0.49 billion) represents holdings in a publicly listed bank that is a member of the CL Financial Group disaggregated as follows:

Quoted equity (ordinary shares) – \$0.18 billion (2009: \$0.23 billion)  
Fixed rate bonds (senior unsecured) – \$0.29 billion (2009: \$0.26 billion)



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**23) FINANCIAL RISK MANAGEMENT (continued)****Liquidity risk***Corporation and subsidiaries*

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

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

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
<b>At December 31, 2010</b>			
Accounts Payable and Short Term liabilities	30,021	-	-
Other Liabilities	-	-	-
Short Term Financial Instruments	2,282,200	-	-
Long Term Financial Instruments	-	-	301,385
Finance Lease	-	-	-
<b>Total</b>	<b><u>2,312,221</u></b>	<b><u>-</u></b>	<b><u>301,385</u></b>
	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
<b>At December 31, 2009</b>			
Accounts Payable and Short Term liabilities	49,908	-	-
Other Liabilities	36,802	-	-
Short Term Financial Instruments	2,873,962	-	-
Long Term Financial Instruments	-	26,752	259,365
Finance Lease	<u>3,289</u>	<u>22,246</u>	<u>27,512</u>
<b>Total</b>	<b><u>2,963,961</u></b>	<b><u>48,998</u></b>	<b><u>286,877</u></b>

*Collective Investment Schemes - Registered as local unit trust schemes*

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

**Capital Management**

The objectives with respect to the management of capital are to safeguard the Group's ability to continue as a going concern in order to provide returns and benefits for its stakeholders and to maintain a strong capital base for the development of its business. The capital maintenance objective of the Investment Funds under management is met

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**23) FINANCIAL RISK MANAGEMENT (continued)**

through the risk management strategies adopted by the Corporation. Additionally, the Corporation has established Fund Reserves to treat with any capital losses in its investment portfolios.

**24) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

The Group's financial statements and its financial result are influenced by accounting policies, estimates and management judgment, which necessarily have to be made in the course of preparation of consolidated financial statements. Estimates and judgments are evaluated on a continuous basis, and are based on historical experience and other factors, including expectations with regard to future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities in the future. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year.

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**Trinidad & Tobago Unit Trust Corporation**  
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**25) INVESTMENT SECURITIES - GROWTH AND INCOME FUND (FIRST UNIT SCHEME)**

EQUITY	SHAREHOLDING 2010 (STOCK UNITS)	MARKET VALUE 2010 \$	MARKET VALUE 2009 \$
<b>FINANCIAL INSTITUTIONS</b>			
Scotiabank Trinidad & Tobago Limited	5,511,459	200,176,191	194,889,164
Republic Bank Limited	2,619,566	199,637,125	226,735,547
ANSA Merchant Bank Limited	1,798,833	57,112,948	53,964,990
First Caribbean International Bank Limited	6,943,139	60,821,898	45,130,404
National Commercial Bank of Jamaica	18,250,000	26,645,000	18,980,000
Sagicor Financial Corporation	8,687,579	69,500,632	102,079,053
Bank of Nova Scotia - Jamaica	11,750,000	18,057,223	15,582,850
<b>MANUFACTURING</b>			
Unilever Caribbean Limited	1,128,770	25,453,764	18,906,898
The West Indian Tobacco Company Limited	-	-	-
Trinidad Cement Limited	9,905,572	27,735,602	38,136,452
National Flour Mills Limited	-	-	-
<b>CONGLOMERATES</b>			
ANSA Mc Al Limited	4,118,064	189,430,944	234,911,752
Neal & Massy Holdings Limited	4,427,432	163,814,984	233,168,940
Grace Kennedy & Company Limited	2,358,000	8,488,800	7,074,000
<b>NON-BANKING FINANCIAL INSTITUTIONS</b>			
American Life and General Insurance Company (Trinidad and Tobago) Limited	462,416	2,427,684	2,427,684
Guardian Holdings Limited	5,761,731	73,807,774	81,298,024
National Enterprises Limited	4,762,640	48,959,939	39,291,780
Savinvest Mutual Fund	278,698	17,421,381	17,279,279
<b>ENERGY AND ENERGY RELATED INDUSTRIES</b>			
Eastern Caribbean Gas Pipeline	1,425,489	8,847,368	8,010,798
<b>PROPERTY</b>			
Point Lisas Industrial Port Development Corporation Limited	2,966,876	14,537,691	17,207,881
Market Value TTS Equity	93,156,264	1,212,876,948	1,355,075,496
Market Value US\$ Equity	24,909,505	680,179,166	594,197,553
<b>MARKET VALUE OF EQUITIES</b>	118,065,769	1,893,056,114	1,949,273,049
<b>TOTAL DEBT SECURITIES</b>		690,491,902	899,881,668
<b>TOTAL VALUE OF INVESTMENT SECURITIES</b>		<b>2,583,548,016</b>	<b>2,849,154,717</b>

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**25) INVESTMENT SECURITIES – GROWTH AND INCOME FUND (FIRST UNIT SCHEME) (continued)**

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

	2010	2009
	\$	\$
Held-to-Maturity Financial Assets	682,229,217	893,917,462
Available-for-Sale Financial Assets	<u>1,901,318,799</u>	<u>1,955,237,255</u>
<b>Total</b>	<b><u>2,583,548,016</u></b>	<b><u>2,849,154,717</u></b>

**26) INVESTMENT SECURITIES - TT\$ INCOME FUND**

Securities at market value:

	2010	2009
	\$	\$
Government Securities	1,911,137,212	2,291,403,886
Corporate Securities	1,298,241,987	1,438,274,191
Short Term Investments	<u>3,663,038,178</u>	<u>4,370,323,107</u>
<b>Total</b>	<b><u>6,872,417,377</u></b>	<b><u>8,100,001,184</u></b>

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

	2010	2009
	\$	\$
Held-to-Maturity Financial Assets	6,325,496,134	7,381,109,060
Available-for-Sale Financial Assets	<u>546,921,243</u>	<u>7218,892,124</u>
<b>Total</b>	<b><u>6,872,417,377</u></b>	<b><u>8,104,771,691</u></b>

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**27) INVESTMENT SECURITIES – UNIVERSAL RETIREMENT FUND**

	SHAREHOLDING 2010 (STOCK UNITS)	MARKET VALUE 2010 \$	MARKET VALUE 2009 \$
<b>FINANCIAL INSTITUTIONS</b>			
ANSA Merchant Bank Limited	252,791	8,026,114	9,918,330
First Caribbean International Bank Limited	188,269	1,649,236	856,869
National Commercial Bank - Jamaica	1,200,000	1,752,000	1,248,000
Republic Bank Limited	65,385	4,982,991	--
Scotiabank Trinidad & Tobago Limited	149,052	5,413,551	3,519,814
<b>MANUFACTURING</b>			
Readymix (West Indies) Limited	36,780	1,153,053	1,153,053
The West Indian Tobacco Company Limited	68,288	3,264,849	2,211,848
Trinidad Cement Limited	350,960	982,688	1,351,196
Unilever Caribbean Limited	20,975	472,986	351,331
<b>CONGLOMERATES</b>			
ANSA Mc Al Limited	170,028	7,821,288	7,311,204
Grace Kennedy & Company Limited	549,867	1,979,521	1,649,601
Neal & Massy Holdings Limited	207,698	7,684,826	9,346,410
<b>NON-BANKING FINANCIAL INSTITUTIONS</b>			
Guardian Holdings Limited	398,313	5,102,390	5,620,196
National Enterprises Limited	348,417	3,581,727	2,874,440
Sagicor Financial Corporation	512,263	4,098,104	6,019,090
<b>PROPERTY</b>			
Point Lisas Industrial Port Development Corporation Limited	343,014	1,680,769	1,989,481
Market Value TTS Equity	4,862,100	59,646,093	55,420,863
UTC North American Fund	1,007	63,671	60,517
Market Value US\$ Equity	2,393,055	39,503,268	15,820,578
MARKET VALUE OF EQUITIES	7,256,162	99,213,032	71,301,958
TOTAL DEBT SECURITIES		59,237,837	64,602,561
<b>TOTAL VALUE OF INVESTMENT SECURITIES</b>		<b>158,450,869</b>	<b>135,904,519</b>

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**27) INVESTMENT SECURITIES – UNIVERSAL RETIREMENT FUND (continued)**

The Portfolio of the Universal Retirement Fund is represented by:

	2010	2009
	\$	\$
Held-to-Maturity Financial Assets	59,237,837	64,602,560
Available-for-Sale Financial Assets	99,213,032	71,301,959
<b>Total</b>	<b><u>158,450,869</u></b>	<b><u>135,904,519</u></b>

**28) INVESTMENT SECURITIES - US\$ INCOME FUND**

Securities at market value:

	2010	2009
	\$	\$
Government Securities	339,373,926	342,606,370
Corporate Securities	1,445,161,162	1,176,314,150
Cash and Short Term Investments	1,627,322,556	2,690,919,733
<b>Total</b>	<b><u>3,411,857,644</u></b>	<b><u>4,209,840,253</u></b>

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

	2010	2009
	\$	\$
Held-to-Maturity Financial Assets	2,139,590,691	3,416,011,837
Available-for-Sale Financial Assets	1,272,266,953	793,828,416
<b>Total</b>	<b><u>3,411,857,644</u></b>	<b><u>4,209,840,253</u></b>

**29) INVESTMENT IN SUBSIDIARIES**

**a) Local Subsidiaries**

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

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

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**29) INVESTMENT IN SUBSIDIARIES (continued)**

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

The assets, liabilities and results of operations of these subsidiaries have been fully incorporated in these Financial Statements. UTC Trust Services Limited was not audited for 2010 since there was no activity. The auditor for UTC Property Holdings Limited and UTC Financial Services Limited is PricewaterhouseCoopers.

**b) Foreign Subsidiaries**

The Corporation has established five (5) foreign subsidiaries and, given its current majority holding in UTC North American Fund Inc., now has six (6) foreign subsidiaries consolidated in these financial statements. These are:

Company	% Interest	Date of Incorporation	Country of Incorporation
UTC Fund Services, Inc.	100%	December 8, 1997	Delaware, USA
UTC Financial Services USA, Inc.	100%	June 8, 1999	Rhode Island, USA
Unit Trust Corporation (Belize) Limited	93%	August 24, 2001	Belize
Unit Trust Corporation (Cayman) SPC Limited	100% voting shares 38% segregated portfolio shares	July 31, 2006	Cayman Islands
UTC Energy Investment Limited	90%	May 31, 2007	Delaware, USA
UTC North American Fund Inc.	69%	October 24, 1990	Maryland, USA

During 2008, the names of subsidiaries were changed as follows:

Previous name	New name	Effective date
Chaconia Fund Services, Inc.	UTC Fund Services, Inc.	January 31, 2008
Chaconia Financial Services, Inc.	UTC Financial Services USA, Inc.	January 31, 2008
Belize Unit Trust Corporation Limited	Unit Trust Corporation (Belize) Limited	April 1, 2008
UTC Mutual Funds SPC Limited	Unit Trust Corporation (Cayman) SPC Limited	March 3, 2008
Chaconia Growth and Income Fund	UTC North American Fund, Inc.	January 31, 2008

The auditors of these foreign subsidiaries are as follows:

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

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**29) INVESTMENT IN SUBSIDIARIES (continued)**

**b) Foreign Subsidiaries (continued)**

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

The Unit Trust Corporation (Cayman) SPC Limited was incorporated in 2006 and is authorised to issue voting and segregated portfolio shares. The Trinidad and Tobago Unit Trust Corporation has the sole right to hold 100% of the voting shares of the Company. As at December 31, 2010, the Trinidad and Tobago Unit Trust Corporation held one voting share at a value of \$620.65 (2009 - \$621.63).

The segregated portfolio shares are held by various investors, including the Trinidad and Tobago Unit Trust Corporation, who have invested in the mutual funds issued by the Unit Trust Corporation (Cayman) SPC Limited. The balance sheet of this Company comprises the combined assets and liabilities of five mutual funds, plus the value of the voting shares. The Trinidad and Tobago Unit Trust Corporation invested seed capital of \$25 million across the five mutual funds, currently representing 38% (2009 - 42%) ownership of the segregated portfolio shares.

UTC Energy Investment Limited was incorporated in 2007 under the Laws of Delaware, USA. In addition to the 90% of capital held by the Corporation, the Growth and Income Fund and the UTC Energy Fund, a subsidiary fund, hold the additional 10% of this company. Since the assets of these investment funds are reflected in these consolidated accounts, all of the assets of this subsidiary are reported on the consolidated statement of financial position.

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

The UTC North American Fund Inc. (formerly Chaconia Income and Growth Fund Inc.) is registered as an open-end, diversified, management investment company under the Investment Act of 1940 of the United States of America, as amended. In December 2008, the Corporation acquired majority shareholding in the UTC North American Fund, Inc. when its shareholding grew to 69% of the outstanding shares of this Fund. The net assets of this Company are consolidated in these financial statements.

**30) SEGMENT INFORMATION**

The Group has reported three (3) business segments:

- a) Merchant Banking – includes loan syndication, provision of short term and long term financing, floating and underwriting of bonds and consultancy.
- b) Mutual Funds Services – includes asset management and administration of investment funds.
- c) Treasury operations – has responsibility for areas of the Corporation such as investment of surplus funds, cash flow management and Bureau de Change business.



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**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**30) SEGMENT INFORMATION (continued)**

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

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**Trinidad & Tobago Unit Trust Corporation**  
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**30) SEGMENT INFORMATION (continued)**

	2009				Group
	\$'000				
	Merchant Banking	Treasury	Mutual Funds Services	Other	
Gross external revenues	273,658	22,080	251,205	30,626	577,569
Revenue from other segments	-	137,541	-	-	137,541
Total gross revenues	273,658	159,621	251,205	30,626	715,110
Total expenses	(254,515)	(116,651)	(236,123)	(15,798)	(623,087)
Net income before tax	19,143	42,970	15,082	14,828	92,023
Taxation	-	-	(1,475)	(1,660)	(3,135)
Net income for the year	19,143	42,970	13,607	13,168	88,888
Segment assets	3,102,066	3,090,152	16,057,822	419,272	22,669,312
Unallocated assets	-	-	-	-	-
Total assets	3,102,066	3,090,152	16,057,822	419,272	22,669,312
Segment liabilities	(2,817,988)	(3,027,454)	(16,781,342)	(42,528)	(22,669,312)
Unallocated liabilities	-	-	-	-	-
Total liabilities	(2,817,988)	(3,027,454)	(16,781,342)	(42,528)	(22,669,312)
<b>Other segment items:</b>					
Interest expense	157,562	97,214	-	-	254,776
Impairment	79,774	-	904	-	80,678
Depreciation	-	-	16,919	1,769	18,688

**Trinidad & Tobago Unit Trust Corporation**  
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**31) RETIREMENT BENEFIT PLAN ASSETS**

Prior to January 1, 2001 the Unit Trust Corporation Pension Fund Plan (the Plan) had been a defined benefit plan. The Plan received formal approval during 2002 for conversion to a defined contribution plan with effect from January 1, 2001 with pre-January 1, 2001 benefits guaranteed. Retirement benefits are currently paid out of the Fund and are guaranteed for life. The defined benefits comprise a small portion of plan benefits and the pension expense is faithfully represented by cash contributions from the Corporation. This is due to the limitation required by IAS 19 section 58 (b)(ii) which prohibits recognition of the pension plan surplus unless it is available to the Corporation via reduction of its future contributions. For the financial year 2010, the Corporation contributed \$10.20 million (2009: \$9.78 million) to the Plan. This is in excess of the current service costs, but this excess will never be available to the Corporation and must be used to preserve members' contributions.

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**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**32) TAXATION**

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

	2010	2009
	\$'000	\$'000
Net income before taxation	<u>55,175</u>	<u>92,023</u>
Corporation tax rate 0%	-	-
Corporate tax at 25% for local subsidiaries	845	619
Corporate tax for foreign subsidiaries	110	175
Utilisation of previously un-recognised tax losses	-	-
Tax losses reversed	-	780
Withholding tax	2,150	1,145
Business Levy payments	23	24
Green Fund Levy payments	<u>478</u>	<u>392</u>
<b>Tax charge</b>	<u><b>3,606</b></u>	<u><b>3,135</b></u>

**33) DEFERRED TAX**

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

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

	2010	2009
	\$	\$
Tax Losses carried forward	(3,009,270)	(3,128,344)
Accelerated tax depreciation	<u>5,252,980</u>	<u>4,527,306</u>
Net deferred liability	<u><b>2,243,710</b></u>	<u><b>1,398,962</b></u>

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**Trinidad & Tobago Unit Trust Corporation**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**34) RELATED-PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following transactions were carried out with related parties:

<b>a) Loans</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Key management personnel	<b>1,004</b>	1,577
Subsidiaries	<b><u>65,952</u></b>	<u>72,725</u>
<b>Total</b>	<b><u>66,956</u></b>	<u>74,302</u>
 <b>Loans to key management of the Group:</b>		
Balance at beginning of year	1,577	979
Loans advanced during year	559	1,056
Loan repayments received during year	(1,132)	(458)
Interest income during year	49	50
Interest received during year	<u>(49)</u>	<u>(50)</u>
<b>Balance at end of year</b>	<b><u>1,004</u></b>	<u>1,577</u>
 <b>Loans: subsidiaries</b>		
Balance at beginning of year	72,725	79,125
Loan repayments received	<u>(6,773)</u>	<u>(6,400)</u>
<b>Balance at end of year</b>	<b><u>65,952</u></b>	<u>72,725</u>
 <b>b) Rental of premises from:</b>		
Subsidiary Company	12,367	12,367
 <b>c) Administrative services to:</b>		
Subsidiary Company	3,322	3,322
 <b>d) Key management compensation:</b>		
Salaries and other short-term benefits	16,939	20,889
 <b>e) Consultancy fees to Directors</b>		
	<b>2,551,550</b>	1,026,275

The Investment Funds managed by the Trinidad & Tobago Unit Trust Corporation have invested in bonds issued by its subsidiary company, UTC Property Holdings Limited. As at December 31, 2010, the Investments Funds held \$2.4 million (2009: \$2.6 million).

**Trinidad & Tobago Unit Trust Corporation**  
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**35) RESTATEMENTS AND RECLASSIFICATIONS**

There were restatements and re-classifications for the year 2010 and 2009. Various accounts were changed, for example, Rental Income which was shown as a line item on the Consolidated Statement of Income previously is now grouped with Other Income.

**36) COMMITMENTS**

At December 31, 2010, the Group has contractual obligations for capital contributions of \$17.4 million over the next seven (7) years (2009: \$27.3 million).

**37) EVENTS AFTER THE REPORTING PERIOD**

In February 2011 the Supreme Court of the Turks and Caicos Islands ordered the developers of the Dellis Cay property in Turks and Caicos to freeze approximately TT\$540 million of their assets globally and to maintain these assets to satisfy the claims made by the Corporation with respect to an outstanding loan facility.

In a related matter, the Corporation is one of twenty defendants (which include the developers of the Dellis Cay property) named in a lawsuit filed in the US District Court Manhattan, New York on January 28, 2011. The plaintiffs are seeking to recover US\$50 million with respect to their investment in the Dellis Cay development. Indications are that the Court petitioned has no jurisdiction in the matter and also that the substantive matter is without merit. There were no other events after the reporting period, which have a material bearing on these financial statements.

**38) CONTINGENT LIABILITIES**

As at December 31, 2010 there were two (2) legal proceedings locally outstanding against the Corporation. No provision has been made, as professional advice indicates that it is unlikely that any significant loss will arise from these local proceedings. Internationally, as mentioned at Note 36 above there is a matter that has been instituted. The Corporation is taking legal advice and early indications are that the matter is without merit.

**39) APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors and authorized for issue on March 31, 2011.

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