

Financial Statements of

**DEPOSIT INSURANCE CORPORATION**

September 30, 2016

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**DEPOSIT INSURANCE CORPORATION**

September 30, 2016

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**DEPOSIT INSURANCE CORPORATION**

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**Statement of Management Responsibilities**

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It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Deposit Insurance Corporation as at the end of the financial year and of the operating results of the Deposit Insurance Corporation for the year. It is also management's responsibility to ensure that the Deposit Insurance Corporation keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Deposit Insurance Corporation. They are also responsible for safeguarding the assets of the Deposit Insurance Corporation.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Deposit Insurance Corporation and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Deposit Insurance Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

  
\_\_\_\_\_  
Naveen Lalla  
Director  
Board of Management

  
\_\_\_\_\_  
Jacqueline Fermin  
Head, Corporate Services & Finance

Date: March 23, 2017

Date: March 23, 2017



**KPMG**

**Chartered Accountants**  
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Port of Spain  
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**Independent Auditors' Report to the Members of  
Deposit Insurance Corporation**

We have audited the accompanying financial statements of Deposit Insurance Corporation (the Corporation), which comprise the statement of financial position as at September 30, 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management 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.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Corporation as at September 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

March 23, 2017  
Port of Spain  
Trinidad and Tobago

**DEPOSIT INSURANCE CORPORATION**

Statement of Financial Position

September 30, 2016

	Notes	2016 \$'000	2015 \$'000
<b>ASSETS</b>			
Property and equipment	7	20,699	18,205
Intangible assets – Computer software	8	126	460
Security deposit – Central Bank		-	53
Investments	9	2,692,958	2,427,053
Liquidation advances recoverable		743	872
Accounts receivable	10	35,126	81,004
Cash and cash equivalents	11	66,649	63,868
<b>Total assets</b>		<b>2,816,301</b>	<b>2,591,515</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital		1,000	1,000
Revaluation reserves		3,642	-
Deposit Insurance Fund		2,810,514	2,587,840
		2,815,156	2,588,840
<b>Liabilities</b>			
Balance due to Central Bank	12	10	274
Accounts payable		1,135	2,401
<b>Total Liabilities</b>		<b>1,145</b>	<b>2,675</b>
<b>Total equity and liabilities</b>		<b>2,816,301</b>	<b>2,591,515</b>

*The accompanying notes are an integral part of these financial statements.*

These financial statements have been approved for issue by the Board of Management on March 23, 2017 and signed on its behalf by:

Chairman  \_\_\_\_\_

Director  \_\_\_\_\_

**DEPOSIT INSURANCE CORPORATION**

Statement of Profit or Loss and Other Comprehensive Income

Year ended September 30, 2016

	Notes	2016 \$'000	2015 \$'000
<b>INCOME</b>			
Interest income		73,335	73,052
Initial contributions and annual premia		159,707	154,133
Dividends		2,107	-
Liquidation/receivership fees		132	160
Other		39	13
		<u>235,320</u>	<u>227,358</u>
<b>EXPENSES</b>			
Personnel	13	7,205	8,058
General and administrative	15	4,347	4,197
Depreciation		1,094	836
		<u>12,646</u>	<u>13,091</u>
Net income for the year		222,674	214,267
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Available-for-sale financial assets – change in fair value		3,642	-
<b>Total comprehensive income</b>		<u>226,316</u>	<u>214,267</u>

*The accompanying notes are an integral part of these financial statements.*

**DEPOSIT INSURANCE CORPORATION**

Statement of Changes in Equity

Year ended September 30, 2016

	<b>Stated Capital</b>	<b>Deposit Insurance Fund</b>	<b>Revaluation Reserves</b>	<b>Total Equity</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Year ended September 30, 2015</i>				
<b>Balance at October 1, 2014</b>	1,000	2,373,573	-	2,374,573
Net income for the year	-	214,267	-	214,267
<b>Balance as at September 30, 2015</b>	<u>1,000</u>	<u>2,587,840</u>	<u>-</u>	<u>2,588,840</u>
<i>Year ended September 30, 2016</i>				
<b>Balance at October 1, 2015</b>	1,000	2,587,840	-	2,588,840
Net income for the year	-	222,674	-	222,674
Other comprehensive income	-	-	3,642	3,642
<b>Balance as at September 30, 2016</b>	<u>1,000</u>	<u>2,810,514</u>	<u>3,642</u>	<u>2,814,156</u>

*The accompanying notes are an integral part of these financial statements.*



**DEPOSIT INSURANCE CORPORATION**

## Statement of Cash Flows

Year ended September 30, 2016

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	222,674	214,267
Adjustments for:		
Depreciation and amortisation	1,094	836
Loss on disposal of property and equipment	38	-
Interest income	<u>(73,335)</u>	<u>(73,052)</u>
Operating surplus before working capital changes:	150,471	68,999
Change in security deposit	53	-
Change in liquidation advances recoverable	129	(59)
Change in accounts receivable	79,884	59,003
Change in balance due to Central Bank	(264)	(17)
Change in accounts payable	<u>(1,266)</u>	<u>1,173</u>
<b>Net cash from operating activities</b>	<u>229,007</u>	<u>129,099</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	47,242	50,945
Purchase of deposits	(35,053)	(2,000)
Proceeds from redemption of deposits	16,000	-
Purchase of Government Treasury Bills	(460,314)	(71,028)
Proceeds from redemption of Government Treasury Bills – local	244,027	4,998
Purchase of Government Treasury Notes	(37,353)	(330,776)
Proceeds from redemption of Government Treasury Notes	85,000	-
Purchase of Corporate Bonds	(194,712)	(83,861)
Proceeds from redemption of Corporate Bonds	131,676	22,963
Purchase of Government Bonds –local	(143,458)	(48,667)
Proceeds from redemption of Government Bonds	149,896	269,144
Purchase of equity	(25,889)	-
Additions to property and equipment and intangible assets	(3,456)	(17,813)
Proceeds from disposal of property and equipment	<u>164</u>	<u>-</u>
<b>Net cash used in investing activities</b>	<u>(229,226)</u>	<u>(206,095)</u>
Net change in cash and cash equivalents	2,781	(76,996)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>63,868</u>	<u>140,864</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>66,649</b></u>	<u><b>63,868</b></u>

*The accompanying notes are an integral part of these financial statements.*

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 1. General Information

The Deposit Insurance Corporation (the Corporation) was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 (Act No. 2 of 1986), which amended the Central Bank Act Chapter 79:02 (the Act). (All references made to legislation in the ensuing paragraphs unless specifically stated otherwise, relate to the Central Bank Act Chapter 79:02). The Corporation is a statutory body, the authorised capital of which is fixed by the Act in the amount of \$1,000,000. However, an increase may be approved by the Minister to whom the responsibility for finance is assigned.

The Corporation's principal objective is to manage a Deposit Insurance Fund established by the Act to provide insurance coverage on deposits held with member institutions to a maximum of \$125,000 per depositor in each capacity and right in each institution. Membership of the Fund is compulsory for all institutions licensed under the Financial Institutions Act, 2008.

Section 44W of the Act authorises the Corporation to take such action as it deems necessary to fulfil its mandate including levying premia and contributions from member institutions, hiring of staff, borrowing, lending, arranging for the restructuring of a failed member whether by merger with a financially sound member or otherwise and acquiring the undertaking of any member institution which is in financial difficulty. The Corporation may also act as receiver or liquidator of an insolvent member institution.

### 2. Basis of Preparation and Significant Accounting Policies

#### (a) Basis of accounting

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

#### (b) Basis of preparation and functional currency

These financial statements are prepared under the historical cost convention, except for available-for-sale financial assets measured at fair value. The Corporation's functional currency is the Trinidad and Tobago dollar and these financial statements are presented in thousands of Trinidad and Tobago dollars, unless otherwise stated.

#### (c) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Corporation's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (c) Use of estimates (continued)

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 5.

#### (d) New, revised and amended standards and interpretations not yet effective

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Corporation has not early-adopted. The Corporation has assessed the relevance of all such new standards, amendments and interpretations with respect to the Corporation's operations and has determined that the following are likely to have an effect on the financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of profit or loss and OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

The Corporation is assessing the impact that this amendment will have on its 2017 financial statements.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (d) New, revised and amended standards and interpretations not yet effective (continued)

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation*, are effective for accounting periods beginning on or after January 1, 2016.
  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - The amendment to IAS 38, *Intangible Assets* introduces a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

The Corporation is assessing the impact that this amendment will have on its 2017 financial statements.

- *Improvements to IFRS 2012-2014 cycle*, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Corporation are as follows:
  - IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (d) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The Corporation will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Corporation is assessing the impact that this amendment will have on its 2019 financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Corporation is assessing the impact that this amendment will have on its 2019 financial statements.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (d) New, revised and amended standards and interpretations not yet effective (continued)

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Corporation is assessing the impact that this amendment will have on its 2020 financial statements.

#### (e) Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Corporation's statement of financial position when the Corporation becomes a party to the contractual provisions of the instrument.

##### (i) Recognition and initial measurement

A financial asset or financial liability is measured at fair value plus transaction costs that are directly attributable to its acquisition or issue, except for financial assets carried at fair value through profit or loss where transaction costs are expensed as incurred.

The Corporation initially recognises loans and receivables on the date when they are originated. All other financial assets and liabilities are initially recognised on the trade date i.e. the date at which the Corporation becomes a party to the contractual provisions of the instrument.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (e) Financial instruments (continued)

##### (ii) Classification

###### *Financial assets*

The Corporation classifies its financial assets into the following categories: held-to-maturity, available-for-sale, at fair value through profit or loss and loans and receivables. The classification is determined by management at initial recognition and depends on the purpose for which the instruments were acquired.

For the purpose of the financial statements, financial assets have been determined to include cash and all cash equivalent, investments, accounts receivable and liquidation advances receivable.

###### a) *Financial assets at fair value through profit or loss*

A financial asset is classified into the 'financial assets at fair value through profit or loss' category if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

###### b) *Loans and receivables*

Loans and receivables include financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as available-for-sale. Accounts receivable and liquidation advances recoverable are classified as loans and receivables.

###### c) *Held-to-maturity financial assets*

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that the Corporation's management has the positive intent and ability to hold to maturity. These include certain debt investments. All investments held by the Corporation are classified as held to maturity financial assets.

Interest on held-to-maturity investments is included in net income and is reported as investment income.

###### d) *Available-for-sale financial assets*

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (e) Financial instruments (continued)

##### (ii) Classification

###### *Financial liabilities*

A financial instrument is classified as a financial liability if it is a contractual obligation to deliver cash or another asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the reporting entity's own equity instruments under certain circumstances.

The Corporation classifies its financial liabilities as measured at amortised cost. Financial liabilities include accounts payable and balance due to Central Bank.

##### (iii) Measurement

After initial recognition available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value with unrealised gains and losses recognised in OCI or profit or loss respectively. Held to maturity investment and loans and receivables are subsequently measured at cost or amortised cost using the effective interest method, less provisions made for any permanent diminution in value.

Financial liabilities are re-measured at amortised cost using the effective interest rate method.

##### (iv) De-recognition

###### *Financial assets*

The Corporation derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

- (i) the consideration received (including any new asset obtained less any new liability assumed); and



## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (e) Financial instruments (continued)

##### (iv) *De-recognition* (continued)

###### *Financial assets* (continued)

(ii) any cumulative gain or loss that had been recognised in OCI.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Corporation is recognised as a consolidated asset or liability in the statement of financial position.

###### *Financial liabilities*

The Corporation derecognises a financial liability when its contractual obligations are discharged, or cancelled, or expired.

##### (v) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Corporation's trading activity.

##### (vi) *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

##### (vii) *Determination of fair value*

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Corporation has access at that date. The fair value of a liability reflects its non-performance risk.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (e) Financial instruments (continued)

##### (vii) *Determination of fair value* (continued)

When available, the Corporation measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Corporation uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Corporation determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in net income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Corporation recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. No transfers have occurred during the year.

##### (viii) *Impairment of financial assets*

The Corporation 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 impaired and impairment losses are incurred if and only if, there is 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 that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (e) Financial instruments (continued)

##### (viii) Impairment of financial assets (continued)

Objective evidence that a financial assets or group of financial assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganisation.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Corporation or national or economic conditions that correlate with defaults on assets in the Corporation.

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

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

##### i) *Financial assets measured at amortised cost*

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in net income.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (e) Financial instruments (continued)

##### (viii) Impairment of financial assets (continued)

###### i) Financial assets measured at amortised cost (continued)

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 improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in net income.

###### ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in net income. These losses are not reversed.

#### (f) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

#### (g) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### (h) Pensions

The Corporation maintains an annuity benefit plan for its employees. This is a funded scheme and the Corporation's contributions are charged against net income for the year as incurred.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (i) Revenue recognition

##### (i) Premium income

Premium income is recognised on the accruals basis.

##### (ii) Investment income

Investment income is accrued on the time basis by reference to the principal outstanding and the interest rate applicable under the effective interest rate method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Corporation estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

#### (j) Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rates ruling at the dates of the transactions. Assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at year end average rates. Exchange gains and losses are reflected in net income for the year.

#### (k) Property and equipment

##### (i) Depreciation

Items of property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided on a reducing balance basis at rates calculated to write off the cost of the assets over their estimated useful lives for all asset groups except buildings, building improvements, computer equipment and software. The method of depreciation on buildings, buildings improvements, computer equipment and software is the straight-line method. Land is not depreciated.

**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

September 30, 2016

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**2. Basis of Preparation and Significant Accounting Policies (continued)**

**(k) Property and equipment**

**(i) Depreciation**

The rates used are as follows:

Buildings	-	2% per annum
Buildings improvements	-	2% per annum
Leasehold improvements	-	33 1/3% per annum
Motor vehicles	-	25% per annum
Furniture and fixtures	-	10% per annum
Office equipment	-	15% per annum
Computer equipment	-	25% per annum

No depreciation is charged in the year of disposal. However, a full year's charge is made in the year of acquisition.

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date.

**(ii) Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in net income for the year.

**(iii) Disposal**

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with their carrying amounts and are recognised in net income for the year.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 2. Basis of Preparation and Significant Accounting Policies (continued)

#### (l) Intangible assets

##### *Computer software*

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Corporation are recognised as intangible assets in accordance with IAS 38 Intangible Assets. Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Computer software costs recognised as assets are amortised over their estimated useful lives of four (4) years on a straight-line basis.

#### (m) Comparative figures

Certain comparative figures were reclassified to facilitate the changes in presentation. These changes had no effect on the previously reported net income.

#### (n) Levy of initial contributions and annual premia

All institutions are required to pay an initial contribution on becoming members, and annual premia in subsequent years. Initial contributions paid by member institutions are matched by the Central Bank (Central Bank Act, Section 44M).

The payment of initial contributions is based on a rate of 0.4 per centum of the average deposit liabilities existing at the end of the first and second quarters of the first twelve (12) months of operation.

Annual premia in respect of a given year are paid on the basis of a rate of 0.2 per centum of the average deposit liabilities existing at the end of each of the quarters in the preceding calendar year, except that for a new institution the first year's levy is based on its average deposit liabilities existing in the first year of operation.

#### (o) Exemption from the provisions of taxation and insurance legislation

The Corporation is exempt from the provisions of any Act relating to income taxation or corporation taxation and from payment of stamp duty, and is also exempt from the provisions of the Insurance Act 1980, [Section 55 (1) and (2)].

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 3. Financial Risk Management

#### Financial risk factors

The Corporation is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Corporation to manage these risks are discussed below:

#### (a) Interest rate risk

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

The Corporation is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

#### i) Bonds

The Corporation invests mainly in medium to long term bonds consisting of both floating rate and fixed rate instruments.

The market values of the floating rate bonds are not very sensitive to changes in interest rates. The market values of the fixed rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. Because these assets are being held to maturity and are not traded, any changes in market values will not impact net income.

The Corporation actively monitors bonds with maturities greater than ten years, as well as the interest rate policies of the Central Bank of Trinidad and Tobago.



**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

September 30, 2016

**3. Financial Risk Management** (continued)

**Financial risk factors** (continued)

**(a) Interest rate risk** (continued)

ii) *Interest rate sensitivity gap*

The Corporation's exposure to interest rate risk is summarised in the table below, which analyses assets and liabilities at their carrying amounts categorised according to their maturity dates.

		2016				
Effective Rate	Up to One Year	Two to Five Years	Over Five Years	Non-Interest Bearing	Total	
%	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>						
Cash and cash equivalents	0 - 2.00	4,267	-	-	62,382	66,649
Investments	0.83 - 12.25	696,483	1,350,788	616,156	29,531	2,692,958
Other financial assets		-	-	-	35,869	35,869
		<u>700,750</u>	<u>1,350,788</u>	<u>616,156</u>	<u>127,782</u>	<u>2,795,476</u>
<b>Financial liabilities</b>						
Other financial liabilities		-	-	-	1,145	1,145
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,145</u>	<u>1,145</u>
<b>Net Gap</b>		<u><b>700,750</b></u>	<u><b>1,350,788</b></u>	<u><b>616,156</b></u>	<u><b>126,637</b></u>	<u><b>2,794,331</b></u>
<b>Cumulative Gap</b>		<u><b>700,750</b></u>	<u><b>2,051,538</b></u>	<u><b>2,667,694</b></u>	<u><b>2,794,331</b></u>	<u><b>-</b></u>
		2015				
Effective Rate	Up to One Year	Two to Five Years	Over Five Years	Non-Interest Bearing	Total	
%	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Financial assets</b>						
Cash and cash equivalents	0 - 1.95	11,730	-	-	52,138	63,868
Investments	0.67 - 12.25	356,083	1,597,769	473,201	-	2,427,053
Other financial assets		-	-	-	81,929	81,929
		<u>367,813</u>	<u>1,597,769</u>	<u>473,201</u>	<u>134,067</u>	<u>2,572,850</u>
<b>Financial liabilities</b>						
Other financial liabilities		-	-	-	2,675	2,675
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,675</u>	<u>2,675</u>
<b>Net Gap</b>		<u><b>367,813</b></u>	<u><b>1,597,769</b></u>	<u><b>473,201</b></u>	<u><b>131,392</b></u>	<u><b>2,570,175</b></u>
<b>Cumulative Gap</b>		<u><b>367,813</b></u>	<u><b>1,965,582</b></u>	<u><b>2,438,783</b></u>	<u><b>2,570,175</b></u>	<u><b>-</b></u>

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 3. Financial Risk Management (continued)

#### Financial risk factors (continued)

##### (a) Interest rate risk (continued)

###### ii) Interest rate sensitivity gap (continued)

The Corporation is not subject to significant interest rate changes as interest rates are fixed on held-to-maturity investments. Therefore changes in interest rates will not have a significant impact on the Corporation.

##### (b) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Corporation relies heavily on its written Accounting Procedures document.

Cash balances are held with high credit quality financial institutions and the Corporation has policies to limit the amount of exposure to any single financial institution.

The Corporation also actively monitors global economic developments and Government policies that may affect the growth rate of the local economy.

The Corporation's maximum exposure to credit risk is represented by amounts included for investments, liquidation advances recoverable, accounts receivables and cash and cash equivalents on the statement of financial position.

##### (c) Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence maybe the failure to meet obligations to fulfill claims and other liabilities incurred. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Corporation has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Corporation is able to make daily calls on its available cash resources to settle financial and other liabilities. The Corporation's liabilities at the reporting date is due within the next six months and is not considered material for disclosure purposes.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 3. Financial Risk Management (continued)

#### Financial risk factors (continued)

##### (d) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Corporation's net exposure to currency risk is as follows:

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	<u>30</u>	<u>535</u>

##### *Sensitivity analysis*

A 5% strengthening of the US dollar against the TT dollar at September 30, 2016 would not have a material effect on net income in the Corporation's financial statements. This analysis assumes that all other variables, in particular interest rates, remain constant.

##### (e) Price risk

Price risk is the risk that the value of a financial investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instruments or its issuer or factors affecting all investments traded in the market. The Corporation has no significant exposure to other price risk.

##### (f) Operational risk

Operational risk is the risk derived from deficiencies relating to the Corporation's information technology and control systems, as well as the risk of human error and natural disasters. The Corporation's systems are evaluated, maintained and upgraded continuously. Supervisory controls are also installed to minimise human error.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 3. Financial Risk Management (continued)

#### Financial risk factors (continued)

##### (g) *Compliance risk*

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Central Bank of Trinidad and Tobago, as well as by the monitoring controls applied by the Corporation.

##### (h) *Reputation risk*

The risk of loss of reputation arising from the negative publicity relating to the Corporation's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Corporation. The Corporation engages in public social endeavours to engender trust and minimize this risk.

##### (i) *Capital Management – Adequacy of the Deposit Insurance Fund*

The Corporation's capital comprises share capital and the Deposit Insurance Fund (DIF). The Corporation is not subject to externally imposed capital requirements, and there were no changes in what the Corporation considers as capital, and management of capital was performed on a basis consistent with that of prior years. The key mechanisms used to manage the level of capital are premium assessments and borrowings, if necessary.

The Corporation's principal objective is to establish and manage a scheme for the insurance of deposits, or part thereof, held by Policyholders against the risk of loss of deposits up to a maximum of \$125,000.00 per depositor, in each right and capacity, in each institution.

As at September 30, 2016, there were 24 member institutions with total insured deposits estimated at \$80.2 billion (2015: \$78.8 billion), of which the Corporation covered 0.2% (2015: 0.2%). The adequacy of the DIF will be based primarily on the assessed risk posed by Policyholders. In relation to its insurance obligations, the Corporation's main exposure is to unexpected loss from the non-viability or insolvency of a Policyholder that is not readily estimated due to the unavailability of data on specific loss experience.

If a Policyholder's future viability or solvency is deemed to be at risk or the Policyholder becomes insolvent and the DIF is required to intervene by providing financial assistance or pay out depositors in accordance with its resolution powers under the Act, and if the DIF is insufficient to meet the obligation, the Corporation has the power to borrow, as well as, with the approval of the Minister of Finance, prescribe the levying of additional premiums payable by Policyholders.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 4. Fair Value of Financial Instruments

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Corporation determines fair values using other valuation techniques.

#### (a) Valuation models

The Corporation's accounting policy on fair value measurements is discussed in accounting policy 2(e)(vii).

The Corporation measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorisation from the prior year.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 4. Fair Value of Financial Instruments (continued)

#### (b) Financial instruments measured at fair value – fair value hierarchy

At year end, the following financial instruments were measured at fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>As at September 30, 2016</b>			
Investments – equities	29,531	-	-
Accounts receivable	-	-	35,126
Short-term and Money Market deposits	-	-	<u>4,234</u>
<b>As at September 30, 2015</b>			
Accounts receivable	-	-	81,004
Short-term and Money Market deposits	-	-	<u>11,192</u>

#### (c) Financial instruments not measured at fair value

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>	<u>Carrying Amount</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>As at September 30, 2016</b>					
Held-to-maturity investments	-	2,405,795	-	2,405,795	<u>2,663,427</u>
<b>As at September 30, 2015</b>					
Held-to-maturity investments	-	2,264,735	-	2,264,735	<u>2,427,053</u>

As at the reporting date, the fair value of the held-to-maturity investments are below the carrying amount. However management has deemed that no further impairment is required as the issuers of these investments are meeting their obligations and continue to have a good credit rating with the market.

### 5. Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Corporation's accounting policies. See Note 2(c).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Corporation makes estimates and assumptions concerning the future.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 5. Critical Accounting Estimates and Judgments (continued)

However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognised in net income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for property, plant and equipment is used and in determining whether future economic benefits can be derived from expenditures to be capitalised.
- iv) Whether the Deposit Insurance Fund is adequate to meet unexpected loss from non-viability or insolvency of a policy holder.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

#### *i) Impairment of assets*

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

#### *ii) Property and equipment*

Management makes certain assumptions regarding the useful lives and residual values of capitalised assets.

#### *iii) Determining fair values using Valuation Techniques*

The determination of fair values for financial assets for which there is no observable market price requires the use of valuation techniques which utilises various degrees of judgements affecting the specific investment.

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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### 6. Assets under Administration

There exist six (6) failed non-banking financial institutions for which the Corporation serves as liquidator. These companies and their year of liquidation are as follows:

• Commercial Finance Company Limited (in liquidation)	1986
• Trade Confirmers Limited (in liquidation)	1986
• Swait Finance Limited (in liquidation)	1986
• Caribbean Mortgage and Funds Limited (in liquidation)	1991
• Principal Finance Company Limited (in liquidation)	1993
• CLICO Investment Bank Limited (in compulsory liquidation)	2011

In its role as liquidator, the Corporation is engaged in liquidating the assets of these failed institutions in an attempt to settle the outstanding liabilities associated with these institutions.

The Corporation submits reports every six (6) months to The Official Receiver (High Court) providing details of receipts and payments for the period being reported. Lastly, these liquidations have not as yet been wound up due to legal matters before the Courts.

The statement of financial position does not include the assets of these closed financial institutions under the administration of the Corporation. However, the table presented hereunder provides in summary, the balances as at September 30, 2016. In relation to the table, the following points should be noted:

- Column (A) – The assets at closure are reported at net realisable value representing a reasonable estimate of the amount for which the assets could have been sold.
- Column (B) – The liabilities at closure represent the total amount owing by the failed institutions, inclusive of deposit liabilities, as at the date of closure.
- Column (C) – Liabilities incurred represent liquidation expenses from the date of closure up to the end of the reporting period.
- Column (D) – Total realisations represent the amount received to date from the sale of liquidated assets.
- Column (E) – Total payments represent liquidation expenses paid and insurance payments recovered as at the reporting date.
- Column (B+C-E) – Remaining liabilities represent the balance due to unsecured creditors as at the reporting date.



**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

September 30, 2016

**6. Assets under Administration (continued)**

- The Act authorises the DIC to recover insurance paid from the sales proceeds of liquidated assets in priority to unsecured creditors.

(A) Total Value of Assets at Closure	(B) Total Liabilities at Closure	(C) Total Liabilities incurred 2016	(D) Total Realisations 2016	(E) Total Payments 2016	(B+C-E) Remaining Liabilities 2016
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
6,148,206	12,072,221	477,986	2,093,801	1,853,166	10,697,041

**7. Property and Equipment**

	Land and Buildings	Leasehold Improvements	Motor Vehicle	Furniture and Fixtures	Office Equipment	Computer Equipment	W.I.P	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>								
<b>Balance as at October 1, 2015</b>	15,859	391	639	622	419	542	1,954	20,426
Additions	-	-	-	-	-	-	3,456	3,456
Transfers	2,809	-	-	634	1,187	233	(5,020)	(157)
Disposals	-	(391)	(410)	(93)	-	-	-	(894)
<b>Balance as at September 30, 2016</b>	<b>18,668</b>	<b>-</b>	<b>229</b>	<b>1,163</b>	<b>1,606</b>	<b>775</b>	<b>390</b>	<b>22,831</b>
<i>Accumulated depreciation</i>								
<b>Balance as at October 1, 2015</b>	173	384	418	460	278	508	-	2,221
Charge for the year	231	-	12	78	199	83	-	603
Disposals	-	(384)	(234)	(74)	-	-	-	(692)
<b>Balance as at September 30, 2016</b>	<b>404</b>	<b>-</b>	<b>196</b>	<b>464</b>	<b>477</b>	<b>591</b>	<b>-</b>	<b>2,132</b>
<i>Net book value</i>								
<b>Balance as at September 30, 2016</b>	<b>18,264</b>	<b>-</b>	<b>33</b>	<b>699</b>	<b>1,129</b>	<b>184</b>	<b>390</b>	<b>20,699</b>
<b>Balance as at September 30, 2015</b>	<b>15,686</b>	<b>7</b>	<b>221</b>	<b>162</b>	<b>141</b>	<b>34</b>	<b>1,954</b>	<b>18,205</b>

**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

September 30, 2016

**7. Property and Equipment (continued)**

	<u>Land and Buildings</u>	<u>Leasehold Improvements</u>	<u>Motor Vehicle</u>	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>W.I.P</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Cost</i>								
<b>Balance as at October 1, 2014</b>	-	391	639	622	419	542	-	2,613
Additions	15,859	-	-	-	-	-	1,954	17,813
<b>Balance as at September 30, 2015</b>	<b>15,859</b>	<b>391</b>	<b>639</b>	<b>622</b>	<b>419</b>	<b>542</b>	<b>1,954</b>	<b>20,426</b>
<i>Accumulated depreciation</i>								
<b>Balance as at October 1, 2014</b>	-	380	344	442	254	448	-	1,868
Charge for the year	173	4	74	18	24	60	-	353
<b>Balance as at September 30, 2015</b>	<b>173</b>	<b>384</b>	<b>418</b>	<b>460</b>	<b>278</b>	<b>508</b>	<b>-</b>	<b>2,221</b>
<i>Net book value</i>								
<b>Balance as at September 30, 2015</b>	<b>15,686</b>	<b>7</b>	<b>221</b>	<b>162</b>	<b>141</b>	<b>34</b>	<b>1,954</b>	<b>18,205</b>
<b>Balance as at September 30, 2014</b>	<b>-</b>	<b>11</b>	<b>295</b>	<b>180</b>	<b>165</b>	<b>94</b>	<b>-</b>	<b>745</b>

**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

September 30, 2016

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>8. Intangible Assets – Computer Software</b>		
<i>Cost</i>		
Balance at start of year	5,480	5,480
Transfer from work-in progress	<u>157</u>	<u>-</u>
Balance at end of year	<u>5,637</u>	<u>5,480</u>
<i>Accumulated amortisation</i>		
Balance at start of year	5,020	4,537
Charge for the year	<u>491</u>	<u>483</u>
Balance at end of year	<u>5,511</u>	<u>5,020</u>
<b>Total balance at end of year</b>	<b><u>126</u></b>	<b><u>460</u></b>
<b>9. Investments</b>		
<b>(i) Held-to-Maturity</b>		
<b>(a) Current</b>		
Deposits	7,053	3,000
Corporate Bonds	-	86,676
Government Treasury Bills	77,994	-
Government Treasury Notes	52,200	-
Government Bonds	<u>33,963</u>	<u>52,463</u>
	<u>171,210</u>	<u>142,139</u>
<b>(b) Non-current</b>		
Deposits	17,000	2,000
Treasury Bills	204,324	66,030
Corporate Bonds	196,380	46,652
Government Treasury Notes	799,286	902,209
Government Bonds	<u>1,275,227</u>	<u>1,268,023</u>
	<u>2,492,217</u>	<u>2,284,914</u>
	<u>2,663,427</u>	<u>2,427,053</u>
<b>(ii) Available-for-sale</b>		
Equities	<u>29,531</u>	<u>-</u>
	<b><u>2,692,958</u></b>	<b><u>2,427,053</u></b>

The effective rate of interest is 0.83% to 12.25% (2015: 0.67% to 12.25%).

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
<b>10. Accounts Receivable</b>		
Interest receivable	34,006	30,339
Other receivable	<u>1,120</u>	<u>50,665</u>
	<u><b>35,126</b></u>	<u><b>81,004</b></u>
<b>11. Cash and Cash Equivalents</b>		
Cash and bank balances with Central Bank	62,415	52,676
Cash and bank balances with financial institutions	<u>4,234</u>	<u>11,192</u>
	<u><b>66,649</b></u>	<u><b>63,868</b></u>

### 12. Related Party Transactions

A party is related to the Corporation if:

- a) The party is an associate of the Corporation;
- b) The party is, directly or indirectly, either under common control with the Corporation or has significant or joint control over the Corporation;
- c) The party is a close family member of a person who is part of key management personnel or who controls the entity;
- d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the entity;
- e) The party is a joint venture in which the entity is a venture partner;
- f) The party is a member of the Corporation's or its parent's key management personnel;

Significant aspects of the relationship between the Corporation and the Central Bank of Trinidad and Tobago (the Central Bank) are as follows:

**(a) Capital contribution**

The paid-up capital has been contributed entirely by the Central Bank.

**(b) Representation on the Board of Management (Section 44Q (1) (a))**

Two members represent the Central Bank on the Board of Management of the Corporation.

**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

September 30, 2016

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>12. Related Party Transactions</b> (continued)		
<b>(c) Current liabilities</b>		
Personnel and administration expenses reimbursable to the Central Bank	<u>10</u>	<u>274</u>
<b>(d) Operational arrangements between the Central Bank and the Corporation</b>		
During the financial year the Central Bank provided, under contract, office accommodation and other administrative services to the Corporation. The costs incurred for the year ended September 30, 2016 under these arrangements were \$190 thousand (2015: \$1,295 thousand). Limited commercial banking type facilities are also provided by the Central Bank. These operational arrangements are priced on an arm's length basis.		
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
<b>(e) Key management personnel compensation</b>		
Short-term employee benefits	1,788	2,911
Post-employment benefits	<u>81</u>	<u>136</u>
	<u>1,869</u>	<u>3,047</u>
<b>13. Personnel Expenses</b>		
Allowances	1,091	1,331
Salaries and overtime	4,569	5,157
Gratuity	207	346
Staff benefits	466	433
Directors' fees	307	238
Pension contributions (Note 16)	251	294
National Insurance contributions	226	182
Medical and Workmen Compensation Insurance	<u>88</u>	<u>77</u>
	<u>7,205</u>	<u>8,058</u>

**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

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**14. Classification of Financial Assets and Financial Liabilities**

The following table provides a reconciliation between line items in the statement of financial position and the categories of financial instruments

	<b>FVOCI Equity \$'000</b>	<b>Amortised Cost \$'000</b>	<b>Total \$'000</b>
<b>2016</b>			
<b>Assets</b>			
Cash and cash equivalents	-	66,649	66,649
Investments	29,531	2,663,427	2,692,958
Accounts receivable	-	35,126	35,126
Total financial assets	<u>29,531</u>	<u>2,765,202</u>	<u>2,794,733</u>
<b>Liabilities</b>			
Balance due to Central Bank	-	10	10
Accounts payable	-	1,135	1,135
Total financial liabilities	<u>-</u>	<u>1,145</u>	<u>1,145</u>
<b>2015</b>			
<b>Assets</b>			
Cash and cash equivalents	-	63,868	63,868
Investments	-	2,427,053	2,427,053
Accounts receivable	-	81,004	81,004
Total financial assets	<u>-</u>	<u>2,571,925</u>	<u>2,571,925</u>
<b>Liabilities</b>			
Balance due to Central Bank	-	274	274
Accounts payable	-	2,401	2,401
Total financial liabilities	<u>-</u>	<u>2,675</u>	<u>2,675</u>

## DEPOSIT INSURANCE CORPORATION

Notes to the Financial Statements

September 30, 2016

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	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
<b>15. General and Administrative Expenses</b>		
Office rental and related expenses	154	1,201
Janitorial services	284	-
Security services	689	-
Utilities	149	-
Repairs and maintenance	463	122
Equipment rental	52	54
Property services	30	10
Motor vehicle	84	127
Information technology	361	163
Printing and stationery	94	65
Public relations and advertising	84	75
Telecommunications	161	210
Professional fees	1,165	187
Library services	15	8
Archiving	22	23
Meetings	19	25
Training and education	52	21
Loss on disposal of property and equipment	38	-
International Association of Deposit Insurers membership fees	90	85
Management contract (Administrative services provided by Central Bank)	8	50
Conferences and official visits	314	1,752
Miscellaneous	19	19
	<u>4,347</u>	<u>4,197</u>

### 16. Retirement Benefits

The Corporation does not operate a pension plan but a non-compulsory arrangement exists whereby the Corporation contributes 150% of an employee's contribution to an approved individual annuity or the Individual Retirement Unit Account of the Trinidad and Tobago Unit Trust Corporation up to a maximum of 10% of an employee's base salary. Costs incurred for 2016 were \$251 thousand (2015: \$294 thousand).

### 17. Employees

At September 30, 2016 the Corporation had in its employ a staff complement of 20 persons (2015: 18).

**DEPOSIT INSURANCE CORPORATION**

Notes to the Financial Statements

September 30, 2016

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**18. Capital Commitments**

The Corporation had \$1 million in capital commitments as at September 30, 2016 (2015: \$1 million).

**19. Subsequent Events**

There were no events occurring after the reporting date and before the date of approval of the financial statements by the Board of Management that require adjustment to or disclosure in these financial statements.



