Deposit Insurance Corporation Trinidad & Tobago

annual report 2006

20 years of Depositor Confidence

Mission Statement

"To contribute to the stability, safety and integrity of and public confidence in the financial system of Trinidad and Tobago by providing protection for eligible depositors and by the prudent and profitable management of the Deposit Insurance Fund."

Vision Statement

"To become a pro-active deposit insurance system, evolving to meet the ever changing needs of a modern society."

About the
Deposit Insurance Corporation

The Deposit Insurance Corporation (DIC) was established by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 which amended the Central Bank Act Chapter 79:02.

The DIC insures depositors in all institutions licensed to operate under the Financial Institutions Act 1993. Deposit insurance is payable only when an institution has been closed as a result of action taken by the Central Bank of Trinidad and Tobago.

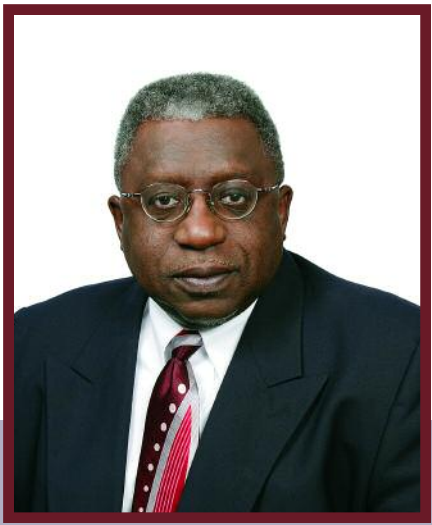
Depositors in all licensed financial institutions are insured up to a maximum of TT $50,000. Only deposits held in Trinidad and Tobago and payable in Trinidad and Tobago dollars are insured.

The DIC is financed mainly by contributions and annual premiums levied on licensed member institutions. The DIC is empowered to borrow and special premiums may be levied on all member institutions should the demand on the Fund exceed its resources.

The Deposit Insurance System has contributed to the building of confidence in Trinidad and Tobago's financial institutions and the financial system as a whole. The Financial Institutions Act, 1993, and other improvements in the system of inspection and supervision of licensed financial institutions have also helped to reduce the risk of failure.

Table of **Contents**

Chairman's **Remarks**



Mr. Ewart Williams
Chairman, Deposit Insurance Corporation

On the 17th September, 2006 the Deposit Insurance Corporation (DIC) celebrated its 20th Anniversary.

The Deposit Insurance Corporation (DIC) was created in the mid 1980s when the failure of some non-bank financial institutions shook the confidence of depositors in the domestic financial system. Since its inception some twenty years ago, the Corporation has played a vital role in instilling confidence in the financial system.

Over the past decade, the rapid development in information and telecommunications technology has impacted greatly on the operations of financial markets. Also, as a result of financial market liberalisation, the financial services landscape has been undergoing significant change. In particular, this change has been reflected in the blurring of boundaries between the various segments of the financial sector and in the proliferation of financial products offered to customers. In Trinidad and Tobago, these trends, as well as the establishment of the Caribbean Single Market and Economy, have also resulted in the cross-border expansion of many of our banks and insurance companies throughout the region.

To cope with the changing environment, the Government of Trinidad and Tobago has embarked on a process of financial sector reform aimed at upgrading the country's financial legislation and infrastructure, in line with international practices. The Financial Institutions (Amendment) Act which came into force in September 2006, now allows for the sharing of information between regulators; new provisions for regulating controlling shareholders of financial institutions and expanded criteria for regulating mergers and acquisitions. Following extensive consultations with the banking industry, a draft of a new Financial Institutions Act (FIA) has been completed and is expected to be presented to Parliament shortly.

As an important part of the financial regulatory framework, the DIC must also adapt to the changing financial landscape. Accordingly, the Corporation is in the process of re-examining its operating modalities with a view to deciding on the modifications that are needed for it to pursue its mandate effectively.

For example, given the rapid growth in personal incomes and financial savings in Trinidad and Tobago in the past several years, there is a strong case for increasing the $50,000 limit on insurance coverage, which has been in operation since the inception of the DIC. There is also the issue of expanding insurance coverage to a broader range of bank instruments than is the case at present. Currently, only deposit liabilities are covered.

The recent amendment to the FIA permits the Central Bank to share information with other stakeholders, including the DIC. This amendment has important consequences for the operations of the DIC. Specifically, it would facilitate a more active role for the DIC in risk assessment of those licensees for which insurance coverage is provided.

In principle, the amendment will pave the way for enhanced co-operation between the Central Bank and the DIC.

But there are some broader issues that need to be considered. In 2004, the prudential regulation of the insurance industry and private pension funds was transferred from the Ministry of Finance to the Central Bank. Moreover, the preparatory work to transfer the supervision of credit unions to the Central Bank is well advanced. With the increasing role of these institutions in the mobilisation of savings, particularly of the middle and lower income groups, there are increasing demands for insurance protection as obtains for bank deposits.

The Central Bank and the DIC have begun work on the feasibility of a Single Deposit Insurance model as obtains in some industrialised countries, such as the United Kingdom (UK). Such a model may be in line with the Government's long term vision, articulated in the White Paper on Financial Sector Reform, for the establishment of a Single Regulator.

Born out of the financial turmoil of the 1980s, the DIC evolved to play an important role in the resolution of the banking crisis and in strengthening public confidence in the financial system. Over the past twenty years however, significant changes have taken place within the financial system. Therefore, if the DIC is to remain relevant in the new and emerging financial landscape, there will be a need for a review of its governing legislation to bring it in line with on-going legislative reform.

Currently, the DIC is upgrading its operational policies and systems with a view to making them more responsive to the present financial environment. Based on its experience and performance over the past two decades, I feel confident that the DIC is certainly well equipped and positioning itself to confront its future challenges.

The Economy
and Financial Sector

Economic Growth, Inflation and Employment

- Real GDP grew by approximately 12 per cent in 2006 largely on the strength of the performance in the energy sector, which expanded by 20.6 per cent. Though not as significant in its performance, the non-energy sector also recorded growth of 6.5 per cent.
- The buoyancy of economic activity in the non-energy sector has been accompanied by a steady rise in employment. As a result, the unemployment rate fell to 5.9 per cent in September 2006; down from 8.2 per cent in September 2005, resulting in the creation of 13,200 jobs in the economy.
- Headline inflation rose by 9.6 per cent on a year-on-year basis to September 2006 compared with 6.9 per cent in September 2005. Food prices continued to be the main driver of headline inflation rising by 27.4 per cent in 2006. Core inflation, which removes the effects of the volatile movements in food prices, measured 3.9 per cent on a year-on-year basis to September 2006 up from 2.6 per cent one year earlier.

Central Government Fiscal Operations

- In fiscal 2006, Central Government's operations registered a surplus of TT$4,687.8 million, compared with a surplus of TT$5,006.7r[1] million recorded for fiscal 2005.
- An amount of US$3,160.2 million was transferred to the Revenue Stabilisation Fund (RSF) at the end of fiscal 2006, increasing the accumulated balance to US$8,644.6 million as at September 30, 2006. An amount of US$2,593.1 million was transferred at the end of fiscal 2005.

External Account

- Preliminary data indicated a Balance of Payments surplus of US$1.6 billion as at September 2006 compared to approximately US$1.2 billion over the same period in 2005. Net international reserves at the end of September 2006 amounted to US$5,121.7 million (net of the RSF) representing a healthy 9.1 months of prospective imports of goods and non-factor services. These reserves were approximately US$3,355.1 million (net of the RSF) at the end of September 2005, amounting to approximately 7.3 months of import cover at that time.

International Ratings

- The strong performance of the domestic economy has been recognised by the major rating agencies, which have upgraded the country's international ratings. In July 2006, Moody's Investors Service upgraded Trinidad and Tobago's foreign currency bond rating to Baa1 from Baa2 and affirmed its local currency bond rating at Baa1. The outlook on these ratings is stable and the upgrade has been attributed to 'continued improvement in the country's external position and declining debt ratios'. Moody's considers the country's external payments position to be quite strong especially with the continued growth in energy exports and sizeable foreign direct investment.
- On another front, Trinidad and Tobago's foreign-currency ceiling for bonds was upgraded from A2 to A1 while the foreign currency country ceiling for bank deposits was upgraded from Baa2/P-3 to Baa1/P-2. Its local currency deposit ceiling remains at A1 and the local currency guideline remains at Aa3. The outlook on these rating is also stable.
- In July 2005, Standard and Poor's Ratings Services upgraded its long-term foreign currency sovereign credit rating on the Republic of Trinidad and Tobago from 'BBB+' to 'A-' and its long-term local currency sovereign rating from 'A' to 'A+' and moved the outlook from 'positive' to 'stable'. Both short-term foreign currency and local currency credit ratings were affirmed at 'A-2' and 'A-1' respectively. The upgrade was based on continued favourable external liquidity conditions, reflected in a net external creditor position and prudent macroeconomic management.

[1] Revised

Monetary and Financial Policy Developments

- In fiscal 2006, the number of financial institutions registered with the Deposit Insurance Corporation remained unchanged at twenty-three. Total deposit liabilities for which coverage is provided of all these member institutions rose from $26,785.3r million at the end of September, 2005 to 32,097.7 million at the end of September, 2006.
- Within recent times, the Central Bank has been placing greater emphasis on the use of market-based instruments rather than on direct policy tools like the reserve requirement ratio to conduct monetary policy. As a result, the 'repo' rate and open market operations have become the main tools through which monetary policy is effected by the Central Bank.
- During fiscal 2006, the continued high level of fiscal injections led to a build-up of liquidity in the financial system and the intensification of inflationary pressures.
- In an effort to restrict the growth in credit and contain inflation, the Central Bank raised the 'repo' rate on nine separate occasions beginning in October, 2005. Thus the 'repo' rate, which stood at 5.75 per cent in October 2005 was increased to 8 per cent at the end of September 2006 (an increase of 225 basis points).
- The increases in the 'repo' rate resulted in a rise in commercial banks' prime lending rate from 9.25 per cent as at September 2005 to 11.75 per cent by September 2006.
- However, the sizeable liquidity overhang limited the pass-through of increases in the 'repo' rate to short-term interest rates. Most commercial banks opted to keep their lending rates unchanged in the face of the high liquidity levels and intense competition for business. Overall, at the end of September 2006, the weighted average loan rate stood at 9.35 per cent up from 9.19 per cent year-on-year and the weighted average deposit rate was 2.16 per cent up from 1.98r per cent a year ago. Similarly, residential mortgage lending rates were maintained between 7.5 and 8.5 per cent.
- The Central Bank also significantly increased its open market operations (OMO) activity to reduce the capacity of banks to extend credit and to mop up excess liquidity. With the intensified OMO activity, the legal ceiling on open market securities for Government borrowing in the amount of $8 billion had been reached by the end of June 2006 and the Central Bank had to resort to use of its own instruments.
- In September 2006, Parliament gave approval to increase the ceiling to $15 billion to facilitate the continued conduct of OMO activity by the Central Bank. For the period January to September, 2006 OMO activity was TT$1,413 million compared to TT$1,356.4 million in the corresponding previous period of 2005. This increase succeeded in tightening bank liquidity.
- The Central Bank also introduced a number of additional monetary policy measures during fiscal year 2006 to help contain inflationary pressures.
  - In December 2005, commercial banks were required to place in aggregate the sum of TT$1 billion in a special interest-bearing deposit account at the Central Bank for a minimum period of one year. The Bank also reduced to zero, the rate paid on special deposits held by commercial banks.
  - In June 2006, an additional TT$500 million was also withdrawn from the banking system and placed in the special interest-bearing deposit account at the Central Bank. A temporary secondary reserve requirement equivalent to 2 per cent of the prescribed liabilities of commercial banks was also introduced.
- The combined effect of these various monetary measures helped to contain the expansion of liquidity in the financial system. The prevailing economic conditions also resulted in increases in the yield on short-term securities. The Treasury Bills rates rose from 5.5 per cent to 6.8 per cent (3-month) and from 5.7 per cent to 7.3 per cent (6-month) while the yield on long-term securities also rose at a more rapid rate from 7 per cent to 8.75 per cent at the end of September 2006.
- During fiscal 2006, there was an unusually high demand for foreign exchange. Over the period January to October 2006, the Central Bank sold US$1,105.1 million to the market compared to US$545 million (an increase of US$560.1 million) in the corresponding period of 2005. As at December 31, 2006, sales of foreign exchange totaled US$1.5 billion compared to US$670 million as at December 31, 2005. These sales of foreign exchange helped to absorb excess liquidity in the financial system.

Board of **Management**

From left to right: **Mr. Ewart S. Williams,** Chairman; **Ms. Shelley M. E. Collymore,** Director; **Mrs. Nicole Crooks,** Alternate Director; **Ms. Wendy Ho Sing,** Director; **Mr. Patrick Aiden Ferreira,** Director. Outgoing (not in photo): **Mr. Henry Jeffers,** Director; **Mr. Hollis De Four,** Alternate Director

management **team**

From left to right:
Ms. Fern Narcis, Corporate Secretary/ Legal Officer;
Mr. Noel Nunes, Risk Assessment, Insurance and Liquidations Officer;
Mr. Junior Frederick, General Manager;
Ms. Jacqueline Fermin, Head, Corporate Services and Finance

committees

Audit Committee
Mr. Henry Jeffers (Chairman)
Mr. Patrick Ferreira

Investment Committee
Mr. Patrick Ferreira (Chairman)
Mrs. Shelley M.E. Collymore

Directors' **Profiles**

Mr. Ewart S. Williams – Chairman
Mr. Ewart S. Williams was appointed Governor of the Central Bank of Trinidad and Tobago in July 2002 following a long career with the International Monetary Fund (IMF). At the IMF, he provided economic policy advice and hands-on policy support to many Governments and Central Banks in Africa, Latin America and the Caribbean. During his Fund career he was the International Monetary Fund (IMF) Resident Representative to Jamaica; Assistant Director in charge of Central America and Mexico; and Deputy Director in the Western Hemisphere Department. In 1988-89, he returned to this country for eighteen months, as the Advisor to Central Bank Governor, Mr. Williams Demas, under a UNDP sponsored technical assistance Project. He holds a Bachelor of Sciences Degree in Economics and a Masters in Economics from the University of the West Indies, and has a wealth of experience in monetary and fiscal affairs.

Ms. Shelley M. E. Collymore – Director
Ms. Shelley M. E. Collymore is an Attorney-at-Law of over twenty years standing, and holds an LLM Degree in Legislative Drafting. She currently serves as the Treasury Solicitor in the Ministry of Finance, providing advice on all legal matters, particularly with regard to revenue collection, financial instruments and products, financial legislation, and the general management of the financial affairs of the country. Previous to this, Ms. Collymore was employed as a legal officer in the public sector in varying capacities, including State Counsel, Board of Inland Revenue, and Parliamentary Counsel, Ministry of the Attorney General. Ms. Collymore is a member of the Permanent Double Taxation Negotiating Team of Trinidad and Tobago and has participated in negotiations with Brazil, China, India and Grand Duchy of Luxembourg. In addition, she is a Commissioner of the Trinidad and Tobago Securities and Exchange Commission.

Ms. Wendy Ho Sing – Director
Ms. Wendy Ho Sing, Deputy Inspector of Financial Institutions, joined the Central Bank of Trinidad and Tobago in November 2004 as Industry Advisor and was appointed Deputy Inspector on February 1, 2005. During the period June 2006 to December 2006, Ms. Ho Sing held the positions of Acting Inspector and Inspector of Financial Institutions. Ms. Ho Sing is the holder of a Bachelor of Arts Degree in Psychology and a Masters in Business Administration (MBA) from York University, Ontario. Ms. Ho Sing is a Trinidad and Tobago citizen who has spent over 25 years in Canada. Her previous appointments were Director, Supervision, in the Office of the Superintendent for Financial Institutions (OSFI), Canada and Assistant Vice President, Manulife Financial of Ontario.

Mr. Patrick Aiden Ferreira – Director
Mr. Patrick Aiden Ferreira is a member of the Chartered Management Institute of the United Kingdom (MCIM), The Society of Corporate Secretaries and Governance Professionals, and holds a Bachelor of Science Degree in Risk Management (BSc). Mr. Ferreira is Group Corporate & Personnel Director with the Furness Trinidad Group of Companies, which comprises 15 subsidiaries involved in the insurance, trading, manufacturing, real estate and service sectors. His responsibilities include Group Banking and Investments, Administration, Group Corporate Secretarial and Human Resource Management, and he is a member of the Furness Group's Finance, Audit and Compensation committees. He also serves as Chief Executive Officer of Furness Anchorage General Insurance Limited, the general insurance subsidiary of the Group. Mr. Ferreira has attended extensive training sessions in Insurance, Corporate Governance and Marketing and has served on the Trade and Investment Committee of the American Chamber of Commerce of Trinidad and Tobago.

Mrs. Nicole Crooks – Alternate Director
Mrs. Nicole Crooks is an experienced Human Resource practitioner with over 15 years in the field. She has been employed with the Central Bank of Trinidad and Tobago since April 2003 and holds the position of Senior Manager Human Resource & Communication. In this capacity, Mrs. Crooks is responsible for leading the development and execution of creative human resource strategies. Mrs. Crooks also provides leadership of the Bank's internal and external Corporate Communications function. Mrs. Crooks has a number of years of experience at a senior management level where she is directly involved in policy formulation, strategic planning and change management. She holds a BSc. Management Studies (University of the West Indies), a Post Graduate Advanced Diploma in Human Resource Management (UWI Institute of Business), and varied insurance qualifications, including the FLMI (Fellow Life Management Institute) ACS (Associate Customer Service), and AIAA (Associate Insurance Agency Administration).

Corporate **Profile**

Offices

Level 11
Central Bank Building
Eric Williams Plaza
Independence Square
Port of Spain
Tel: 868 625 5020
Hotline: 800 4DIC
Fax: 868 623 5311
E-Mail: info@dictt.org
Website: www.dictt.org

Banker

Central Bank of Trinidad and Tobago

Eric Williams Plaza
Independence Square
Port of Spain

Auditor

Auditor General of Trinidad and Tobago

2nd Podium Floor
Eric Williams Finance Building
Eric Williams Plaza
Independence Square
Port of Spain

Member Institutions

of the Deposit Insurance Fund

AIC Finance Limited
ANSA Merchant Bank Limited
Caribbean Finance Company Limited
Citibank (Trinidad and Tobago) Limited
Citicorp Merchant Bank Limited
Clico Investment Bank Limited
Development Finance Limited
Fidelity Finance and Leasing Company Limited
First Caribbean International Banking & Financial Corporation Limited
First Citizens Bank Limited
First Citizens Trust and Asset Management Limited
General Finance Corporation Limited
Guardian Asset Management Limited
Intercommercial Bank Limited
Intercommercial Trust and Merchant Bank Limited
Island Finance Trinidad and Tobago Limited
RBTT Bank Limited
RBTT Merchant Bank Limited
RBTT Trust Limited
Republic Bank Limited
Republic Finance and Merchant Bank Limited
Scotiabank Trinidad and Tobago Limited
Scotiatrust and Merchant Bank Trinidad and Tobago Limited

Management Discussion & Analysis 2006

Financial Highlights
2006

Balance Sheet
for the Year Ended September 30th

	2006 TT$M	2005 TT$M	2004 TT$M	2003 TT$M	2002 TT$M
Total Assets at the End of the Year	**956.5** (14%)	**841.9** (13%)	**742.9** (14%)	**652.4** (13%)	**575.2** (12%)
Fund Balance at the End of the Year	**954.3** (14%)	**839.8** (13%)	**741.2** (13%)	**650.5** (15%)	**564.5** (17%)
Investment Portfolio	924.8 (13%)	821.6 (14%)	723.1 (14%)	634.9 (14%)	558.2 (15%)

Statement of Net Income and Deposit Insurance Fund
for the Year Ended September 30th

	2006 TT$M	2005 TT$M	2004 TT$M	2003 TT$M	2002 TT$M
Net Income for the Year	**114.4** (6%)	**98.6** (9%)	**90.7** (6%)	**86.0** (3%)	**83.4** (6%)
Interest Earned	62.9 (12%)	56.7 (8%)	52.6 (6%)	49.6 (3%)	48.2 (-4%)
Premium Income	49.7 (17%)	42.3 (5%)	40.2 (3%)	38.9 (11%)	35.1 (9%)
Expenses	5.1 (1%)	5.0 (34%)	3.7 (4%)	3.4 (-8%)	3.7 (-12%)

Note: The figures in parenthesis represent percentage changes from the previous year. All are increases except where shown with (-).

Deposit Insurance Fund
2006

Section 44K of the Central Bank Act Chapter 79:02 as amended by the Central Bank and Financial Institutions (Non-Banking) (Amendment) Act, 1986 provides for the establishment of the Deposit Insurance Fund. The Deposit Insurance Corporation is responsible for the management of the Fund which is to be used for the payment of deposit insurance claims if a member institution fails. Membership is compulsory for all institutions licensed by the Central Bank of Trinidad and Tobago under the Financial Institutions Act, 1993.

The balance on the Deposit Insurance Fund at 30th September, 2006 stood at TT$954.3 million, an increase of 14% over the amount of TT$839.8 million existing at the corresponding date in 2005. Growth in the Fund from one year to another is generated from the annual earnings of the Corporation (after defraying expenses). This residual figure is referred to as Net Income and is a central item on the Statement of Net Income and Deposit Insurance Fund. The Statement shows the income earned and expenses incurred for the current and previous fiscal years in addition to movements in the Deposit Insurance Fund during the same periods. The growth of the Fund over the past ten years is illustrated below.

Net Income for the financial year ended 30th September, 2006 amounted to TT$114.4 million. This was $15.8 million or 16% higher than the balance of TT$98.6 million realised in the previous financial year. Whilst Total Income increased by TT$15.9 million in 2006 over 2005, Total Expenses increased by only TT$74,000.

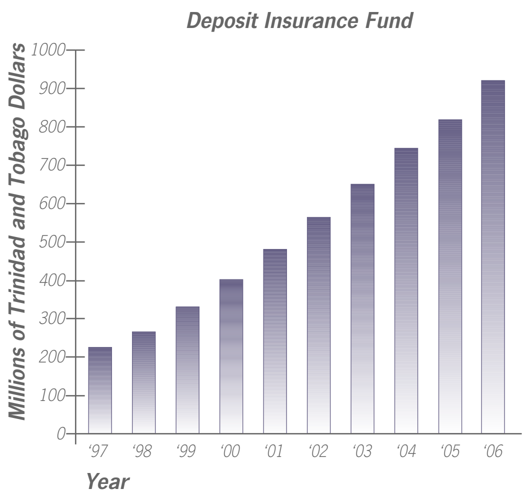
The two largest items for several years on the Statement of Net Income and Deposit Insurance Fund, have been income related, viz. Interest Earned and Annual Premia. The annual increases in these items provide the impetus to the growth of the Fund.

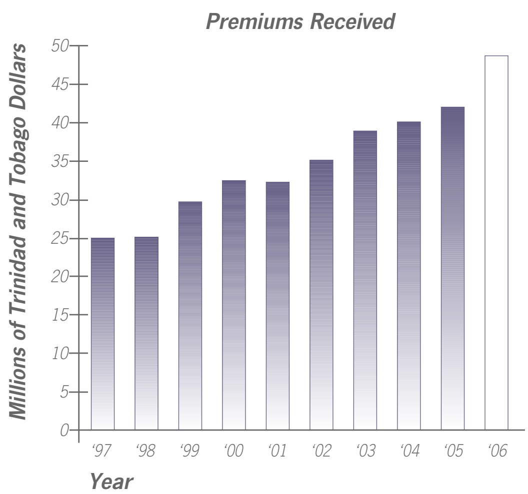
Annual Premiums

The Corporation is mandated by law to levy contributions to the Deposit Insurance Fund from each member institution, the first occurring six months after the institution attains membership status (*initial contribution*). Another levy follows twelve months after admittance (*first annual premium*) and thereafter levies are made on institutions once annually at the beginning of every calendar year (*annual premium*). Two bye-laws provide the basis on which the levy is to be made. For the initial contribution which must be matched equally by a contribution from the Central Bank, the rate is fixed at 0.4% of average deposit liabilities whereas for the first and subsequent annual premiums, a fixed rate of 0.2% of average deposit liabilities applies. The dates used in the computation are specified in the Bye-Laws.

Annual Premiums levied and collected from twenty three member institutions in fiscal 2006 amounted to TT$49.7 million compared with TT$42.3 million in fiscal 2005, an increase of 17%. The chart below illustrates annual premiums over the past ten years.

There were no new licenses granted to institutions in fiscal 2006 and as a result, there was no levy of initial contributions. The increase in annual premiums





between 2005 and 2006 was as a result of the corresponding growth in deposit liabilities of member institutions between the calendar years 2004 and 2005. (Annual Premiums for a calendar year are levied using a quarterly average of the prior calendar year's deposit liabilities to which a fixed rate is applied).

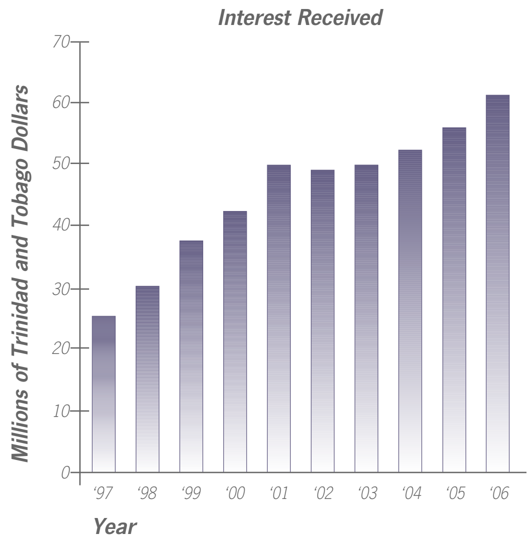
Interest Income

Interest or investment income is earned from the Corporation's investment portfolio. For the fiscal year ended 30th September 2006, the portfolio generated earnings of TT$62.9 million compared with TT$56.7 million for the previous fiscal year, a rise of 12%. The increase resulted primarily from the returns received on new investments funded from annual premiums and insurance payments recovered in addition to the re-investment of income received from previously established investments. In general, rates on both short-term and long- term portfolio instruments showed a slight trend upwards during the fiscal year when compared with the previous period. The average yield on the portfolio for the financial year ended 30th September, 2006 was 7.40% per annum compared with 7.22% per annum for the previous financial year. Average portfolio yields have been on the decline since the year 2000 with a relatively sharp fall-off occurring in 2002. The chart below illustrates interest earned over the past ten year period.

Investments

(a) Primary Investment Objectives and Approved Investment Categories

Although the Corporation has been given the power in the legislation under which it is governed, to "...accumulate, manage and invest funds collected", there is no provision to guide the Corporation's investment activities in terms of investment objectives and approved investment categories. The Corporation's Board of Management has approved an investment policy which addresses these issues.



The *primary investment* objectives with respect to the management of the portfolio are as follows:-

(i) Maintenance of capital security.
Investments should be of a very high quality in terms of the ability of the investee to meet its obligations to the Corporation and the legal arrangements which are in place to protect the Corporation as investor. Permissible ranges for holdings in the approved investment categories demonstrate a greater preference for Trinidad and Tobago Government Securities.

(ii) Provision of an adequate liquidity profile
Investment choices and the periods for which the investments are placed should be informed by potential, anticipated or contingent insurance payouts and conditions operating in the banking and financial sectors. To this end all investments held by the Corporation are readily realisable and convertible into cash.

(iii) Maximisation of growth of the Fund
Although the best efforts should be made to grow the Fund in as short a time frame as possible, this should be undertaken subject to the other two (2) objectives described at (i) and (ii), above.

The *approved investment categories* are as follows:-

- Trinidad and Tobago Government Securities (20% -100% of the portfolio)
- Foreign Investments (0-30% of the portfolio)
- Deposits in Member Institutions and the Money Market Account of the Trinidad and Tobago Unit Trust Corporation (0-20% of the portfolio)

(b) Status of the Investment Portfolio

The investment portfolio at 30th September, 2006 rose to TT$924.8 million from TT$821.6 million at the end of the previous fiscal year, an increase of 13%. This rise mirrored the change in the Deposit Insurance Fund balance during the corresponding period as should be expected given that the Deposit Insurance Fund is largely represented by investment assets. The chart below illustrates the growth of the investment portfolio over the past ten years.

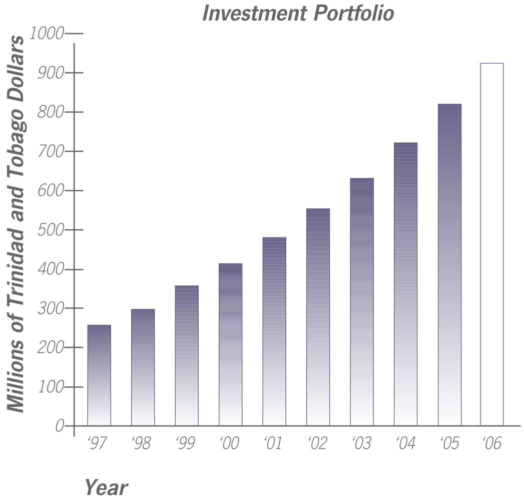
The investment mix changed somewhat during the fiscal year under review compared with the previous fiscal year. At the end of fiscal 2005, 93% of the portfolio was represented by Trinidad and Tobago Government Securities, 5% in Corporate Securities and 2% in deposits in member institutions and money market investments in the Trinidad and Tobago Unit Trust Corporation. The percentage holdings in these categories at the end of fiscal 2006 were 96% and 4%, respectively for Government Securities and deposits. There were no holdings of Corporate Securities at the end of fiscal 2006.

Approved instruments in respect of Trinidad and Tobago Government Securities include Bonds, Treasury Bills and Treasury Notes. Government Bonds, the single largest investment item decreased during the year by TT$49.4 million from TT$527.8 million at 30th September, 2005, which represented 64% of the portfolio to TT $478.4 million at 30th September, 2006, which accounted for 52% of the portfolio. This decrease is the direct result of Management's decision to place new investments within the medium to short-term instruments in the form of Treasury Notes and Treasury Bills as opposed to long-term investment in the form of Government Bonds. In light of the prevailing economic conditions whereby the yield on short-term securities has been trending upward and coupled with the fact that superior yields on the typically longer term instruments are no longer being offered, Management opted for placing investments in instruments of a shorter duration as opposed to longer term instruments and in so doing, enjoy the benefit of a higher yield and the opportunity to re-invest within a time frame so as to allow the Corporation to benefit from these increasing yields.

As a result, the percentage holding of Treasury Notes increased to 27% of the portfolio as at 30th September, 2006 up from 17% as at 30th September, 2005. The yield on Treasury Notes moved from 5.31% to 5.78% year-on-year. Additionally, holdings of Trinidad and Tobago Government Treasury Bills increased during the year to TT$160.1 million representing 17% of the portfolio as at 30th September, 2006, from TT$92.3 million and 11% respectively at the end of September, 2005. The average yield on Treasury Bills was 6.14% as at 30th September, 2006 compared to 5.06% one year prior.

Liquidation

Since its establishment, the Corporation has paid insurance claims in respect of eight institutions



which were closed by the Central Bank as failed institutions. For all of these failures, the Corporation has been appointed liquidator. To date, two of the appointments have been completed and six institutions remain under the Corporation's purview.

During fiscal 2006, the Corporation can report the following achievements during the fiscal year:-

1. In relation to SWAIT Finance Company Limited and MAT Securities Limited, significant progress was made in resolving pending legal matters and, barring any unforeseen set backs, these liquidations are likely to be closed in 2007.
2. The other four companies in liquidation are all awaiting resolution of legal matters before official winding up can be completed.

Risk Assessment

Notwithstanding the slow pace of development in this area, the Corporation continues to view this function with importance in an attempt to conform with international best practice. Therefore, in light of our role within the financial architecture, we are committed to placing emphasis on this function so as to minimise exposure of loss to the Fund.

During 2006, two papers were issued by the Basel Committee on Banking Supervision inviting comments on areas such as Advanced Measurement Approaches related to Operational Risk and home host co-operation in relation to information sharing arrangements between home and host supervisors. The previously revised target date for implementation of year-end 2007 remains in effect.

The Basel II Framework refers to capital adequacy and sets out the arrangements for adopting more risk-sensitive minimum capital requirements for banking organisations. The new framework reinforces these risk-sensitive requirements by laying out principles for banks to assess the adequacy of their capital and for supervisors to review such assessments to ensure that banks have adequate capital to support their risks. It also seeks to strengthen market discipline by enhancing transparency in banks' financial reporting.

International Outreach

The Corporation's staff participated in a number of conferences and meetings as shown below:

- Annual General Meeting and Executive Council Meeting of the IADI, November, 2005, Taipei, Taiwan
- Executive Council and Standing Committee Meetings - IADI, March, 2006, Basel, Switzerland
- Executive Council and Standing Committee Meetings - IADI, May, 2006, Basel, Switzerland
- Bankers' Conference, August, 2006, Chicago, USA
- Executive Council Meeting - IADI, September, 2006, Malaysia

Changes in the Board of Management

- At the close of fiscal 2006, the terms of office for one director, Mr. Henry Jeffers, and an alternate director, Mr. Hollis De Four, expired as at October 7, 2006. Subsequently, effective December 7, 2006, Ms. Wendy Ho Sing was appointed director and Mrs. Nicole Crooks, alternate director; both for a term of three (3) years.

New Thinking in
Deposit Insurance

The Single
Deposit Insurer (SDI) Model

Without a doubt, the financial landscape in Trinidad and Tobago is undergoing significant changes, not only with regard to the types of instruments coming onto the market but also with respect to the delivery of services to consumers. These changes have been fuelled mainly by the pressures of globalisation and aided by advancements in technology. Like other participants in the local financial system, the Deposit Insurance Corporation is not excluded from the reverberations associated with these developments. In fact, in response to the changes, the DIC had identified in previous annual reports a proposal to move towards a "paybox mandate with limited risk minimisation" model. However, given the more recent developments in the system the DIC is now considering tweaking the said model to incorporate insurance coverage for other savings institutions – a model which can be more appropriately referred to as the Single Deposit Insurer (SDI).

The Single Deposit Insurer Model incorporates, inter alia, the concept of one institution managing several funds (or in some cases a single fund) to provide insurance coverage for deposit holders or savers of more than one specified institution which may not only accept or receive deposits but other specified savings instruments as well in the normal course of business. In the past, for example, banks were the only institutions involved in the process of accepting deposits from members of the public. Today, however, this is no longer so as credit unions are also accepting deposits. Additionally, deposit insurance protection was mainly restricted to deposit holders of banks. Again, this is no longer the case as policy guarantee schemes are being introduced in other jurisdictions around the world to provide compensation to policy holders of insurance companies in the event of a failure. Today, more and more schemes are expanding their insurance coverage to include products such as pension funds and even specific investment securities, all of which are being introduced in the interest of enhancing financial stability and promoting economic growth and development.

Accordingly in some countries, there are separate institutions to administer the different insurance funds for banks, insurance, securities etc. In Canada for example, the Canadian Deposit Insurance Corporation (CDIC) provides protection for depositors of banks, while the Financial Institutions Commission (FICOM), in addition to its regulatory mandate, also insures deposits of credit unions. In other jurisdictions such as the United Kingdom, there is one institutional provider, notably the Financial Services Compensation Scheme (FSCS), which administers insurance protection of the different contributories, such as banks, insurance companies, pension funds, credit unions and investment firms. For small open economies such as Trinidad and Tobago, however, the latter model appears to provide a better strategic fit for the future role of the DIC.

As the SDI Model incorporates more funds, the insurer will be more obligated to undertake some form of risk assessment of its expanded membership in order to protect the fund from insurance losses. This adds support to the need to retain some element of the initial proposal to adopt a paybox mandate with limited risk minimisation. To some extent, the Single Deposit Insurer Model mimics the model of the Single Regulator, commonly referred to in the financial literature as the "Super Regulator".

How does this model fit with the DIC?

The DIC, in its present format, has a mandate for insurance coverage of deposits held by financial institutions licensed under the Financial Institutions Act (FIA), viz: commercial banks and non-banking financial institutions. Additionally, the Regulator's current mandate was recently expanded to include not only banks but pension funds and insurance companies. A study is now underway to include supervision of credit unions within the Regulator's mandate. Given these dynamics, the DIC is obligated to respond. Hence the adoption of the proposed SDI model is articulated. Details of the Single Deposit Insurer Model that are now under study by the DIC underscore the following:-

Paybox Mandate with extended powers to include:-

- insurance coverage for specific deposits/savings products offered by banks, credit unions and insurance companies.

- risk assessment of the member institutions (contributories) to minimise the Corporation's exposure to insurance loss to the Fund/(s), that is, actively identifying and managing deposit risk exposures in advance of the failure of a member institution (limited risk minimisation). Given the intended involvement in administering coverage for these additional institutions, the capacity to assess its exposures on an ongoing basis will become increasingly important. The role of intervening in an impending failure is to remain within the mandate of the Regulator such that the proposed Single Deposit Insurer will only respond at the behest of the Regulator.

In a pure "paybox" system as referenced above, the deposit insurer's mandate is limited to paying the claims of insured depositors after a member institution has failed and to dealing with recovery of assets in the event of a payout.

As savers in Trinidad and Tobago continue to set aside funds in a wider range of instruments across a spectrum of savings institutions, there is a greater need to examine the role of protection for these instruments. Admittedly, over time insurance protection for the said instruments has not keep pace with the developments in the variety of savings instruments, thus creating a "protection gap" in the process, and by extension, an opportunity for the DIC to get involved especially if the Corporation wants to truly deliver on its mission critical role of contributing to stability of Trinidad and Tobago's financial system.

Drawing on the experiences of International Practitioners on Deposit Insurance

Deposit Insurance Systems around the globe are many and carry various mandates and, depending on the jurisdiction, the mandate generally ranges from a restrictive pure paybox mandate to an expansive "risk management" mandate. Consequently, their organisational structures, depending on the country, are also many and varied. There are some jurisdictions where the Regulator and the Deposit Insurer are incorporated under one governing institution, as obtains under the Federal Deposit Insurance Corporation in the United States, whereas in the United Kingdom the Regulator, the Financial Services Authority (FSA) and the Deposit Insurer, the Financial Services Compensation Scheme (FSCS) are separate institutions. With regard to the scope of coverage, some Deposit Insurers have mandates that provide compensation for banks only, as is the case with our DIC. Similarly, there are deposit insurers which have expanded mandates that include not only banks but other savings institutions namely the FSCS, Lithuania's Insurance of Deposits and Investments and the Korea Deposit Insurance Corporation (KDIC) system in Korea, to name a few.

A review of deposit insurance systems in the international fora was done to highlight similarities between the proposed SDI and systems that are already in existence. For purposes of simplicity, we refer to two systems - the Financial Services Compensation Scheme (FSCS) of the United Kingdom and the Korea Deposit Insurance Corporation (KDIC) systems. The related insured products and institutions are shown in the table below.

Clearly, these schemes do not only cater for insurance of depositors of banks, but also for savers across a broader spectrum of financial institutions. Additionally, KDIC also undertakes risk surveillance

FSCS System vs. KDIC System

Nos.	Types of Companies	FSCS Insured Financial Products	KDIC Insured Financial Products
1	Banks	Deposits	Demand Deposits; Time and Savings Deposits; Accumulative Deposits; Principal-Covered Trusts and Secondary Bills
2	Securities Companies	Stocks and shares; unit trusts; futures and options; personal pension plans; mortgage endowments	Cash balance of Consignor Deposits, Deposits for Savings Accounts, deposits for Beneficiaries. Cash balance of Collateral for Stock Loans on Margin Account, Deposits for opening a Margin account, Guarantee Deposits in Fiduciary Loans, etc.
3	Insurance Companies	General Insurance, Long-Term Insurance (Pensions and Life Assurance)	Individual Policies, Severance Benefits' Policies
4	Credit Unions	Deposits	Insurance discontinued in fiscal 2003
5	Merchant Banks	Not applicable	Notes Payable, Issued Notes, CMAs
6	Mutual Savings Banks	Not applicable	Ordinary deposits, Savings deposits, Time deposits, Installment Deposits, Credit Installments, Cover Bills, etc.

of its membership and has gone one step further by introducing a Risk-Based Premium System.

How can the SDI Model benefit the domestic economy?

Benefits

The benefits include, but are not restricted to, the following:

- It would provide one single checkpoint for consumers seeking information regarding insurance coverage for specified bank savings, life insurance policies and credit union deposits.
- Financial stability could be deepened as more key savings institutions and instruments are covered.
- Operational efficiencies could be obtained whereby the duplication of cost and human effort could be avoided.
- The DIC would be better positioned to provide greater support to the Regulator in its new expansive role of supervision of Banks, Insurance Companies, Pension Funds and possibly the Credit Unions in the future.
- Exposure to insurance losses of the Fund/(s) could be minimised whereby the DIC would be able to actively identify the deposit/policy risk exposures in advance of the failure of a member institution and thereby manage the portfolio/(s)/fund/(s) accordingly.
- Increased recognition and attractiveness for the domestic economy could be obtained as the Corporation moves closer to adopting international best practices.
- The SDI model would be consistent with the policy document, Reform of the Financial System of Trinidad and Tobago White Paper, dated June 2004.

Conclusion

Since its establishment approximately 20 years ago, the DIC's mandate and its operations have remained unchanged, notwithstanding the occurrence of major developments in the financial services sector, growth in wealth of the national population, the pressures of globalisation, and advancements in technology.

The SDI Model, as suggested above, by and large offers the best strategic fit for the future role of the DIC, which will, in a major way, help to contribute to the successful attainment of financial stability, increase the protection for savings and provide the ground work for fueling future growth in the domestic economy. There are several examples of this system in use around the world that the Corporation can take and benefit from, perhaps not in the purest sense but with amendments to suit the local environment.

Financial Statements
2006

Auditor's **Report**

Report of the Auditor General of the Republic of Trinidad and Tobago on the Financial Statements of the Deposit Insurance Corporation for the Year ended 2006 September 30

The accompanying Financial Statements of the Deposit Insurance Corporation for the year ended 2006 September 30 have been audited. The Statements as set out on pages 24 to 31 comprise a Balance Sheet as at 2006 September 30, a Statement of Net Income and Deposit Insurance Fund and a Statement of Cash Flows for the year ended 2006 September 30 and Notes to the Financial Statements numbered 1 to 10.

2. These Financial Statements are the responsibility of the management of the Deposit Insurance Corporation. The Auditor General's responsibility is to audit these Financial Statements and to report thereon in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago.

3. The examination was conducted in accordance with generally accepted Auditing Standards. These Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

4. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of information in the Financial Statements. It is my view that the audit which was conducted provides a reasonable basis for the comments expressed at paragraph 5 of this Report.

Opinion

5. In my opinion, the Financial Statements as outlined at paragraph one above present fairly, in all material respects, the state of affairs of the Deposit Insurance Corporation as at 2006 September 30 and the results of its operations and its cash flows for the year ended 2006 September 30 in accordance with International Financial Reporting Standards.

Submission of Report

6. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

REPUBLIC OF TRINIDAD AND TOBAGO
20070329
AUDITOR GENERAL

2007 March 29th

Majeed Ali

Acting Auditor General

balance sheet

as at 30th September 2006

ASSETS	Notes	30-Sep-2006 $'000	30-Sep-2005 $'000
Current Assets			
Cash and Cash Equivalents	3	37,882	59,577
Investments	4(a)	349,398	223,304
Accounts Receivable	5	30,851	19,481
Liquidation Advances Recoverable		90	105
		418,221	302,467
Non Current Assets			
Property, Plant and Equipment	6	656	560
Security Deposit - Central Bank	2(f)	29	29
Investments	4(b)	537,642	538,921
		538,327	539,510
Total Assets		956,548	841,977
Current Liabilities			
Current Balance due to Central Bank	9(c)	574	792
Accounts Payable		694	344
		1,268	1,136
Equity			
Capital (Authorised and Paid Up)	9(a)	1,000	1,000
Deposit Insurance Fund		954,280	839,841
		955,280	840,841
Total Liabilities and Equity		956,548	841,977

The attached notes set out on pages 27 to 31 form an integral part of the financial statements.

These financial statements have been approved by the Board of Directors on 14th December, 2006 and signed on its behalf by:

Ewart Williams
Chairman

Patrick Ferreira,
Director

statement of **net income**

and Deposit Insurance Fund for the year ended 30th September 2006

	Year Ended 30-Sep-2006 $'000	Year Ended 30-Sep-2005 $'000
INCOME		
Interest Earned	62,877	56,673
Annual Premia	49,680	42,313
Insurance Payments Recovered	6,800	4,400
Gain on Sale of Property, Plant and Equipment	13	101
Liquidation/Receivership Fees	81	43
Other	66	43
	119,517	103,573
EXPENSES		
Personnel	2,758	2,658
General and Administrative	1,814	1,789
Loss on Redemption of Investments	45	276
Difference on Exchange	11	-
Amortisation on Investments	246	62
Depreciation on Property, Plant and Equipment	204	219
	5,078	5,004
Net Income	114,439	98,569
Fund Balance at the beginning of the year	839,841	741,272
Fund Balance at the end of the year	954,280	839,841

The attached notes set out on pages 27 to 31 form an integral part of the financial statements.

statement of **cash flows**

for the year ended 30th September 2006

	Year Ended 30-Sep-2006 $'000	Year Ended 30-Sep-2005 $'000
Cash flows from Operating Activities :		
Surplus for the year	114,439	98,569
Add/(Less) Adjustment for:		
Amortisation on Investments	246	62
Depreciation	204	219
Loss on Redemption of investments	45	276
(Gain)/Loss on Sale of Property, Plant and Equipment	(13)	7
Loss/(Gain) on Foreign Exchange	11	(12)
Gain on redemption of investments	-	(101)
Operating surplus before working capital changes	114,932	99,020
Decrease/(Increase) in Operating Assets :		
Liquidation Advances Recoverable	15	62
Accounts Receivable	(11,370)	(584)
Increase/(Decrease) in Operating Liabilities :		
Current balance due to Central Bank	(218)	348
Accounts Payable	350	122
Net cash flows from operating activities	103,709	98,968
Cash Flows from Investing Activities :		
(Increase)/Decrease in Government Treasury Bills - Local	(67,885)	16,160
Investment in Government Treasury Notes	(134,669)	(142,496)
Proceeds from redemption of Government Treasury Notes	28,150	32,098
Purchase of Government Bonds - Local	(44,978)	(120,615)
Proceeds from redemption of Government Bonds	94,276	87,330
Additions to Property, Plant and Equipment	(357)	(62)
Proceeds from sale of Property, Plant and Equipment	70	1
Net Cash Flows used in investing activities	(125,393)	(127,584)
Cash Flows from Financing Activities :		
Increase in Capital Contribution	-	-
Net Cash provided by financing activities	-	-
Loss/(Gain) on Foreign Exchange	(11)	12
Net (decrease)/increase in cash and cash equivalents	(21,695)	(28,604)
Cash and Cash Equivalents at the beginning of the year	59,577	88,181
Cash and Cash Equivalents at the end of the year	37,882	59,577

The attached notes set out on pages 27 to 31 form an integral part of the financial statements.

notes to the **financial statements**

for the year ended 30th September 2006

1 AUTHORITY AND OBJECTIVE

The Deposit Insurance 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. (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 $50,000 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, 1993.

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 ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are expressed in Trinidad and Tobago dollars, rounded to the nearest thousand and are prepared under the historical cost convention in accordance with International Financial Reporting Standards.

(b) Assets under Administration

The Balance Sheet does not include the assets of closed financial institutions under the administration of the Corporation.

(c) 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 exchange rates. Exchange gains and losses are reflected in the Statement of Net Income and Deposit Insurance Fund.

(d) Property, Plant and Equipment and Depreciation

Property, Plant and Equipment are stated at 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 computer equipment. The rates used are as follows:

Motor Vehicle	25%	per annum
Furniture / Fixtures	10%	per annum
Office Equipment	15%	per annum
Leasehold Improvements	33⅓%	per annum

The method of depreciation on computer equipment is the straight line method over a period of five years, which is being regarded as the estimated useful life of the computer equipment.

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

(e) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of six (6) months or less and are carried at cost.

(f) Non Current Assets

The security deposit attached to the Rental Agreement with Central Bank has been presented as a Non-Current Asset. The security deposit amounts to $ 29,250.00.

(g) Investments

Investments comprise short, medium and long term investments in Government and Government backed paper and are carried at amortised cost using the effective interest method. Quoted investments, in respect of which provisions for diminution in value are made, are not subject to revaluations where subsequent increases in market values have occurred, if such movements are deemed to be temporary. All investments have fixed maturities and are classified as held-to-maturity.

(h) Market Risk

The Corporation is subject to market risk from its investments in deposit instruments, corporate and government securities. The Corporation minimizes its market risk by investing in high quality financial instruments and by limiting the amount invested in any one (1) counterparty.

(i) 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. [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.

(j) Exemption from the Provisions of Taxation and Insurance Legislation

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

3. CASH AND CASH EQUIVALENTS

	30-Sep-2006 $'000	30-Sep-2005 $'000
Cash and bank balances	87	177
Term deposits	31,190	13,147
Money Market Deposits	6,605	6,253
Corporate Securities	-	40,000
	37,882	59,577

4. INVESTMENTS

	30-Sep-2006 $'000	30-Sep-2005 $'000
(a) Current		
Government Treasury Bills	160,144	92,259
Government Treasury Notes	156,254	28,163
Government Bonds	33,000	102,882
	349,398	223,304
(b) Non Current		
Government Treasury Notes	92,453	114,271
Government Bonds	445,444	424,905
Less: Provision for Diminution in Value	(255)	(255)
	537,642	538,921

5. ACCOUNTS RECEIVABLE

	30-Sep-2006 $'000	30-Sep-2005 $'000
Interest Receivable	25,210	19,219
Other Receivable	5,641	262
	30,851	19,481

6. PROPERTY, PLANT AND EQUIPMENT:

Cost	At 30-Sep-2005 $'000	Additions $'000	Disposals $'000	At 30-Sep-2006 $'000
Leasehold Improvements	360	-	-	360
Motor Vehicles	364	283	(240)	407
Furniture/Fixtures	491	-	-	491
Office Equipment	159	-	-	159
Computer Equipment	489	74	-	463
	1,863	357	(240)	1,980

Depreciation	At 30-Sep-2005 $'000	Current Charge $'000	Charge on Disposals $'000	At 30-Sep-2006 $'000
Leasehold Improvements	313	17	-	330
Motor Vehicles	285	76	(183)	178
Furniture/Fixtures	249	30	-	279
Office Equipment	99	18	-	117
Computer Equipment	357	63	-	420
	1,303	204	(183)	1,324
Net Book Value	**560**			**656**

7. PERSONNEL AND GENERAL AND ADMINISTRATIVE EXPENSES

Included in Personnel Expenses are the following charges:-

	30-Sep-2006 $'000	30-Sep-2005 $'000
Directors' Fees	133	131

Included in General and Administrative Expenses are the following charges:-

	30-Sep-2006 $'000	30-Sep-2005 $'000
Loss on Disposal of Property, Plant and Equipment	nil	7

8. 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 2006 were $85,000.00 (2005: $81,000.00).

9. RELATED PARTY TRANSACTIONS

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 of Trinidad and Tobago.

(b) Representation on the Board of Management [S. 44Q(1)(a)]
Two (2) members represent the Central Bank of Trinidad and Tobago on the Board of Management of the Corporation.

(c) Current Liabilities

	30-Sep-2006 $'000	30-Sep-2005 $'000
Personnel and Administration expenses reimbursable to the Central Bank	574	792
	574	792

(d) Operational arrangements between the Central Bank and the Corporation
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 30th September, 2006 under these arrangements were $599,000.00 (2005: $581,000.00). Limited commercial banking type facilities are also provided by the Central Bank.

10. EMPLOYEES

At 30th September, 2006, the Corporation had in its employ a staff of 13 persons (2005: 14).

Notes