Deposit Insurance Corporation

Audited Financial Statements

For the year ended September 30, 2018

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For the year ended September 30, 2018
(Expressed in Trinidad and Tobago Dollars)

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Deposit Insurance Corporation

Statement of Management's responsibility
For the year ended September 30, 2018
(Expressed in Trinidad and Tobago Dollars)

Management, is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Deposit Insurance Corporation (the "Corporation") which comprise the statement of financial position as at September 30, 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements;
- Ensuring that the Corporation keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Corporation's assets, detection/prevention of fraud, and the achievement of the Corporation's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Corporation will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Michelle Rolingson-Pierre	Nisha Maraj
General Manager	Accountant
December 13, 2018	December 13, 2018

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Trinidad and Tobago

Independent Auditors' Report

To the Shareholder of
Deposit Insurance Corporation

Opinion

We have audited the financial statements of Deposit Insurance Corporation (the "Corporation"), which comprise the statement of financial position as at September 30, 2018 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

BDO

December 13, 2018

Port of Spain,
Trinidad, West Indies

Deposit Insurance Corporation

Statement of Financial Position
As at September 30, 2018
(Expressed in Trinidad and Tobago Dollars)

	Notes	2018 $'000	2017 $'000
ASSETS			
Non-current assets			
Property and equipment	5	22,326	23,076
Intangible assets	5	291	186
Investments	6	3,186,378	2,874,719
Liquidation advances recoverable		852	947
Accounts receivable	7	39,032	37,877
Cash and cash equivalents	8	66,502	118,754
TOTAL ASSETS		**$3,315,381**	**$3,055,559**
EQUITY AND LIABILITIES			
Equity			
Stated capital	9	1,000	1,000
Revaluation reserve		10,461	2,905
Deposit Insurance Fund		3,302,696	3,049,406
TOTAL EQUITY		**3,314,157**	**3,053,311**
Liabilities			
Balance due to Central Bank	10	3	1
Accounts payable		1,221	2,247
TOTAL LIABILITIES		**1,224**	**2,248**
TOTAL EQUITY AND LIABILITIES		**$3,315,381**	**$3,055,559**

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

On December 13, 2018, the Board of Management of Deposit Insurance Corporation authorized these financial statements for issue.

Chairman

Director

Deposit Insurance Corporation

Statement of Comprehensive Income
For the year ended September 30, 2018
(Expressed in Trinidad and Tobago Dollars)

	Notes	2018 $'000	2017 $'000
Income			
Interest income		97,672	87,502
Initial contributions and annual premia		163,061	164,365
Dividends		625	1,875
Liquidation/receivership fees		203	124
Other income		4,588	22
Total income		**266,149**	**253,888**
Expenses			
Staff costs	12	(7,439)	(8,910)
General and administrative	13	(4,443)	(5,172)
Depreciation and amortization		(977)	(914)
Net income		**253,290**	**238,892**
Other comprehensive income/ (loss)			
Increase/(decrease) in unrealized gain on available for sale investments		7,556	(737)
Total comprehensive income for the year		**$260,846**	**$238,155**

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

Deposit Insurance Corporation

Statement of Changes in Equity
For the year ended September 30, 2018
(Expressed in Trinidad and Tobago Dollars)

	Stated capital	Revaluation Reserve	Deposit Insurance Fund	Total equity
	$'000	$'000	$'000	$'000
Year ended September 30, 2018				
Balance as at October 1, 2017	1,000	2,905	3,049,406	3,053,311
Net income	-	-	253,290	253,290
Other comprehensive income	-	7,556	-	7,556
Balance as at September 30, 2018	**$1,000**	**$10,461**	**$3,302,696**	**$3,314,157**
Year ended September 30, 2017				
Balance as at October 1, 2016	1,000	3,642	2,810,514	2,815,156
Net income	-	-	238,892	238,892
Other comprehensive loss	-	(737)	-	(737)
Balance as at September 30, 2017	**$1,000**	**$2,905**	**$3,049,406**	**$3,053,311**

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

Deposit Insurance Corporation

Statement of Cash Flows
For the year ended September 30, 2018
(Expressed in Trinidad and Tobago Dollars)

	2018 $'000	2017 $'000
Cash flows from Operating Activities		
Net income for the year	253,290	238,892
Adjustments for:		
Depreciation and amortisation	977	914
Loss on disposal of property and equipment	46	2
Interest income and dividends	(98,297)	(89,377)
Operating surplus before working capital changes	156,016	150,431
Decrease/(increase) in liquidation advances recoverable	95	(204)
Decrease in accounts receivable	11,046	49
Increase/(decrease) balance due to Central Bank	2	(9)
Increase/(decrease) accounts payable	(1,026)	1,112
Net cash generated by operating activities	**166,133**	**151,379**
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	86,096	78,363
Purchase of fixed deposits	(5,153)	(5,000)
Proceeds from maturity of fixed deposits	5,000	24,053
Purchase of Government Treasury Bills	(1,038,267)	(205,066)
Proceeds from maturity of Government Treasury Bills	470,632	282,318
Purchase of Government Treasury Notes	(13)	(221,343)
Proceeds from maturity of Government Treasury Notes	267,986	266,126
Purchase of Corporate Bonds	(8,801)	-
Proceeds from maturity of Corporate Bonds	35,755	27,400
Purchase of Government Bonds – local	(302,197)	(492,744)
Proceeds from maturity of Government Bonds	270,955	149,972
Additions to property and equipment and intangible assets	(378)	(3,355)
Proceeds from disposal of property and equipment	-	2
Net cash used in investing activities	**(218,385)**	**(99,274)**
Net (decrease)/increase in cash and cash equivalents	(52,252)	52,105
Cash and cash equivalents, beginning of year	118,754	66,649
Cash and cash equivalents, end of year	**$66,502**	**$118,754**

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

1. Establishment and principal activities

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).

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 authorizes 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. Significant accounting policies

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

2.1 Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and are presented in Trinidad and Tobago dollars. These financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(i) New and amended standards adopted by the Corporation

There were no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after October 1, 2017 that were adopted and had a material impact on the Corporation.

(ii) New standards, amendments and interpretations issued but not effective and not early adopted

The following new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Corporation’s future financial statements in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the note below.

- IFRS 9 Financial instruments – This new standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities and replaces parts of IAS 39. The standard is effective for annual periods beginning on after January 1, 2018 with early adoption permitted. IFRS 9 is required to be applied retrospectively. IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortized cost or fair value, replacing the four (4) category classification in IAS 39. The determination is made at initial recognition. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(ii) New standards, amendments and interpretations issued but not effective and not early adopted (continued)

- IFRS 9 Financial instruments (continued) – IFRS 9 uses an impairment model that is more 'forward looking' in that a credit event no longer has to occur before credit losses are recognised. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Corporation is yet to assess IFRS 9's full impact.
- IFRS 15 Revenue from Contracts with Customers - An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as it is currently the case under IAS 18 Revenue. Furthermore the guidance significantly enhances the required qualitative and quantitative disclosures related to revenue. The main objective of the requirements is the disclosure of sufficient information in terms of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In order to meet this objective, IFRS 15 requires specific disclosures for contracts with customers and significant judgements. The entity has not yet made a detailed assessment of the impact of this standard. This standard is effective for annual reporting periods commencing on or after January 1, 2018.
- IFRS 16 Leases supersedes IAS 17 Leases and its related interpretations. IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Under IFRS 16, leases are recorded on the statement of financial position by recognising a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. However, entities have an option not to bring onto the statement of financial position short term leases (i.e. those with maturity of 12 months or less) and leases of low value items. IFRS 16 clarifies that a lessee separates lease components and service components of a contract and applies the lease accounting requirements only to the lease components. IFRS 16 applies to annual periods commencing on or after January 1, 2019.
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration - IFRIC 22 addresses how to determine the date of transaction for the purpose of determining the spot exchange rate used to translate foreign currency transactions on initial recognition in circumstances when an entity pays or receives some or all of the foreign currency consideration in advance of the recognition of the related asset, expense or income.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(ii) New standards, amendments and interpretations issued but not effective and not early adopted (continued)

- IFRIC Interpretation 22– Foreign Currency Transactions and Advance Consideration - (continued) - The interpretation states that the date of the transaction, for the purpose of determining the spot exchange rate used to translate the related asset, expense or income (or part of it) on initial recognition, is the earlier of: (a) The date of initial recognition of the non-monetary prepayment asset or the non-monetary deferred income liability; and (b) The date that the asset, expense or income (or part of it) is recognised in the financial statements.

  This interpretation is mandatory for annual periods beginning on or after January 1, 2018.

Other standards, amendments and interpretations to existing standards in issue but not yet effective are not considered to be relevant to the Corporation and have not been disclosed.

(iii) Standards and amendments to published standards early adopted by the Corporation

The Corporation did not early adopt any new, revised or amended standards.

2.2 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Corporation are measured using the currency of the primary economic environment in which the Corporation operates (the "functional currency"). The financial statements are presented in Trinidad and Tobago Dollars, which is the Corporation's functional and presentation currency.

(ii) Transactions and balances

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

Changes in the fair value of monetary securities denominated in a foreign currency classified as available for sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments such as equities classified as available for sale financial assets are included in other comprehensive income.

2.3 Comparative figures

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

2. Significant accounting policies (continued)

2.4 Property and equipment

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.

The rates used are as follows:

	Rate	Method
Buildings	2%	Straight line
Buildings improvements	2%	Reducing balance
Leasehold improvements	$33^1/_3$%	Reducing balance
Motor vehicles	25%	Reducing balance
Furniture and fixtures	10%	Reducing balance
Office equipment	15%	Reducing balance
Computer equipment	25%	Reducing balance

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.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognized in the statement of comprehensive income.

Disposal

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

2.5 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 recognized as intangible assets in accordance with IAS 38 Intangible Assets. Costs associated with maintaining computer software programmes are recognized as expenses when incurred. Computer software costs recognized as assets are amortized over their estimated useful lives of four (4) years on a straight-line basis.

2. Significant accounting policies (continued)

2.6 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 recognized 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.

(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 equivalents, investments, accounts receivable and liquidation advances recoverable.

(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 all debt investments.

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

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

(ii) Classification (continued)

Financial assets (continued)

(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.

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 amortized cost. Financial liabilities include accounts payable and balance due to Central Bank.

(iii) Measurement

After initial recognition available-for-sale financial assets and financial liabilities at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized in Other Comprehensive Income (OCI) or profit or loss respectively. Held to maturity investment and loans and receivables are subsequently measured at cost or amortized cost using the effective interest method, less provisions made for any permanent diminution in value.

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

(iv) De-recognition

Financial assets

The Corporation derecognizes 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

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

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

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

(iv) De-recognition (continued)

Financial liabilities

The Corporation derecognizes 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) Amortized cost measurement

The amortized 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 amortization using the effective interest method of any difference between the initial amount recognized 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.

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 maximize the use of relevant observable inputs and minimize 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 recognized 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.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

(vii) Determination of fair value (continued)

The Corporation recognizes 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.

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:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as default or delinquency in interest or principal payments.
- It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- 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 recognized are not included in a collective assessment of impairment.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

(viii) Impairment of financial assets (continued)

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

- *Financial assets measured at amortized 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 recognized in the profit or loss

  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 recognized (such as improvement in the debtor's credit rating), the previously recognized loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized at the date that the impairment is reversed. The amount of the reversal in recognized in the profit or loss.

- *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 recognized in the profit or loss. These losses are not reversed.

2.7 Other assets

Other assets are generally measured at amortised cost.

2.8 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.

2.9 Provisions

Provisions are recognized 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 recognized 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.

2. Significant accounting policies (continued)

2.10 Revenue recognition

Revenue is recognized when it is probable that the economic benefit will flow to the Corporation and the amount of the revenue can be measured reliably.

(i) Premium income

Premium income is recognized on the accruals basis. 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.

(ii) Investment income

Investment income is accrued on the time basis by reference to the principal outstanding and the interest rate applicate 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.

2.11 Levy of initial contributions

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.

2.12 Expenses

Staff costs, and general and administrative expenses are generally recognised on an accrual basis.

2.13 Pensions

The Corporation maintains a voluntary contribution plan for its employees. This is a funded scheme and the Corporation's contributions are charged in the profit or loss for the year as incurred.

2.14 Exemption from the provisions for taxation and insurance legislation

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

3. Critical accounting estimates and judgments

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.

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 recognized in the profit or loss 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 recognized 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 and equipment is used and in determining whether future economic benefits can be derived from expenditures to be capitalized.

(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 capitalized 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 utilizes various degrees of judgements affecting the specific investment.

4. Assets under administration

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

- Commercial Finance Corporation 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 Corporation Limited (in liquidation) 1993
- CLICO Investment Bank Limited (in compulsory liquidation) 2011

4. Assets under administration (continued)

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, 2018. In relation to the table, the following points should be noted:

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

		2018 $'000	2017 $'000
(A)	Total value of assets at closure of Financial Institutions	6,148,206	6,148,206
(B)	Total subsequent realisations	6,516,671	3,191,240
(C)	Total liabilities at closure of Financial Institutions	(12,072,221)	(12,072,221)
(D)	Total additional liabilities incurred	(2,592,933)	(1,284,418)
(E)	Total subsequent payments	9,622,656	2,126,916
(F)	Outstanding liabilities at year end	(5,042,498)	(11,229,723)

5. Property and equipment, and Intangible assets

	Land and Buildings	Building Improvements	Motor Vehicle	Furniture and Fixtures	Office Equipment	Computer Equipment	Work in Progress	Property and equipment	Intangible assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
For the year ended September 30, 2018									
Cost as at October 1, 2017	15,859	2,809	743	1,191	2,416	1,019	2,015	26,052	5,751
Additions	-	185	-	26	26	137	-	374	4
Reclassifications	-	1,591	-	-	-	228	(1,819)	-	-
Transfers	-	-	-	-	-	(3)	(196)	(199)	199
Disposals	-	-	-	-	(69)	-	-	(69)	-
Cost as at September 30, 2018	**15,859**	**4,585**	**743**	**1,217**	**2,373**	**1,381**	**-**	**26,158**	5,954
Accumulated depreciation as at October 1, 2017	520	114	333	529	762	718	-	2,976	5,565
Depreciation for the year	173	93	101	68	252	192	-	879	98
Disposals	-	-	-	-	(23)	-	-	(23)	-
Accumulated depreciation as at September 30, 2018	**693**	**207**	**434**	**597**	**991**	**910**	**-**	3,832	5,663
Net Book Value as at September 30, 2018	**$15,166**	**$4,378**	**$309**	**$620**	**$1,382**	**$471**	**$-**	**$22,326**	**$291**
For the year ended September 30, 2017									
Cost as at October 1, 2016	18,668	-	229	1,163	1,606	775	390	22,831	5,637
Additions	0	-	514	40	542	244	2,015	3,355	0
Reclassifications	(2,809)	2,809	-	-	276	-	(390)	(114)	114
Disposals	-	-	-	(12)	(8)	-	-	(20)	-
Cost as at September 30, 2017	**15,859**	**2,809**	**743**	**1,191**	**2,416**	**1,019**	**2,015**	**26,052**	5,751
Accumulated depreciation as at October 1, 2016	404	-	196	464	477	591	-	2,132	5,511
Depreciation for the year	173	57	137	74	292	127	-	860	54
Reclassifications	(57)	57	-	-	-	-	-	-	-
Disposals	-	-	-	(9)	(7)	-	-	(16)	-
Accumulated depreciation as at September 30, 2017	**520**	**114**	**333**	**529**	**762**	**718**	**-**	**2,976**	5,565
Net Book Value as at September 30, 2017	**$15,339**	**$2,695**	**$410**	**$662**	**$1,654**	**$301**	**$2,015**	**$23,076**	**$186**

6. Investments

	2018	2017
	$'000	**$'000**
Held-to-Maturity		
Current		
Deposits	5,153	-
Government Treasury Bills	772,700	21,218
Government Treasury Notes	515,980	82,838
Government Bonds	113,277	58,021
Corporate Bonds	21,744	-
	1,428,854	162,077
Non-Current		
Deposits	-	5,000
Government Treasury Bills	-	183,848
Government Treasury Notes	20,159	721,274
Government Bonds	1,578,418	1,602,431
Corporate Bonds	122,597	171,295
	1,721,174	2,683,848
	3,150,028	2,845,925
Available-for-Sale		
Equities	36,350	28,794
	36,350	28,794
	$3,186,378	**$2,874,719**

7. Accounts receivable

	2018	2017
	$'000	**$'000**
Interests receivable	38,047	36,806
Other receivables	985	1,071
	$39,032	**$37,877**

8. Cash and cash equivalents

	2018	2017
	$'000	**$'000**
Cash held at the Central Bank of Trinidad and Tobago	60,761	112,905
Cash held at other financial institutions	5,739	5,848
Cash on hand	2	1
	$66,502	**$118,754**

9. Share Capital

The Corporation is a statutory body, the authorized and issued capital of which is fixed by the Central Bank Act Chapter 79:02 in the amount of $1,000,000. However, an increase may be approved by the Minister to whom the responsibility for finance is assigned.

10. Related party balances

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 Corporation;

(d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Corporation;

(e) The party is a joint venture in which the Corporation 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.

	2018	2017
	$'000	$'000
Balance due to the Central Bank of Trinidad and Tobago		
Personnel and administration expenses reimbursable to the Central Bank of Trinidad and Tobago	3	1
	$3	**$1**
Key management personnel compensation		
Short-term employee benefits	2,054	1,843
Post-employment benefits	128	97
	$2,182	**$1,940**

Investments held with the Government of Trinidad and Tobago are disclosed in Note 6. Also, cash held with the Central Bank of Trinidad and Tobago is disclosed in note 8.

11. Retirement benefit

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 during the year ended September 30, 2018 were $384,823 (2017: $341,017).

12. Staff costs

	2018	2017
	$'000	$'000
Salaries and overtime	4,900	5,698
Staff allowances	1,266	1,557
Pension contributions (Note 11)	385	341
Directors' fees	320	326
National Insurance contributions	284	285
Staff benefits	185	597
Medical and Workmen Compensation Insurance	99	106
	$7,439	**$8,910**
Number of employees	21	21

13. General and administrative expenses

	2018	2017
	$'000	$'000
Professional fees	976	1,220
Security services	682	804
Information technology	502	659
Repairs and maintenance	457	789
Conferences and official visits	331	119
Training and education	307	357
Janitorial services	260	255
Utilities	193	130
International Association of Deposit Insurers membership fees	124	119
Telecommunications	120	139
Printing and stationery	94	91
Motor vehicle repairs and maintenance	81	70
Public relations and advertising	74	176
Loss on disposal of property and equipment	69	2
Property services	56	48
Equipment rental	46	48
Archiving	27	23
Miscellaneous	25	56
Meeting expenses	13	14
Library services	6	26
Office rental and related expenses	-	27
	$4,443	**$5,172**

14. 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.

(ii) Interest rate sensitivity gap

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

	Effective Rate	Up to One Year	Two to Five years	Over Five years	Non-Interest Bearing	Total
	%	$'000	$'000	$'000	$'000	$'000
Year ended September 30, 2018						
Financial assets						
Investments	1.35 - 8.03	1,441,017	821,717	887,294	36,350	3,186,378
Cash and cash equivalents	0 - 2.50	66,502	-	-	-	66,502
Other financial assets		1,476	361	-	38,047	39,884
		1,508,995	822,078	887,294	74,397	3,292,764
Financial liabilities						
Other financial liabilities		214	-	-	1,010	1,224
Net gap		**1,508,781**	**822,078**	**887,294**	**73,387**	**3,291,540**
Cumulative gap		**$1,508,781**	**$2,330,859**	**$3,218,153**	**$3,291,540**	

14. Financial Risk Management (continued)

Financial risk factors (continued)

(a) Interest rate risk (continued)

(ii) Interest rate sensitivity gap (continued)

	Effective Rate	Up to One Year	Two to Five years	Over Five years	Non-Interest Bearing	Total
	%	$'000	$'000	$'000	$'000	$'000
Year ended September 30, 2017						
Financial assets						
Investments	1.33 - 12.25	656,289	1,288,775	900,861	28,794	2,874,719
Cash and cash equivalents	0 - 2.05	6,384	-	-	112,370	118,754
Other financial assets		5	403	-	38,416	38,824
		662,678	1,289,178	900,861	179,580	3,032,297
Financial liabilities						
Other financial liabilities		194	-	-	2,054	2,248
Net gap		**662,484**	**1,289,178**	**900,861**	**177,526**	**3,030,049**
Cumulative gap		**$662,484**	**$1,951,662**	**$2,852,523**	**$3,030,049**	**$-**

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.

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 fulfil 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 minimizing 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 are due within the next six months and are not considered material for disclosure purposes.

14. 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 recognized 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:

	2018 $'000	2017 $'000
United States Dollars	207	232

(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 minimize human error.

(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 endeavors 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 per depositor, in each right and capacity, in each institution.

14. Financial Risk Management (continued)

Financial risk factors (continued)

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

As at September 30, 2018, there were 24-member institutions with total eligible deposits estimated at $82.1 billion (2017: $82.5 billion), of which the Corporation covered at a flat rate of 0.2% (2017: 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.

15. 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 2.6 (iii).

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 categorization from the prior year.

15. 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.

	Level1	Level2	Level3
	$'000	$'000	$'000
As at September 30, 2018			
Investments – equities	36,350	-	-
As at September 30, 2017			
Investments – equities	28,794	-	-

The following financial instruments were not measured at fair value.

	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
	$'000	$'000	$'000	$'000	$'000
As at September 30, 2018					
Held-to-maturity investments	-	2,764,603	-	2,764,603	3,150,028
As at September 30, 2017					
Held-to-maturity investments	-	2,549,157	-	2,549,157	2,845,925

As at the reporting date, the fair value of the held-to-maturity investments is 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.

16. Classification of Financial Assets and Financial Liabilities

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

	FVOCI		Amortised	
	Equity	**FVTPL**	**Cost**	**Total**
Year ended September 31, 2018	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Cash and cash equivalents	-	-	66,502	66,502
Investments	36,350	-	3,150,028	3,186,378
Liquidation advances recoverable	-	-	852	852
Accounts receivable	-	-	39,032	39,032
Total financial assets	36,350	-	3,256,414	3,292,764
Liabilities				
Balance due to Central Bank	-	-	3	3
Accounts payable	-	-	1,221	1,221
Total financial liabilities	-	-	1,224	1,224

	Equity	**FVTPL**	**Cost**	**Total**
Year ended September 31, 2017	**$'000**	**$'000**	**$'000**	**$'000**
Assets				
Cash and cash equivalents	-	-	118,754	118,754
Investments	28,794	4,284	2,841,641	2,874,719
Liquidation advances recoverable	-		947	947
Accounts receivable	-		37,877	37,877
Total financial assets	28,794	4,284	2,999,219	3,032,297
Liabilities				
Balance due to Central Bank	-	-	1	1
Accounts payable	-	-	2,247	2,247
Total financial liabilities	-	-	2,248	2,248

17. Subsequent events

Management has evaluated the possibility of subsequent events existing in the Corporation's financial statements from October 1, 2018 through December 13, 2018 the date the financial statements were available to be issued. Management has determined that there are no material events that would require adjustment or disclosure in the Corporation's financial statement.