Deposit Insurance Corporation

Audited Financial Statements

For the year ended September 30, 2019

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For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

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Deposit Insurance Corporation

Statement of Management's responsibility
For the year ended September 30, 2019
(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, 2019, 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 the 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 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
General Manager
December 19, 2019

Stanley Gomes
Head of Corporate Services and Finance
December 19, 2019

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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, 2019, 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, 2019, 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 19, 2019

Port of Spain,
Trinidad, West Indies

Deposit Insurance Corporation

Statement of Financial Position
As at September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 $'000	2018 $'000
Assets			
Property and equipment	5	21,840	22,326
Intangible assets	5	215	291
Investments	6	3,537,367	3,224,420
Liquidation advances recoverable		18	852
Accounts receivable	7	1,076	990
Cash and cash equivalents	8	11,157	66,502
Total assets		**$3,571,673**	**$3,315,381**
Equity and liabilities			
Equity			
Stated capital	9	1,000	1,000
Revaluation reserve		5,736	10,461
Deposit Insurance Fund		3,563,691	3,302,696
Total equity		**3,570,427**	**3,314,157**
Liabilities			
Balance due to Central Bank	10	1	3
Accounts payable		1,245	1,221
Total liabilities		**1,246**	**1,224**
Total equity and liabilities		**$3,571,673**	**$3,315,381**

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

On December 19, 2019, the Board of Management of Deposit Insurance Corporation authorized these financial statements for issue.

Chairman

Dexter Jaggernauth.
Director

Deposit Insurance Corporation

Statement of Comprehensive Income
For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 $'000	2018 $'000
Income			
Interest income		108,181	97,672
Initial contributions and annual premia		163,604	163,061
Dividends		3,125	625
Liquidation/receivership fees		35	203
Other income		172	4,588
Total income		**275,117**	**266,149**
Expenses			
Staff costs	12	(8,272)	(7,477)
General and administrative	13	(4,851)	(4,405)
Depreciation and amortization		(999)	(977)
Total expenses		**(14,122)**	**(12,859)**
Net income		**260,995**	**253,290**
Other comprehensive (loss)/income			
(Decrease)/increase in unrealized gain on investments		(4,725)	7,556
Total comprehensive income for the year		**$256,270**	**$260,846**

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, 2019
(Expressed in Trinidad and Tobago Dollars)

	Stated capital $'000	Revaluation reserve $'000	Deposit insurance fund $'000	Total equity $'000
Year ended September 30, 2019				
Balance as at October 1, 2018	1,000	10,461	3,302,696	3,314,157
Net income	-	-	260,995	260,995
Other comprehensive loss	-	(4,725)	-	(4,725)
Balance as at September 30, 2019	**$1,000**	**$5,736**	**$3,563,691**	**$3,570,427**
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**

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

Statement of Cash Flows

For the year ended September 30, 2019
(Expressed in Trinidad and Tobago Dollars)

	2019 $'000	2018 $'000
Cash flows from operating activities		
Net income for the year	260,995	253,290
Adjustments for:		
Depreciation and amortisation	998	977
(Gain)/loss on disposal of property and equipment	(39)	46
Loss on write off of property and equipment	22	-
Interest income and dividends	(111,306)	(98,297)
Operating surplus before working capital changes	150,670	156,016
Decrease in liquidation advances recoverable	834	95
(Increase)/decrease in accounts receivable	(86)	9,764
(Decrease)/increase balance due to Central Bank	(2)	2
Increase/(decrease) accounts payable	24	(1,026)
Net cash generated by operating activities	**151,440**	**164,851**
Cash flows from investing activities		
Interest and dividends received	102,585	87,378
Purchase of fixed deposits	-	(5,153)
Proceeds from maturity of fixed deposits	5,153	5,000
Purchase of government treasury bills	(675,156)	(1,038,267)
Proceeds from maturity of government treasury bills	890,474	470,632
Purchase of government treasury notes	(127,552)	(13)
Proceeds from maturity of government treasury notes	515,561	267,986
Purchase of corporate bonds	-	(8,801)
Proceeds from maturity of corporate bonds	37,140	35,755
Purchase of government bonds – local	(1,134,868)	(302,197)
Proceeds from maturity of government bonds	180,297	270,955
Additions to property and equipment and intangible assets	(477)	(378)
Proceeds from disposal of property and equipment	58	-
Net cash used in investing activities	**(206,785)**	**(217,103)**
Net decrease in cash and cash equivalents	(55,345)	(52,252)
Cash and cash equivalents as at beginning of year	66,502	118,754
Cash and cash equivalents as at end of year	**$11,157**	**$66,502**

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 (the "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

The Corporation adopted IFRS 9 and IFRS 15 with a transition date of October 1, 2018. There were no material changes to these financial statements resulting from the adoption of these two new standards.

(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 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.

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)

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 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.

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.

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.

2.4 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. The method of depreciation on buildings is the straight-line method. Land is not depreciated.

2. Significant accounting policies (continued)

2.4 Property and equipment (continued)

Depreciation (continued)

The rates used are as follows:

	Rate	Method
Buildings	2%	Straight line
Buildings improvements	2%	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 the 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.

2.6 Financial instruments

Under IFRS 9 effective for the year ended September 30, 2019

(i) *Financial assets*

The Corporation has adopted IFRS 9, effective October 1, 2018, and classifies its financial assets based on the following business models:

- Held for trading
- Hold to collect and sell or
- Hold to collect

Based on the Corporation's business model, financial assets are classified into the following categories:

2. Significant accounting policies (continued)

2.6 Financial instruments

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(i) *Financial assets (continued)*

- *Amortized cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not recognised at fair value through profit and loss (FVPL) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 15. Interest income from these financial assets is included in the statement of comprehensive income using the effective interest rate method.

- *Fair value through other comprehensive income (FVOCI)*

  At initial recognition, the Corporation made an irrevocable election to present subsequent changes in the fair value of its investments in equity instruments in other comprehensive income, as they are not held for trading. Dividends are recognised in profit or loss only when the Corporation's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the Corporation, and the amount of the dividend can be measured reliably.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

a) The cash flow characteristics of the asset, and

b) The Corporation's business model for managing the asset

Corporation's business model

The business model reflects how the Corporation manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Corporation's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows from the sale of assets.
- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel
- Management identification of and response to various risks, which includes but not limited to liquidity risk, market risk, credit risk and interest rate risk.
- How managers are compensated e.g. if compensation is based on the fair value of assets managed or contractual cash flows collected.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(i) *Financial assets (continued)*

Corporation's business model (continued)

Arising out of the assessment, the Corporation's debt portfolio was deemed to have the 'hold to collect' business model.

The Corporation reclassifies debt instruments when, and only when, it's business model for managing those assets changes. The classification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Solely payments of principal and interest (SPPI)

Where the business model is to hold assets to collect contractual cash flows the Corporation assesses whether flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Corporation considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit and loss.

Recognition/de-recognition of financial assets

All purchases and sales of financial assets are recognised on the trade date - the date on which the Corporation commits to purchase or sell the financial asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Corporation has transferred substantially all risks and rewards of ownership.

(ii) Impairment

The Corporation assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The Corporation recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(iii) Expected credit loss measurement

IFRS 9 outlines a 'three-stage' mode for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Corporation.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit- impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(initial Recognition)	**(Significant increase in credit risk)**	**(Credit - impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

(iv) Significant increase in credit risk (SICR)

The Corporation considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met.

Criteria	Investment Grade Portfolio	Single "B" Speculative Grade Portfolio
Absolute Measure	PD- 15% or higher	PD -25% or higher
AND	AND	AND
Relative Measure	One notch downgrade (investment securities rating scale)	One Notch downgrade (investment securities rating scale)

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(iv) Significant increase in credit risk (SICR) (continued)

The Corporation has used the low credit risk exemption for all of its financial instruments as at the year ended September 30, 2019. The Corporation considers the following characteristics to be low credit risk:

- Direct Government instruments
- Government guaranteed instruments
- Investments with a minimum long term investment grade rating:
  - BBB (Standard and Poor's)
  - BBB (Fitch Ratings)
  - Baa2 (Moody's)
  - CariAA(+/-) (CariCRIS)

(v) Definition of default and credit-impaired assets

The Corporation defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower formally files for bankruptcy or there is a commencement of foreclosure proceedings.
- The obligation is classified as doubtful or worse as per the Corporation's classification process.
- A modification to the terms and conditions of the original agreement that would not normally be considered is executed
- Restructure proceedings or an indication of the intention to restructure is initiated by the issuer.

The criteria above have been applied to all financial instruments held by the Corporation and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), throughout the Corporation's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(vi) Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per-Definition of default and credit-impaired above), either over the next 12 months (12M PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Corporation expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Corporation's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of the claim and product type, while the availability of collateral is factored before LGD is considered. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the debt instrument.

The ECL is determined by multiplying the PD, LGD and EAD after taking into consideration the discounted present value of the EAD and collateral enhancements. The EAD is determined by reducing the outstanding balance from the discounted collateral value. The cost of disposal of the collateral item is factored together with the time frame for disposal before discounting to present values. The discount rate used in the ECL calculation is the original effective interest rate.

The EAD is considered as follows:

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12 month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is calculated by taking the current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on an analysis of the product's usage over a two-year period.
- The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post-default.

The Investments PDs are taken from the transaction matrices of Standard and Poor's, Fitch Ratings, Moody's and CariCRIS.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IFRS 9 effective for the year ended September 30, 2019 (continued)

(vii) Forward-looking information incorporated in the ECL models

The calculation of ECL incorporates forward-looking information. The Corporation has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

The most significant assumption affecting the ECL allowance for the investment portfolio is GDP-given the significant impact on Corporation performance and collateral valuations.

(viii) Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include the balance due to Central Bank and accounts payable. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

(ix) Determination of fair value

For financial instruments traded in an active market, the determination of fair values of financial assets and liabilities is based on quoted market prices or dealer price quotations.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and these prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

Indicators that a market is inactive are when there is a wide bid-offer spread or a significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques using input existing at year-end.

The Corporation uses an internally developed model which is generally consistent with other valuation models used in the industry. Valuation models are used to value unlisted debt securities and other debt securities for which the market has become or is illiquid. Some of the inputs of this model may not be market observable and are therefore based on assumptions.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018.

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)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018.

(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 derecognition 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:

a. the consideration received (including any new asset obtained less any new liability assumed); and
b. 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)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018 (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.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018 (continued)

(vii) Determination of fair value (continued)

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

- The 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.

2. Significant accounting policies (continued)

2.6 Financial instruments (continued)

Under IAS 39 effective for periods up to and including the year ended September 30, 2018 (continued)

(viii) Impairment of financial assets (continued)

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.

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 is 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 Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is adjusted to reflect the revised estimate.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

2. Significant accounting policies (continued)

2.7 Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro-rata basis.

2.8 Other assets

Other assets are generally measured at amortised cost.

2.9 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.

2.10 Stated Capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.11 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.

2.12 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.

2. Significant accounting policies (continued)

2.12 Revenue recognition (continued)

(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.

2.13 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.

2.14 Expenses

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

2.15 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.

2.16 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 leases are classified as operating leases or finance leases.

(ii) Which depreciation method for property and equipment is used and in determining whether future economic benefits can be derived from expenditures to be capitalized.

(iii) Whether the Deposit Insurance Fund is adequate to meet unexpected loss from non-viability or insolvency of a policyholder.

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 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

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, 2019. 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.

		2019 $'000	**2018 $'000**
(A)	Total value of assets at closure of Financial Institutions	6,148,206	6,148,206
(B)	Total subsequent realisations	6,571,018	6,516,671
(C)	Total liabilities at closure of Financial Institutions	(12,072,221)	(12,072,221)
(D)	Total additional liabilities incurred	(2,595,544)	(2,592,933)
(E)	Total subsequent payments	9,914,810	9,622,656
(F)	Outstanding liabilities at year end	$(4,752,955)	$(5,042,498)

5. Property and equipment, and Intangible assets

	Land and buildings $'000	Building improvements $'000	Motor vehicles $'000	Furniture and fixtures $'000	Office equipment $'000	Computer equipment $'000	Work in progress $'000	Property and equipment $'000	Intangible assets $'000
For the year ended September 30, 2019									
Cost									
Balance as at October 1, 2018	15,859	4,585	743	1,217	2,373	1,381	-	26,158	5,954
Additions	-	-	240	5	33	182	-	460	17
Write off	-	-	-	-	(105)	-	-	(105)	-
Disposals	-	-	(229)	-	-	-	-	(229)	-
Balance as at September 30, 2019	**15,859**	**4,585**	**754**	**1,222**	**2,301**	**1,563**	**-**	**26,284**	5,971
Accumulated depreciation									
Balance as at October 1, 2018	693	207	434	597	991	910	-	3,832	5,663
Depreciation for the year	173	93	134	61	211	233	-	905	93
Write off	-	-	-	-	(83)	-	-	(83)	-
Disposals	-	-	(210)	-	-	-	-	(210)	-
Balance as at September 30, 2019	**866**	**300**	**358**	**658**	**1,119**	**1,143**	**-**	4,444	5,756
Net book value as at September 30, 2019	**$14,993**	**$4,285**	**$396**	**$564**	**$1,182**	**$420**	**-**	**$21,840**	**$215**
For the year ended September 30, 2018									
Cost									
Balance 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									
Balance 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)	-
Balance 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**

6. Investments

	2019 $'000	2018 $'000
Amortized cost (2018: Held-to-maturity)		
Current		
Deposits	-	5,175
Government treasury bills	564,785	780,945
Government treasury notes	1,798	520,003
Government bonds	757,597	135,658
Corporate bonds	7,352	25,115
	1,331,532	1,466,896
Non-current		
Government treasury notes	147,538	20,159
Government bonds	1,922,687	1,578,418
Corporate bonds	103,985	122,597
	2,174,210	1,721,174
	3,505,742	3,188,070
Fair value through other comprehensive income (2018: Available-for-sale)		
Equities	31,625	36,350
	31,625	36,350
	$3,537,367	**$3,224,420**

7. Accounts receivable

	2019 $'000	2018 $'000
Prepayments	440	246
Loan receivable	278	355
Other receivables	358	389
	$1,076	**$990**

8. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash held at the Central Bank of Trinidad and Tobago	5,581	60,761
Cash held at other financial institutions	5,552	5,739
Cash on hand	24	2
	$11,157	**$66,502**

9. Stated 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.

	2019 $'000	2018 $'000
Transactions with the Central Bank of Trinidad and Tobago		
Balance as at October 1, 2018	(3)	(1)
Personnel and administration expenses reimbursable to the Central Bank of Trinidad and Tobago	(6)	(13)
Reimbursements made by the Corporation	8	11
Balance as at September 30, 2019	**$(1)**	**$(3)**
Key management personnel compensation		
Short-term employee benefits	2,379	2,333
Post-employment benefits	143	128
	$2,522	**$2,461**

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, 2019 were $298,146 (2018: $384,823).

12. Staff costs

	2019 $'000	2018 $'000
Salaries and overtime	5,390	4,900
Staff allowances	1,278	1,266
Gratuity	402	-
Directors' fees	324	320
Pension contributions (Note 11)	298	385
National Insurance contributions	268	284
Staff benefits	156	185
Medical and workmen compensation insurance	156	137
	$8,272	**$7,477**
Number of employees	21	21

13. General and administrative expenses

	2019 $'000	2018 $'000
Information technology	694	502
Professional fees	688	976
Security services	655	682
Repairs and maintenance	626	457
Conferences and official visits	544	331
Public relations and advertising	317	74
Training and education	273	307
Janitorial services	252	260
Utilities	203	193
Telecommunications	138	120
International Association of Deposit Insurers membership fees	121	124
Printing and stationery	86	94
Motor vehicle repairs and maintenance	58	81
Property services	56	56
Equipment rental	46	46
Meeting expenses	31	13
Loss on disposal of property and equipment	22	69
Archiving	20	27
Miscellaneous	15	(13)
Library services	6	6
	$4,851	**$4,405**

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 $'000	Two to five years $'000	Over five years $'000	Non-interest bearing $'000	Total $'000
Year ended September 30, 2019						
Financial assets						
Investments	1.06-12.25	1,331,532	740,598	1,433,612	31,625	3,537,367
Cash and cash equivalents	0-2.5	11,157	-	-	-	11,157
Other financial assets		-	-	-	654	654
		1,342,689	740,598	1,433,612	32,279	3,549,178
Financial liabilities						
Other financial liabilities		-	-	-	1,246	1,246
Net gap		**$1,342,689**	**$740,598**	**$1,433,613**	**$31,032**	**$3,547,932**
Cumulative gap		**$1,342,689**	**$2,083,287**	**$3,516,900**	**$3,547,932**	**$-**

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, 2018						
Financial assets						
Investments	1.06-12.25	1,479,059	821,717	887,294	36,350	3,224,420
Cash and cash equivalents	0-2.5	66,502	-	-	-	66,502
Other financial assets		-	-	-	1,596	1,596
		1,545,561	821,717	887,294	37,946	3,292,518
Financial liabilities						
Other financial liabilities		-	-	-	1,224	1,224
Net gap		**$1,545,561**	**$821,717**	**$887,294**	**$36,722**	**$3,291,294**
Cumulative gap		**$1,545,561**	**$2,367,278**	**$3,254,572**	**$3,291,294**	**$-**

The Corporation is not subject to significant interest rate changes as interest rates are fixed on investments at amortised cost (2018: held to maturity). Therefore, changes in interest rates will not have a significant impact on the Corporation.

(b) Credit risk

Credit risk arises when a failure by counterparties 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 may be 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:

	2019 $'000	**2018 $'000**
United States Dollars	$1,180	$1,402

(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 risks.

(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 endeavours to engender trust and minimize this risk.

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

The Corporation's capital comprises stated 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, 2019, there were 24-member institutions with total eligible deposits estimated at $82 billion (2018: $82.1 billion), of which the Corporation covered at a flat rate of 0.2% (2018: 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 (vii).

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

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

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

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at September 30, 2019				
Investments – equities	$31,625	-	-	$31,625
As at September 30, 2018				
Investments – equities	$36,350	-	-	$36,350

The following financial instruments were not measured at fair value.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value $'000	Carrying amount $'000
As at September 30, 2019					
Investments at amortised cost	$-	$3,573,715	$-	$3,573,715	$3,505,742
As at September 30, 2018					
Investments at amortised cost	$-	$2,764,603	$-	$2,764,603	$3,188,070

16. Classification of financial assets and financial liabilities

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

	Fair value through other comprehensive income $'000	Amortised cost $'000	Total $'000
Year ended September 30, 2019			
Assets			
Investments	31,625	3,505,742	3,537,367
Liquidation advances recoverable	-	18	18
Accounts receivable	-	636	636
Cash and cash equivalents	-	11,157	11,157
Total financial assets	$31,625	$3,517,553	$3,549,178
Liabilities			
Balance due to Central Bank		1	1
Accounts payable		1,245	1,245
Total financial liabilities	-	$1,246	$1,246
Year ended September 30, 2018			
Assets			
Investments	36,350	3,188,070	3,224,420
Liquidation advances recoverable	-	852	852
Accounts receivable	-	744	744
Cash and cash equivalents	-	66,502	66,502
Total financial assets	$36,350	$3,256,168	$3,292,518
Liabilities			
Balance due to Central Bank	-	3	3
Accounts payable	-	1,221	1,221
Total financial liabilities	$-	$1,224	$1,224

17. Reclassifications

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. The following are the details of the changes made to the comparative information.

Area	As previously reported $'000	Reclassifications $'000	2018 reclassified $'000
Investments	3,186,378	38,042	3,224,420
Accounts receivable	39,032	(38,042)	990
Staff costs	(7,439)	(38)	(7,477)
General and administrative	(4,443)	38	(4,405)

18. Subsequent events

Management has evaluated the possibility of subsequent events existing in the Corporation's financial statements from October 1, 2019, through December 19, 2019, 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.