

First Citizens Tax Advantage Plus

Financial Statements

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

First Citizens Tax Advantage Plus

Contents	Page
Statement of Trustee's Responsibilities	1
Independent Auditor's Report	2 - 3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 42

First Citizens Tax Advantage Plus

Statement of Trustee's Responsibilities

The Trustee is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of The First Citizens Tax Advantage Plus ("The Plan"), which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income and changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the Plan 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 Plan's assets, detection/prevention of fraud, and the achievement of the Plan'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, the Trustee 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, the Trustee chose those considered most appropriate in the circumstances.

Nothing has come to the attention of the Trustee to indicate that the Plan 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.

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


30 April 2019

Trustee


30 April 2019

Trustee



Independent Auditor's Report

To the Trustee of
First Citizens Tax Advantage Plus

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of First Citizens Tax Advantage Plus (the Plan) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Plan's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Independence

We are independent of the Plan in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of trustee for the financial statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Trustees determine 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, the Trustee's responsible for assessing the Plan'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 the Trustee either intend to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report (Continued)

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.

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 Plan'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 the Trustee'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 Plan'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 Plan 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.



Port of Spain,
Trinidad, West Indies
30 April 2019

First Citizens Tax Advantage Plus

Statement of financial position


(Expressed in Trinidad and Tobago Dollars)

		As at 31 December	
		2018	2017
		\$	\$
	Notes		
Assets			
Financial assets			
- Fair value	4a	28,463,026	91,989,435
- Amortised cost	4b	59,793,185	---
Income receivable		782,621	699,045
Cash and cash equivalents	5	3,956,014	3,631,343
Total assets		<u>92,994,846</u>	<u>96,319,823</u>
Liabilities			
Due to related parties	6	7,849,115	9,211,267
Other payables	7	346,567	127,746
Members' balances	8	80,203,881	78,149,864
Total liabilities		<u>88,399,563</u>	<u>87,488,877</u>
Equity			
Investment revaluation reserve		--	8,405,882
Retained surplus		4,595,283	425,064
Total capital and reserves		<u>4,595,283</u>	<u>8,830,946</u>
Total liabilities, capital and reserves		<u>92,994,846</u>	<u>96,319,823</u>

The notes on pages 8 to 42 are an integral part of these financial statements.

On 30 April 2019, the Trustee of First Citizens Tax Advantage Plus authorised these financial statements for issue.

 Trustee

 Trustee

First Citizens Tax Advantage Plus

Statement of comprehensive income

(Expressed in Trinidad and Tobago Dollars)

		Year ended 31 December	
		2018 \$	2017 \$
	Notes		
Income			
Net investment income	9	3,588,815	3,576,728
Realised gain on sale of financial assets		81,302	--
Other income		33	--
Foreign exchange gains		961	1
Total net income		<u>3,671,111</u>	<u>3,576,729</u>
Expenses			
Fees	10	(1,756,973)	(1,648,245)
Net unrealised losses on financial assets at fair value through profit and loss		(1,351,357)	--
Insurance expense		(203,977)	(219,588)
Audit fees		(149,931)	(72,457)
Other expenses		(2,538)	(84,281)
Impairment loss on financial assets		(25,246)	--
Total expenses		<u>(3,490,022)</u>	<u>(2,024,571)</u>
Operating profit for the year		<u>181,089</u>	<u>1,552,158</u>
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Unrealised gains on revaluation of financial assets at fair value through other comprehensive income		--	2,019,135
Total comprehensive income for the year		<u>181,089</u>	<u>3,571,293</u>

The notes on pages 8 to 42 are an integral part of these financial statements.

First Citizens Tax Advantage Plus

Statement of changes in equity

(Expressed in Trinidad and Tobago Dollars)

	Retained surplus \$	Investment revaluation reserve \$	Total \$
Year ended 31 December 2018			
Balance at beginning of year as previously reported	425,064	8,405,882	8,830,946
Net impact on adoption of IFRS 9 (Note 2.1)	5,329,826	(8,405,882)	(3,076,056)
Revised balance at beginning of year	5,754,890	--	5,754,890
Comprehensive income:			
Operating profit for the year	181,089	--	181,089
Total comprehensive income	181,089	--	181,089
Transactions with members:			
Income credited to members	(1,340,696)	--	(1,340,696)
Total transactions with members	(1,340,696)	--	(1,340,696)
Balance at end of the year	4,595,283	--	4,595,283
Year ended 31 December 2017			
Balance at beginning of year	(10,125)	6,386,747	6,376,622
Comprehensive income:			
Operating profit for the year	1,552,158	--	1,552,158
Other comprehensive income for the year	--	2,019,135	2,019,135
Total comprehensive income	1,552,158	2,019,135	3,571,293
Transactions with members:			
Income credited to members	(1,116,969)	--	(1,116,969)
Total transactions with members	(1,116,969)	--	(1,116,969)
Balance at end of the year	425,064	8,405,882	8,830,946

The notes on pages 8 to 42 are an integral part of these financial statements.

First Citizens Tax Advantage Plus

Statement of cash flows

(Expressed in Trinidad and Tobago Dollars)

	Year ended 31 December	
	2018	2017
	\$	\$
Cash flows from operating activities		
Operating profit for the year	181,089	1,552,158
Unrealised losses on financial assets at fair value through profit and loss	1,351,357	--
Impairment loss on financial assets	25,246	--
Realised gain on sale of financial assets	(81,302)	--
Net change in receivables	(83,576)	(23,549)
Net change in due to related parties	(1,362,152)	737,941
Net change in other payables	218,821	(269,125)
Purchase of financial assets	(5,442,808)	(5,842,703)
Proceeds from disposal of equities	470,231	--
Proceeds from maturities/principal repayments of debt securities	4,334,445	3,067,420
Net cash used in operating activities	<u>(388,649)</u>	<u>(777,858)</u>
Cash flows from financing activities		
Contributions	8,396,291	9,854,479
Withdrawals	(7,682,971)	(7,364,662)
Net cash generated from financing activities	<u>713,320</u>	<u>2,489,817</u>
Net increase in cash and cash equivalents	324,671	1,711,959
Cash and cash equivalents at the beginning of the year	<u>3,631,343</u>	<u>1,919,384</u>
Cash and cash equivalents at the end of the year	<u><u>3,956,014</u></u>	<u><u>3,631,343</u></u>

The notes on pages 8 to 42 are an integral part of these financial statements.

First Citizens Tax Advantage Plus

Notes to the Financial Statements

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

1 Description of the Plan

The following brief description of The First Citizens Tax Advantage Plus (formerly First Citizens Bank Retirement Provider), (the "Plan") is provided for general information purposes only. Reference should be made to the Trust Deed and Rules of the Plan for more complete information.

General information

The First Citizens Tax Advantage Plus (formerly First Citizens Bank Retirement Provider) is a deferred annuity plan, approved by the Board of Inland Revenue (BIR) of Trinidad and Tobago under Section 28 of the Income Tax Act and registered with the Trinidad and Tobago Securities and Exchange Commission as a Collective Investment Scheme in accordance with section 62 (8) of the Securities Act, 2012 (SA 2012). The Plan commenced on 1 March 1999 and is governed by the Trust Deed and Rules executed on 13 November 1997, amended on 18 September 1998, 14 December 1998 and 9 February 2004. The Plan's main objective is to provide investors with supplemental retirement income by investing over the long term. Investors ("members") contribute periodically for the purpose of providing an annuity for life commencing at the maturity date, which is a date not prior to the member's 50th birthday. In 2003, the Plan changed its year end from 30 September to 31 December.

On 27 November 2015, a Supplemental Trust Deed containing an Amended and Restated Trust Deed and Rules was executed with effect from 1 December 2015. The name of the Plan changed from First Citizens Bank Retirement Provider to First Citizens Tax Advantage Plus. There were no changes in the Amended and Restated Trust Deed and Rules which alter the operations of the Plan. Apart from the change in name, the amendments were executed primarily to consolidate changes made over the life of the Plan through numerous supplemental Trust Deeds, to align the document to reflect best practice disclosure and the changes to the Income Tax Act and to clarify areas of ambiguity in the language within the previous governing documents of the Plan.

The address of its registered office is #45 Abercromby Street, Port of Spain.

Contributions

Members make contributions to the Plan in accordance with the respective contract of each individual member, on a monthly, quarterly or otherwise basis. A member may invest additional contributions, however, the amount must be greater than \$300. Contributions to the Plan are tax deductible. No contributions shall be payable by the member under this Plan after the maturity date.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

1 Description of the Plan (continued)

Income credited to members

In accordance with the terms of the Trust Deed and Rules, income is credited to each member's account on an annual basis. By 31 January in each financial year, the Trustee declares a rate of income to be credited to the member's account as at 31 December of the preceding financial year. Prior to 9 February 2004, the Plan guaranteed a minimum rate of interest every year and this was declared no later than 20 December in each financial year to be credited to the member's account in the following financial year.

Withdrawals

Withdrawals of contributions can be made under special circumstances as laid out in the Trust Deed and Rules. Under some circumstances, these withdrawals are subject to tax. The Plan ensures that the applicable taxes are remitted to the BIR.

Benefits upon maturity

Upon maturity, the member terminates his/her relationship with the Plan and uses his/her contributions plus accumulated income credited to purchase an annuity of the member's choice. This annuity provides pension payments for the member. Alternatively, members may elect to take a cash payment not exceeding 25% of the contributions together with all or part of the income and an annuity provided with the balance of the accumulation.

Benefits upon death of a member

If a member dies before the maturity date of the contract, a return of the accumulation of contributions and income credited plus a life insurance benefit will be paid to the nominated beneficiary. This insurance benefit is an additional feature of the Plan and represents a policy agreement between the member and an independent insurance provider. In each financial year, insurance is effected on the life of each member to the extent of the accumulation of the member's balance for the previous financial year. The insurance premiums are an expense of the Plan and the insurance benefit is paid by the insurance policy and not the Plan. This payment will be subject to tax levied by law.

Fees

First Citizens Trustee Services Limited is the Trustee of the Plan. Trustee fees are payable to the Trustee at a rate of 0.25% per annum on the average net assets of the Plan.

Effective 1 March 2018, First Citizens Portfolio and Investment Management Services Limited (formerly First Citizens Securities Trading Limited) was appointed as the Investment Manager of the Plan. This was part of a remodeling operation within the Group. First Citizens Portfolio and Investment Management Services Limited is paid up to a maximum of 2.00% per annum on the average net assets of the Plan. Prior to 1 March 2018, First Citizens Depository Services Limited (formerly First Citizens Asset Management Limited) was the Investment Manager of the Plan.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

1 Description of the Plan (continued)

Fees (continued)

Effective 1 March 2018, First Citizens Depository Services Limited was appointed Custodian of the Plan. The Custodian receives a percentage of the Investment Management fee.

Administration and distribution fees are paid to First Citizens Depository Services Limited, the administrator and the distribution agent at a rate of 0.50% and 0.25% per annum respectively on the average net assets of the Plan.

2 Summary of 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 years presented, unless otherwise stated.

a. *Basis of preparation*

The financial statements of the Plan have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of financial assets at fair value.

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

(i) *New standards, amendments and interpretations which are effective and have been adopted by the Plan*

- IAS 7 - Disclosure Initiative (Amendments effective 1 January 2017) amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- IFRS 9 - 'Financial instruments – classification and measurement' (effective 1 January 2018 and applicable to the Plan from 1 January 2018). This new standard on classification and measurement of financial assets and financial liabilities replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 was issued in November 2009 and October 2010. The completed standard was issued in July 2014

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(i) New standards, amendments and interpretations which are effective and have been adopted by the Plan (continued)

- IFRS 9 requires financial assets to be classified into two measurement categories: those measured at amortised cost and those measured at fair value. The determination is made at initial recognition. Financial assets can be classified as fair value through other comprehensive income, fair value through profit and loss and amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The additional amendment in July 2014 introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This amendment completes the IASB's financial instruments project and the Standard. The Plan has assessed and reported on the impact of IFRS 9 herein. See Note 2.1.

(ii) Standards, amendments and interpretations issued which are effective after 1 January 2018 and have been early adopted by the Plan

The Plan has not early adopted any new standards, interpretations or amendments.

(iii) Standards, amendments and interpretations issued which are effective and not relevant to the Plan

- IAS 12 Income taxes (Amendment effective 1 January 2017). Recognition of Deferred Tax Assets for Unrealised Losses. This amendment is to clarify the following aspects:
 - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or use.
 - The carrying amount of the asset does not limit the estimation of probable future taxable profits.
 - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
 - An entity assesses a deferred tax assets in combination with other deferred assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax assets in combination with other deferred tax assets of the same type.
- IFRS 2 - Classification and Measurement of Share-based Payment Transactions (Amendments effective 1 January 2018). This amendment is to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

(iii) Standards, amendments and interpretations issued which are effective and not relevant to the Plan (continued)

- IFRS 15 - Revenue from Contracts with Customers (effective 1 January 2018). This standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:
 - Identify the contract with the customer
 - Identify the performance obligations in the contract
 - Determine the transaction price
 - Allocate the transaction price to the performance obligations in the contracts
 - Recognise revenue when (or as) the entity satisfies a performance obligation.
- IFRIC 22 - Foreign currency transactions and advances consideration (Effective 1 January 2018). This IFRIC addresses foreign currency transactions or part of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provide guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- IFRIC 23 – Uncertainty over Income Tax Treatments (Effective 1 January 2018). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:
 - Whether tax treatments should be considered collectively
 - Assumptions for taxation authorities' examinations
 - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
 - The effect of changes in facts and circumstances

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

b. *Foreign currency transactions*

(i) *Functional and presentation currency*

The primary activity of the Plan is to invest in securities denominated in Trinidad and Tobago dollars. Contributions, income credited to members and withdrawals are denominated in Trinidad and Tobago dollars. The Trustee considers the Trinidad and Tobago dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Trinidad and Tobago dollars which is the Plan's functional and presentation currency. The exchange rate between the TT dollar and the US dollar as at the date of these statements was TT\$ 6.7124 = US\$ 1.00 (2017: TT\$ 6.6926 = US\$ 1.00). This rate represents the First Citizens Group midrate.

(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 foreign currency classified as 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 security. Translation differences related to changes in the amortised cost are recognised in profit.

c. *Financial assets and financial liabilities*

The Plan's financial assets and liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument.

Under IFRS 9 effective for the year ended 31 December 2018

(i) *Financial assets*

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

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

Based on the Plan's business model, there were no financial assets which met the hold to collect and sell classification. The Plan has therefore classified its assets into the following two categories:

- *Amortised 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 designated at 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 12.a.iii. Interest income from these financial assets is included in "net investment income" using the effective interest rate method.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

c. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

- Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the "statement of comprehensive income" within "Gains on investments securities" in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented in Investment Interest Income. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

• 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:

- (i) the cash flow characteristics of the asset, and
- (ii) the Plan's business model for managing the asset;

Plan's business model

The business model reflects how the Plan 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 Plan's objective is solely to collect the contractual cash flows from the assets or it to collect both the contractual cash flows and cash flows arising from the sale of the 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.
- Managements identification of and response to various risks, which includes but not limited to, liquidity risk, market risk, credit risk, interest rate risk.
- How managers are compensated for e.g. if compensation is based on fair value of assets managed or contractual cash flows collected

Arising out of the assessment the portfolios were deemed to have the business models identified as follows:

Hold to Collect	Hold to Collect & Sell	Hold for Trading
Bonds issued by or guaranteed by Government of Trinidad & Tobago (GOTT), USD Sovereign, Corporate Bonds	Not applicable for the Plan	Equity

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

c. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

The Plan reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification 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.

- *Equity instruments*

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include ordinary shares.

The Plan subsequently measures all equity investments at fair value through profit or loss, except where the Plan's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Plan's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Plan's right to receive payments is established.

Gain and losses on equity investments classified as FVPL are included in the Statement of Comprehensive Income.

Recognition/de-recognition of financial assets

All purchases and sales of financial assets are recognised on the trade date- the date on which the Plan 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 Plan has transferred substantially all risks and rewards of ownership.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

c. Financial assets and financial liabilities (continued)

(i) Financial assets (continued)

Impairment

The Plan assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The Plan 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.

(ii) Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities include member's balances, due to related parties and payables. Financial liabilities are de-recognised when they have been redeemed or otherwise extinguished (that is, when the obligation specified in the contract is discharged, cancelled or expired).

(iii) 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 regular 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 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 the year-end.

The Plan 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.

Under IAS 39 effective for periods up to and including the year ended 31 December 2017

Financial instruments

The Plan's financial assets and liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument.

Prior to 1 January 2018, the Plan's accounting for its financial asset and financial liabilities in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

Classification of financial assets

The Plan classified its investments as financial assets available-for-sale. The Trustee determined the classification of its financial assets at initial recognition. Financial assets available-for-sale are those 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.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

c. Financial assets and financial liabilities (continued)

Under IAS 39 effective for periods up to and including the year ended 31 December 2017 (continued)

Recognition/de-recognition of financial assets

All purchases and sales of financial assets available-for-sale were recognised on the trade date- the date on which the Plan committed to purchase or sell the financial asset. Financial assets available-for-sale were derecognised when the rights to receive cash flows from the financial assets have expired or the Plan had transferred substantially all risks and rewards of ownership.

Measurement of financial assets

Financial assets available-for-sale were initially recognised at fair value plus transaction costs. Subsequent to initial recognition, financial assets available-for-sale were carried at fair value.

Gains and losses arising from changes in the fair value of financial assets available-for-sale were recognised directly in other comprehensive income, until the financial asset was derecognised or impaired. When securities classified as available for sale were sold or impaired, the accumulated fair value adjustments recognised in equity were included in the income statement as 'gains and losses from financial assets'.

Impairment of financial assets

The Trustee assessed at each reporting date whether there was objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets was impaired and impairment losses are incurred only if there was 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 loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Trustee used to determine that there was objective evidence of an impairment loss included:

- (i) significant financial difficulty of the issuer or debtor;
- (ii) a breach of contract, such as default or delinquency in payments;
- (iii) it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- (iv) the disappearance of an active market for that financial asset because of financial difficulties;
- (v) observable data indicating that there was a measurable decrease in the estimated future cash flows from a group of individual assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on assets in the group.

If any such evidence of impairment existed, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – was removed from other comprehensive income and recognised in the income statement.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increased and the increase could be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss was reversed through the income statement.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

d. *Cash and cash equivalents*

Cash and cash equivalents comprise of cash in hand and deposits held at call with banks and short-term investments with original maturities of three months or less.

e. *Provisions*

Provisions are recognised when the Plan 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

f. *Members' balances*

The members' balance consists of the aggregate contributions by the Member and the net income earned by the Plan and credited to the members' account. Withdrawals of contributions can be made under restricted conditions. The members' balance is classified as a financial liability in accordance with IAS 32 and IAS 1 (Amendment), 'Presentation of financial statements - Puttable financial instruments and obligation arising on liquidation'.

g. *Interest income*

Interest income is recognised on a time-proportionate basis using the effective interest method and is included in the statement of comprehensive income. It includes interest income from cash and cash equivalents and on financial assets.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Plan estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

h. *Dividend income*

Dividend income is recognised in the profit and loss on the date on which the right to receive payment is established. For quoted equity securities. This is usually the ex-dividend date.

For unquoted equity securities, this is usually the date on which the shareholder approves the payment of a dividend. Dividend income from equity securities designated as at fair value through the profit and loss is recognised in the profit or loss in a separate line item.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2 Summary of significant accounting policies (continued)

i. *Expenses*

Expenses are accounted for on the accrual basis.

j. *Contributions and withdrawals*

Contributions and withdrawals are accounted for on the accrual basis.

k. *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the balance sheet where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

l. *Income credited to members*

Income is due when declared and this takes place during the first quarter of the financial year.

2.1 Changes in accounting policies

The Plan has adopted IFRS 9 - Financial Instruments as issued by the IASB in July 2014, with a date of transition of 1 January 2018. This resulted in changes in accounting policies and adjustments to the classification of financial assets disclosed in the financial statements.

As permitted by the transitional provisions of IFRS 9, the Plan elected not to restate comparative figures, if applicable. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transitions would have been recognised in the opening retained surplus and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeats those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 - Financial Instruments: Disclosure.

The Plan's Trustee assessed which business models apply to the financial instruments held by the Plan on 1 January 2018 and has classified its financial instruments into the appropriate IFRS 9 categories. The Plan currently holds investments in debt instruments classified as amortised cost and investments in equity classified as fair value through profit or loss (FVPL).

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2.1 Changes in accounting policies (continued)

The impact of the adoption of IFRS 9 on the Plan's financial assets and liabilities are as follows:

(a) Classification and measurement of financial instruments

	Measurement category		Carrying amount	
	Original (IAS 39)	New (IFRS 9)	Original \$	New \$
Financial assets				
Cash and cash equivalents	Amortised cost	FVPL	3,631,343	3,631,343
Income receivable	Amortised cost	Amortised cost	699,045	699,045
Financial assets - Debt	Available for sale	Amortised cost	61,786,124	58,710,068
Financial assets - Equity	Available for sale	FVPL	30,203,311	30,203,311
Financial liabilities				
Due to related parties	Amortised cost	Amortised cost	9,211,267	9,211,267
Other payables	Amortised cost	Amortised cost	127,746	127,746
Members balance	Amortised cost	Amortised cost	78,149,864	78,149,864

There were no changes in the measurement and classification of financial liabilities.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2.1 Changes in accounting policies (continued)

(b) Reconciliation of statement of financial position from IAS 39 to IFRS 9

The Plan performed a detail analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amount of the financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:-

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1 January 2018
Financial assets				
Financial assets - Debt				
Opening balance	61,786,124	--	(3,076,056)	58,710,068
Provision for impairment	--	--	--	--
Closing Balance	61,786,124	--	(3,076,056)	58,710,068
Financial assets				
Financial assets - Equity				
Opening balance	30,203,311	--	--	30,203,311
Provision for impairment	--	--	--	--
Closing Balance	30,203,311	--	--	30,203,311

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

2.1 Changes in accounting policies (continued)

(b) Reconciliation of statement of financial position from IAS 39 to IFRS 9 (continued)

The following explains how applying the new classification requirements of IFRS 9 led to changes in the classification of certain financial assets held by the Plan as shown in the table above:-

Debt instruments previously classified as available for sale

The Plan's main objective is to provide investors with supplemental retirement income by investing over the long term. The Plan's investment portfolio construction is geared towards purchasing assets which can provide healthy streams of interest income. The Plan's investments are managed primarily to obtain contractual principal and interest cash flows. Debt instruments satisfy the SPPI test and are hence classified under amortised cost.

The following table analyses the impact, net of tax, of transition to IFRS 9 on reserves and retained earnings. The impact relates to the fair value reserve and retained earnings. There is no impact on other component of equity.

	\$
Investment revaluation reserve	
Closing balance under IAS 39 as at 31 December 2017	8,405,882
Reclassification of financial assets from AFS to FVPL	(5,329,826)
Reclassification of financial assets from AFS to amortised cost	<u>(3,076,056)</u>
Opening Balance under IFRS 9 (1 January 2018)	<u> -- </u>
 Retained surplus	
Closing balance under IAS 39 as at 31 December 2017	425,064
Reclassification of financial assets - equity from AFS to FVPL	<u>5,329,826</u>
Opening Balance under IFRS 9 (1 January 2018)	<u>5,754,890</u>

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

3 Critical accounting estimates and judgements in applying accounting principles

The Plan makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

(i) *Financial assets at fair value through profit or loss*

This category comprises two sub-categories: financial assets held for trading and financial assets designated by the Plan as fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading.

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 regular 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 significant increase in the bid-offer spread or there are few recent transactions. When a market becomes inactive, the valuation technique utilised makes use of the quoted price even though the market is not active.

The fair values of financial assets that are not quoted in active markets are determined by using valuation techniques. The discounted cash flow method discounts the cash-flows of the financial assets at an appropriate yield plus a credit spread where applicable.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

The carrying amount of financial assets at fair value through profit and loss would decrease by \$2,975,656 if the discount rate used in the discounted cash flow analysis is increased by 100 basis points from management's estimates (2017: \$3,318,719).

(ii) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 12.a.iv, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued) 31 December 2018

(Expressed in Trinidad and Tobago Dollars)

4 Financial assets

a. Financial assets at fair value

	31 December	
	2018	2017
	\$	\$
Government debt securities	--	49,001,513
Corporate debt securities	--	12,784,611
Equities	28,463,026	30,203,311
	<u>28,463,026</u>	<u>91,989,435</u>

Movement

Balance at the beginning of year	91,989,435	87,195,017
IFRS 9 adjustments - reclassification FVOCI to amortised cost	(58,710,068)	--
IFRS 9 adjustments - remeasurement FVOCI to amortised cost	(3,076,056)	--
Revised opening balance	30,203,311	87,195,017
Additions	--	5,842,703
Disposal of equities	(470,230)	(3,067,420)
Net unrealised losses on revaluation of FVPL for the year	(1,351,357)	2,019,135
Realised gain on sale of financial assets	81,302	--
Balance at the end of year	<u>28,463,026</u>	<u>91,989,435</u>

b. Financial assets at amortised cost

Government debt securities	48,189,917	--
Corporate debt securities	11,603,268	--
	<u>59,793,185</u>	<u>--</u>

Movement

Balance at the beginning of year	--	--
IFRS 9 adjustments		
- reclassification from FVOCI to amortised cost	61,786,124	--
IFRS 9 adjustments		
- remeasurement FVOCI to amortised cost	(3,076,056)	--
Revised opening balance	58,710,068	--
Additions	5,442,808	--
Maturities/principal repayments	(4,334,445)	--
Impairment on amortised cost	(25,246)	--
Balance at the end of year	<u>59,793,185</u>	<u>--</u>

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

5 Cash and cash equivalents

	31 December	
	2018	2017
	\$	\$
Cash in bank	2,304,384	3,009,903
Cash equivalents	1,651,630	621,440
Total	<u>3,956,014</u>	<u>3,631,343</u>

6 Related party transactions

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

The Trustee of the Plan is First Citizens Trustee Services Limited which receives a fee based on the average net assets of the Plan.

First Citizens Portfolio and Investment Management Services Limited is the Investment Manager, of the Plan, and receives in return a fee based on the average net assets of the Plan.

First Citizens Depository Services Limited is the Custodian, Distribution Agent and Administrator of the Plan, and receives in return a fee based on the average net assets of the Plan.

First Citizens Bank Limited acts as the Bank of the Plan with a banking relationship similar to that of any non-related bank.

Balances with related parties were as follows:

	31 December	
	2018	2017
	\$	\$
Financial assets	<u>5,844,577</u>	<u>5,590,039</u>
Income receivable	<u>7,545</u>	<u>7,545</u>
Due from First Citizens Bank Limited	1,436,088	1,840,198
Due to First Citizens Depository Services Limited	<u>(9,285,203)</u>	<u>(11,051,465)</u>
Due to related parties	<u>(7,849,115)</u>	<u>(9,211,267)</u>
Cash and cash equivalents	<u>3,956,014</u>	<u>3,631,343</u>
Net Investment income	<u>151,066</u>	<u>177,384</u>

7 Other payables

Fees	185,892	2,011
Audit fees	137,943	67,500
Publication expenses	21,773	57,145
TTSEC market access fees	959	1,090
	<u>346,567</u>	<u>127,746</u>

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

8 Members' balances

	31 December	
	2018	2017
	\$	\$
Balance at beginning of year	78,149,864	74,543,078
Contributions	8,396,291	9,854,479
Withdrawals	(7,682,901)	(7,295,238)
Income credited to members	1,340,627	1,047,545
Balance at end of year	<u>80,203,881</u>	<u>78,149,864</u>

9 Net investment income

Interest	2,997,959	3,042,054
Dividends	783,252	707,711
Discount accretion	8,118	8,707
Amortisation of premiums	(200,514)	(181,744)
	<u>3,588,815</u>	<u>3,576,728</u>

10 Fees

In 2018, investment management fees of 1.00% (2017: 1.00%), administration fees of 0.50% (2017: 0.50%), distribution fees of 0.25% (2017: 0.25%) and trustee fees of 0.25% (2017: 0.25%) of the average net assets of the Plan were charged to the Plan.

Investment management	878,501	824,124
Administration	439,232	412,061
Distribution	219,620	206,030
Trustee	219,620	206,030
	<u>1,756,973</u>	<u>1,648,245</u>

11 Income credited to members

	31 December	
	2018	2017
	%	%
Rate of interest	1.75	1.75

The rate of income to be credited to members for 2018 was declared and credited in 2019.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management

The Plan's activities expose it to a variety of financial risks and those activities involve the acceptance, analysis and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business. The aim of the Investment Manager of the Plan is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Plan's financial performance.

Risk management is overseen by the Board of Directors of the Investment Manager which has delegated its responsibility to an Investment Committee that is responsible for the supervision of the fiduciary investment activities of the Investment Manager. The Investment Committee receives information on key market and economic risk events, trends and forecasts. In addition, the Plan's Investment Policy Statement identifies and defines the various financial risks faced by the Plan and sets appropriate risk limits and controls.

The most important types of financial risk are credit risk, market risk, concentration risk and liquidity risk. Market risk includes currency risk, interest rate and other price risk.

a. Credit risk

(i) Definition

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

(ii) Management of risk

Credit risk is mitigated to some extent by limiting the Plan's exposure to issuers with high credit ratings. The Plan also reduces this risk by prudent credit analysis of issuers to restrict questionable exposures in the Plan.

(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 Plan.
- 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. Please refer to note 12a vi for a description of how The Plan determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note 12.a.v for a description of how The Plan defines credit-impaired and default.
- 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. Please refer to note 3 ii for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 12.a.vi includes an explanation of how The Plan has incorporated this in its ECL models.
- 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).

Further explanation is also provided of how The Plan determines appropriate groupings when ECL is measured on a collective basis (refer to note 12.a.vi).

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

a. Credit risk (continued)

(iii) Expected credit loss measurement (continued)

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



(iv) Significant increase in credit risk (SICR)

The Plan 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- 12.5% or higher	PD -25% or lower
AND	AND	AND
Relative Measure	Credit rating reverts to level just prior being deemed and having an SICR	One Notch downgrade (internal rating scale)
OR	OR	OR
Special Consideration	No credit stop loss breaches	No credit stop loss breaches

The Plan has not used the low credit risk exemption for any financial instruments in the year ended 31 December 2018.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

a. Credit risk (continued)

(v) Definition of default and credit-impaired assets

The Plan 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 unlikelihood 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 Doubtful or worse as per The Plan'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 (investments only).

The criteria above have been applied to all financial instruments held by The Plan 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 Company'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.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

a. Credit risk (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 Plan expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, The Plan includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents The Plan's expectation of the extent of loss on a defaulted exposure. LGD varies by seniority of claim and product type, while the availability of collateral is factored before LGD is considered. A robust system for recovering on all delinquent facilities managed by specialised units ensures that early measures are taken to contain loss. The recovery on the various products managed by The Plan are recorded and this historical information is used to determine LGD. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

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 lifetime and 12-month PDs are determined differently for loans and investments. The Investments PDs are taken from the Standard & Poors (S&P) transition matrix, while the loans use the historical experience of the bank over a period, calculated using a vintage analysis methodology. 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 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. These vary by product type and are influenced by the collection strategies of the specialist units managing the process.

The Investments PDs are taken from the Standard & Poors (S&P) transition matrix.

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

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

a. Credit risk (continued)

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

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

Determination of macroeconomic scenarios and probabilities

For each sovereign, management determines a macroeconomic driver, which is statistically linked to the credit risk of that sovereign. Once this lead indicator is established, correlation analysis is conducted between this macroeconomic indicator and key sovereign credit risk metrics, where the sign and strength of correlation coefficients determine which are most significant. These (three) selected sovereign credit risk metrics are determined based on their importance as key sovereign credit rating drivers and are comprised of both fiscal and debt indicators as well as measures of external liquidity. To quantify the impact of the lead macroeconomic driver on each of the credit risk metric, OLS regression is conducted. To establish the alternative scenarios required by IFRS 9, the lead macroeconomic driver is 'shocked', such that the official forecast for each year moves up and down by a multiple of the historical standard deviation to establish a best- and worse-case. Once these new values are derived, they are inputted into the OLS regression equation for each of the key sovereign credit risk metric to quantify how credit risk changes in the alternative scenarios. These data points are used in the determination of a credit rating for the sovereign in each of the different scenarios for the forecasted period. To assign probabilities, we adopt the Standard and Poor's Transition Matrix, which is computed by comparing the issuer ratings at the beginning of a period with the ratings at the end of the period. This essentially provides us with a probability of moving from the current credit rating to the forecasted rating.

Investments

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Management judgment has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are provided by the Research & Analytics team on a periodic basis and provide the best estimate view of the economy over the next three years. After three years, to project the economic variables out for the full remaining lifetime of each instrument, a mean reversion approach has been used, which means that economic variables tend to either a long run average rate (e.g. for unemployment) or a long run average growth rate (e.g. GDP) over a period of two to five years. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base case scenario the Research & Analytics team also provided other possible scenarios along with scenario weightings. The number of other scenarios used was set with the only exception being the addition of a fourth scenario if the base and current differed. The number of scenarios and their attributes are reassessed at each reporting date. The scenario weightings are determined by a combination of statistical analysis and expert credit judgement, taking account of the range of possible outcomes each chosen scenario is representative of.

Sensitivity analysis

The most significant assumption affecting the ECL allowance for the Corporate/Commercial portfolios is: GDP-given the significant impact on Plan performance and collateral valuations.

(viii) Risk limit control and mitigation policies

The Plan structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one issuer, or groups of issuers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by issuer is laid out in the Statement of Investment Policy of the Plan. Actual exposures against limits are monitored regularly and reported to the Board of Directors through the Investment Committee of the Investment Manager.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

a. Credit risk (continued)

(ix) Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on balance sheet assets are as follows:

	31 December	
	2018	2017
	\$	\$
Maximum exposure		
Cash and cash equivalents	3,956,014	3,631,343
Financial assets	59,793,185	61,786,124
Income receivable	782,621	699,045
	<u>64,531,820</u>	<u>66,116,512</u>

The above table represents a worst case scenario of credit risk exposure to the Plan at 31 December 2018 and 31 December 2017, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on gross carrying amounts before impairment. There are no credit risk exposures relating to off-balance sheet items.

As shown above, 7.2% of the total maximum exposure is derived from cash and due from other Banks and receivables (December 2017: 6.5%); while 92.8% represents investments in other debt securities (December 2017: 93.5%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Plan resulting from both its cash and cash equivalents and receivables portfolio and its other debt securities based on the following:

- The Plan limits its exposure to issuers with high credit ratings
- The Plan performs prudent credit analysis of issuers to restrict questionable exposures to the Plan
- For December 2018, 95% (December 2017: 95%) of the investments in debt securities and other bills have at least a BBB- based on Standards & Poor's Ratings.

Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVPL):

Maximum exposure to credit risk - Financial Instruments not subject to impairment:

	31 December	
	2018	2017
	\$	\$
Financial instruments		
- Cash and due from other Banks	3,956,014	3,631,343

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

a. Credit risk (continued)

(x) Concentration of risks of financial assets with credit exposure

	Financial Institutions \$	Public Sector \$	Private Sector \$	Total \$
As at 31 December 2018				
Financial assets – debt instruments	2,650,939	48,189,917	8,952,329	59,793,185
Income receivable	15,799	603,691	163,131	782,621
Cash and cash equivalents	3,956,014	--	--	3,956,014
	<u>6,622,752</u>	<u>48,793,608</u>	<u>9,115,460</u>	<u>64,531,820</u>
As at 31 December 2017				
Financial assets - debt instruments	3,288,440	47,335,868	11,161,816	61,786,124
Income receivable	61,406	568,994	68,645	699,045
Cash and cash equivalents	3,631,343	--	--	3,631,343
	<u>6,981,189</u>	<u>47,904,862</u>	<u>11,230,461</u>	<u>66,116,512</u>

b. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

• Definition

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

• Management of risk

The majority of the Plan's assets are denominated in Trinidad and Tobago dollars with an insignificant portion denominated in United States dollars. All of the Plan's liabilities are denominated in Trinidad and Tobago dollars. The strategy is to minimise the amount of assets held in currencies other than Trinidad and Tobago dollars.

• Concentration of currency risk

The following table analyses the Plan's assets and liabilities by currency with all amounts denominated in Trinidad and Tobago dollars:

As at 31 December 2018

	TT \$	US \$	Total \$
Assets			
Financial assets	76,852,551	11,403,660	88,256,211
Income receivable	782,621	--	782,621
Cash and cash equivalents	3,952,534	3,480	3,956,014
Total assets	<u>81,587,706</u>	<u>11,407,140</u>	<u>92,994,846</u>
Liabilities			
Other payables	346,567	--	346,567
Due to related parties	7,849,115	--	7,849,115
Members' balances	80,203,881	--	80,203,881
Total liabilities	<u>88,399,563</u>	<u>--</u>	<u>88,399,563</u>
Net statement of financial position	<u>(6,811,857)</u>	<u>11,407,140</u>	

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued) 31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

b. Market risk (continued)

(i) Currency risk

• Concentration of currency risk (continued)

As at 31 December 2017

	TT \$	US \$	Total \$
Assets			
Financial assets	79,183,745	12,805,690	91,989,435
Income receivable	699,045	--	699,045
Cash and cash equivalents	3,564,803	66,540	3,631,343
Total assets	83,447,593	12,872,230	96,319,823
Liabilities			
Other payables	127,746	--	127,746
Due to related parties	9,211,267	--	9,211,267
Members' balances	78,149,864	--	78,149,864
Total liabilities	87,488,877	--	87,488,877
Net statement of financial position	(4,041,284)	12,872,230	

• Sensitivity analysis for currency risk

The table below summarizes the Plan's sensitivity to a reasonable change in the foreign exchange rate between the US Dollar and the TT Dollar with all other variables held constant on equity.

	Effect on Equity 2018 \$	Effect on Equity 2017 \$
Change in Foreign Exchange Rate		
1%	114,071	128,722
1%	(114,071)	(128,722)

(ii) Interest rate risk

• Definition

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value and future cash flows of financial assets and liabilities. Fixed interest securities expose the Plan to fair value interest rate risk. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes. Floating rate debt instruments and cash and cash equivalents expose the Plan to cash flow interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued) 31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

b. Market risk (continued)

(ii) Interest rate risk (continued)

- *Management of risk*

The Plan's fixed income assets are classified under the amortised cost category, therefore there is limited exposure to fair value interest rate risk. There may be some exposure to cashflow interest rate risk.

This risk is managed by maintaining financial assets with an appropriate mix of maturity profiles which seek to match the Plan's liability profile where possible subject to market conditions. However, if the interest environment is expected to rapidly increase over a relatively short period, assets under this category may be sold to mitigate against duration or cash flow sensitivity. Historically there has been no sale of bonds from the Plan.

- *Concentration of interest rate risk*

The table below summarises the Plan's exposure to interest rate risk. Included in the table are the Plan's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturities.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued) 31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

b. Market risk (continued)

(ii) Interest rate risk (continued)

- Concentration of interest rate risk (continued)

As at 31 December 2018

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Non- interest Bearing \$	Total \$
Assets					
Financial assets	5,728,002	25,169,869	28,895,314	28,463,026	88,256,211
Income receivable	7,824	238,804	432,108	103,885	782,621
Cash and cash equivalents	3,956,014	--	--	--	3,956,014
Total assets	9,691,840	25,408,673	29,327,422	28,566,911	92,994,846
Liabilities					
Other payables	--	--	--	346,567	346,567
Due to related parties	--	--	--	7,849,115	7,849,115
Members' balances	8,957,871	18,059,269	53,186,741	--	80,203,881
Total liabilities	8,957,871	18,059,269	53,186,741	8,195,682	88,399,563
Interest Sensitivity Gap	733,969	7,349,404	(23,859,319)	20,371,229	

As at 31 December 2017

Assets					
Financial assets available for sale	1,301,754	27,273,586	33,210,784	30,203,311	91,989,435
Income receivable	20,268	204,098	438,595	36,084	699,045
Cash and cash equivalents	3,631,343	--	--	--	3,631,343
Total assets	4,953,365	27,477,684	33,649,379	30,239,395	96,319,823
Liabilities					
Other payables	--	--	--	127,746	127,746
Due to related parties	--	--	--	9,211,267	9,211,267
Members' balances	7,923,370	17,904,714	52,321,780	--	78,149,864
Total liabilities	7,923,370	17,904,714	52,321,780	9,339,013	87,488,877
Interest sensitivity gap	(2,970,005)	9,572,970	(18,672,401)	20,900,382	

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued) 31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

b. Market risk (continued)

(ii) Interest rate risk (continued)

- Sensitivity analysis for interest rate risk

The table below summarises the Plan's sensitivity to a reasonable change in the market interest rate with all other variables held constant on operating profit, other comprehensive income and equity before income to be credited to members is considered.

	Effect on equity 2018 \$	Effect on equity 2017 \$
Change in interest rate		
-100 bps	2,975,656	3,318,719
100 bps	(2,975,656)	(3,318,719)

(iii) Other price risk

- Definition

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instruments or issuer, or factors affecting all similar financial instruments traded in the market. The Plan is affected by changing prices of equity instruments classified as fair value through profit and loss with fair value movements recognised in the statement of comprehensive income.

- Management of risk

The Plan holds financial assets that are either traded on registered exchanges or are private placements.

Market price risk is managed through a diversification of the financial assets portfolio. The managers of the Plan set prudent exposure limits among its asset classes.

The Plan's overall investment exposures are monitored on a daily basis and are reviewed quarterly by the Investment Managers.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued) 31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

c. Liquidity risk

(i) Definition

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities and redeemable units.

(ii) Management of risk

The Plan is exposed to withdrawals from members on or after the member's 50th birthday. The Plan also provides for certain other restrictions on withdrawals.

This means that the Plan invests the majority of its assets in marketable securities which can be disposed of if the need arises, while trying to match the maturity profiles of the investments with the maturity of the members' contracts.

The table below analyses the financial assets and liabilities of the Plan into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

As at 31 December 2018

	Up to 1 year \$	1 to 5 years \$	Over 5 Years \$	Total \$
Financial liabilities:				
Other payables	346,567	--	--	346,567
Due to related parties	7,849,115	--	--	7,849,115
Members' balance	8,957,871	18,059,269	53,186,741	80,203,881
Total financial liabilities	17,153,553	18,059,269	53,186,741	88,399,563
Total financial assets	38,258,752	25,408,673	29,327,421	92,994,846
Liquidity gap	21,105,199	7,349,404	(23,859,320)	4,595,283

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

c. Liquidity risk (continued)

(ii) Management of risk (continued)

As at 31 December 2017

	Up to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
Financial liabilities:				
Other payables	127,746	--	--	127,746
Due to related parties	9,211,267	--	--	9,211,267
Members' balance	7,923,370	17,904,714	52,321,780	78,149,864
Total financial liabilities	17,262,383	17,904,714	52,321,780	87,488,877
 Total financial assets	 35,192,760	 27,477,684	 33,649,379	 96,319,823
Liquidity gap	17,930,377	9,572,970	(18,672,401)	8,830,946

d. Fair value of financial assets and liabilities

(i) Financial instruments not measured at fair value

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Plan's statement of financial position at their fair value.

	Carrying value December		Fair value December	
	2018 \$	2017 \$	2018 \$	2017 \$
Financial assets				
Cash and cash equivalents	3,956,014	3,631,343	3,956,014	3,631,343
Income receivables	782,621	699,045	782,621	699,045
Financial assets – amortised cost	59,793,185	--	62,745,675	--
Financial liabilities				
Due to related parties	7,849,115	9,211,267	7,849,115	9,211,267
Other payables	346,567	127,746	346,567	127,746
Members' balances	80,203,881	78,149,864	80,203,881	78,149,864

The fair values of the Plan's financial instruments are determined in accordance with International Accounting Standard (IFRS) 9 "Financial instruments: Classification and Measurement". The fair values were determined using Level 3 inputs.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

d. Fair value of financial assets and liabilities (continued)

(i) Financial instruments not measured at fair value (continued)

The fair values of the Plan's financial instruments are determined in accordance with International Financial Reporting Standards (IFRS) 9 "Financial instruments: Classification and Measurement". The fair value above was determined using level 3 inputs.

Financial instruments where carrying value is equal to fair value

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values. Financial instruments where carrying value is approximately equal to fair value include cash and cash equivalents and receivables.

Financial assets measured as amortised cost (hold to collect)

Fair value for amortised cost assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using a discounted cash flow valuation methodology where all cash-flows of the instruments are discounted at an appropriate yield plus a credit spread where applicable. The fair value of the amortised cost portfolio is computed for disclosure purposes only. There are no observable prices for these instruments and as such they are considered level 3 instruments.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

d. Fair value of financial assets and liabilities (continued)

(ii) Financial instruments not measured at fair value (continued)

Due to related parties

This amount represents the estimated fair value of the future expected cash flows to be paid to related parties. Level 3 inputs have been used in coming to management's estimate of the fair value of these instruments.

Other payables

This amount represents the estimated fair value of the future expected cash flows to be paid. Level 3 inputs have been used in coming to management's estimate of the fair value of these instruments.

Members' balances

This amount represents contributions and interest payable to members. The fair value of these balances is equal to its carrying value as such instruments are subject to floating rates of interest which reset by the Plan on a regular basis. Level 3 inputs have been used in coming to management's estimate of the fair value of these instruments.

(iii) Fair value estimation

The Plan classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes debt instruments.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

First Citizens Tax Advantage Plus

Notes to the Financial Statements (continued)

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

12 Financial risk management (continued)

d. Fair value of financial assets and liabilities (continued)

(iii) Fair value estimation (continued)

The following table analyses within the fair value hierarchy the Plan's assets as at 31 December 2018 and 31 December 2017:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 31 December 2018				
Financial assets:				
Equity	28,463,026	--	--	28,463,026
Total financial assets FVPL	<u>28,463,026</u>	<u>--</u>	<u>--</u>	<u>28,463,026</u>
As at 31 December 2017				
Financial assets:				
Government debt securities	--	49,001,513	--	49,001,513
Corporate debt securities	--	--	12,784,611	12,784,611
Equity	30,203,311	--	--	30,203,311
Total financial assets available for sale	<u>30,203,311</u>	<u>49,001,513</u>	<u>12,784,611</u>	<u>91,989,435</u>

Reconciliation of Level 3 items

	Corporate Debt Securities \$ 2018	Corporate Debt Securities \$ 2017
Opening balance	12,784,611	13,367,124
Fair value gains in other comprehensive income	--	219,430
Reclassification to amortised cost – transition to IFRS 9	(12,784,611)	--
Principal repayments/maturities	--	(801,943)
Closing balance	<u>--</u>	<u>12,784,611</u>

13 Contingencies and commitments

The Plan has no undisclosed contingent liabilities or commitments which have not been provided for in these financial statements.

14 Events after the statement of financial position date

There are no events which have taken place after the statement of financial position date up to the date of authorisation of these financial statements for issue which would affect the carrying values of the Plan's assets and liabilities at that date.