

TEACHER RETIREMENT  
INVESTMENT COMPANY  
OF TEXAS LTD.

A COMPONENT UNIT  
OF THE TEACHER  
RETIREMENT SYSTEM  
OF TEXAS

FISCAL YEAR ENDED  
AUGUST 31, 2024

# TRICOT

## 2024 TRICOT ANNUAL **FINANCIAL REPORT**

By the NUMBERS





**TRICOT**

**Teacher Retirement  
Investment Company  
Of Texas Ltd.**



**Teacher Retirement Investment Company of Texas Ltd.**

**Financial Statements**

**For the Period Ended August 31, 2024**

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Crowe LLP  
Independent Member Crowe Global

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Teacher Retirement Investment Company of Texas, Ltd.

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the Teacher Retirement Investment Company of Texas, Ltd. ("TRICOT"), a blended component unit of the Teacher Retirement System of Texas, which is a component unit of the State of Texas, as of and for the year ended August 31, 2024, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of TRICOT, as of August 31, 2024, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of TRICOT, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only TRICOT and do not purport to, and do not, present fairly the financial position of the Teacher Retirement System of Texas or the State of Texas, as of August 31, 2024, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility 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 absolute assurance and therefore

is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 TRICOT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

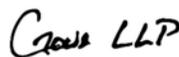
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Report on Partial Comparative Information***

We have previously audited TRICOT's 2023 financial statements, and we expressed an unmodified opinion on those respective financial statements in our report dated October 31, 2023. In our opinion, the partial comparative information presented herein as of and for the year ended August 31, 2023, is consistent, in all material respects, with the audited financial statements from which it was derived.



Crowe LLP

Dallas, Texas  
October 31, 2024

## Management's Discussion and Analysis (Unaudited)

The following is Management's Discussion and Analysis (MD&A) of the Teacher Retirement Investment Company of Texas Ltd.'s (TRICOT) financial statements as of August 31, 2024 and for the year then ended. The information presented here should be considered in conjunction with other areas of the TRICOT Annual Financial Report.

### Financial Highlights

Teacher Retirement Investment Company of Texas Ltd., (TRICOT), a private limited company incorporated in the United Kingdom (UK) began operations in fiscal year 2016. TRICOT, as a separate legal entity, is a wholly owned subsidiary and blended component unit of the Teacher Retirement System of Texas (TRS) Pension Trust Fund.

- TRICOT's primary purpose is to increase the size and number of investment opportunities for the TRS portfolio, especially in private equity, real estate, and energy, natural resources, and infrastructure investments.
- TRICOT helps support the sourcing and portfolio management of TRS' total assets under management of more than \$31 billion in Europe.
- Since inception, the TRICOT team has identified 545 potential deals totaling \$39.3 billion in equity. TRICOT approved 5 principal investments in 2023, representing \$20 million in capital across Private Markets.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to TRICOT's financial presentation, which consists of fund financial statements, notes to the financial statements, and required supplementary information.

Collectively, this information presents the net position restricted for fiduciary activities as of August 31, 2024 and summarizes any changes in net position for the year then ended. The information available in each of these sections is summarized as follows:

#### Fund Financial Statements

Fiduciary fund financial statements are presented as of August 31, 2024. These financial statements reflect the resources available to pay administrative expenses related to TRICOT's mission.

#### Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the TRICOT financial statements. Information available in the notes to the financial statements is described below:

- Note 1 provides a general description of TRICOT and a summary of significant accounting policies, including the basis of accounting, budgets and appropriations, and explanations of major asset and liability classes.
- Note 2 provides information on assets.
- Note 3 describes cash, deposits and deposit risk factors.
- Note 4 provides information on leases.
- Note 5 presents tax disclosure information.
- Note 6 provides information on contingent liabilities.

#### Required Supplementary Information

Required supplementary information for TRICOT consists of Management's Discussion and Analysis.

## Financial Analysis of TRICOT

Net position restricted for fiduciary activities at August 31, 2024 was at \$188,175.

Additions from amounts paid on behalf of TRICOT and transfers in from Teacher Retirement System of Texas (TRS) totaled \$5,226,551.

Deductions from TRICOT's net position restricted for fiduciary activities are predominantly administrative expenses. During fiscal year 2024, administrative expenses and transfers out totaled \$5,273,519.

A condensed summary of TRICOT's financial statements are presented as of August 31, 2024 and for the year then ended. Comparative data in total as of August 31, 2023, and for the year then ended has also been presented.

Fiscal year 2024 Capital Assets decreased due to depreciation, and amortization, respectively. Transfers in from TRS - Expenditures and Transfers In from TRS - Cash both increased due to tax, financial services, and payroll being paid directly by TRICOT.

<b>Statement of Fiduciary Net Position</b>				
As of August 31				
	2024	2023	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Receivables	\$ 316,667	\$ 321,360	\$ (4,693)	(1.5)%
Prepays and Other	164,627	161,550	3,077	1.9
Capital Assets	922,138	1,113,284	(191,146)	(17.2)
<b>Total Assets</b>	<b>\$ 1,403,432</b>	<b>\$ 1,596,194</b>	<b>\$ (192,762)</b>	<b>(12.1)%</b>
<b>Liabilities</b>				
Right to Use Lease Obligations	\$ 938,302	\$ 1,118,895	\$ (180,593)	(16.1)%
Accounts Payable and Other	276,955	242,156	34,799	14.4
<b>Total Liabilities</b>	<b>\$ 1,215,257</b>	<b>\$ 1,361,051</b>	<b>\$ (145,794)</b>	<b>(10.7)%</b>
<b>Total Fiduciary Net Position</b>	<b>\$ 188,175</b>	<b>\$ 235,143</b>	<b>\$ (46,968)</b>	<b>(20.0)%</b>

<b>Statement of Changes in Fiduciary Net Position</b>				
For the Fiscal Years Ended August 31				
	2024	2023	Dollar Change	Percentage Change
<b>Additions</b>				
Transfers In from TRS - Cash	\$ 2,876,050	\$ 1,582,821	\$ 1,293,229	81.7 %
Transfers In from TRS - Expenditures	2,350,501	1,500,340	850,161	56.7
<b>Total Additions</b>	<b>\$ 5,226,551</b>	<b>\$ 3,083,161</b>	<b>\$ 2,143,390</b>	<b>69.5 %</b>
<b>Deductions</b>				
Administrative Expenses	\$ 5,273,519	\$ 3,315,758	\$ 1,957,761	59.0 %
<b>Total Deductions</b>	<b>\$ 5,273,519</b>	<b>\$ 3,315,758</b>	<b>\$ 1,957,761</b>	<b>59.0 %</b>
<b>Change in Fiduciary Net Position</b>	<b>\$ (46,968)</b>	<b>\$ (232,597)</b>	<b>\$ 185,629</b>	<b>(79.8)%</b>

### **Request for Information**

This financial report is designed to provide a general overview of the Teacher Retirement Investment Company of Texas Ltd. for those with an interest in TRICOT's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Communications Department of the Teacher Retirement System of Texas, 1000 Red River Street, Austin, Texas 78701.

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**Teacher Retirement Investment Company of Texas Ltd.****Statement of Fiduciary Net Position**

As of August 31, 2024 (With Comparative Data as of August 31, 2023)

	2024	2023
<b>Assets</b>		
<b>Cash (Note 3)</b>		
Cash in Bank	\$ 297,810	\$ 306,617
<b>Total Cash</b>	<b>\$ 297,810</b>	<b>\$ 306,617</b>
<b>Receivables and Other Assets (Note 1E and 5)</b>		
VAT (Value Added Tax) Receivable	\$ 17,648	\$ 14,743
Corporate Taxes Receivable	1,209	
Prepaid Expenses	76,287	73,210
Deposits and Other Assets	88,340	88,340
<b>Total Receivables and Other Assets</b>	<b>\$ 183,484</b>	<b>\$ 176,293</b>
<b>Capital Assets (Note 2)</b>		
Right to Use Assets	\$ 1,657,804	\$ 1,657,804
Less Accumulated Amortization	(735,666)	(551,750)
Depreciable Assets	48,140	48,140
Less Accumulated Depreciation	(48,140)	(40,910)
<b>Total Capital Assets</b>	<b>\$ 922,138</b>	<b>\$ 1,113,284</b>
<b>Total Assets</b>	<b>\$ 1,403,432</b>	<b>\$ 1,596,194</b>
<b>Liabilities (Note 1E and 5)</b>		
Accounts Payable and Other	\$ 129,709	\$ 82,412
Right to Use Lease Obligations (Note 4)	938,302	1,118,895
Payroll Taxes Payable	49,176	107,239
Corporate Taxes Payable	98,070	52,505
<b>Total Liabilities</b>	<b>\$ 1,215,257</b>	<b>\$ 1,361,051</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ (16,164)	\$ (5,611)
Restricted for Fiduciary Activities	204,339	240,754
<b>Net Position Restricted for Fiduciary Activities</b>	<b>\$ 188,175</b>	<b>\$ 235,143</b>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

**Teacher Retirement Investment Company of Texas Ltd.****Statement of Changes in Fiduciary Net Position**

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	2024	2023
<b>Additions</b>		
Transfers In from Teacher Retirement System of Texas:		
of Cash	2,876,050	1,582,821
of Expense	2,350,501	1,500,340
<b>Total Additions</b>	<b>\$ 5,226,551</b>	<b>\$ 3,083,161</b>
<b>Deductions</b>		
Administrative Expenses		
Salaries and Wages	\$ 3,536,798	\$ 1,627,733
Payroll Related Costs	370,969	196,744
Professional Fees and Services	378,375	203,240
Materials and Supplies	32,712	31,073
Communications and Utilities	77,131	61,078
Repairs and Maintenance	17,835	17,895
Travel	59,070	59,234
Rentals and Leases	23,401	127,560
Property Tax Expense	91,232	88,015
Payroll Tax Expense	324,201	463,273
Corporate Tax Expense	112,313	62,949
Foreign Transaction (Gain)/Loss/Fees	10,050	3,061
Depreciation Expense	7,230	7,230
Amortization Expense	183,917	301,793
Other Expenses	48,285	64,880
<b>Total Deductions</b>	<b>\$ 5,273,519</b>	<b>\$ 3,315,758</b>
<b>Net Change in Net Position</b>	<b>\$ (46,968)</b>	<b>\$ (232,597)</b>
Net Position Restricted for Fiduciary Activities - Beginning of Year	\$ 235,143	\$ 467,740
<b>Net Position Restricted for Fiduciary Activities - End of Year</b>	<b>\$ 188,175</b>	<b>\$ 235,143</b>

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

## **Note 1: Summary of Significant Accounting Policies**

### **A. Reporting Entity**

The accompanying financial statements reflect the financial position of the Teacher Retirement Investment Company of Texas Ltd., (TRICOT), a private limited company incorporated in the United Kingdom (UK). TRICOT, as a separate legal entity, is a wholly owned subsidiary and blended component unit of the Teacher Retirement System of Texas (TRS) Pension Trust Fund. The primary purpose of TRICOT is to increase the size and number of investment opportunities for the TRS portfolio, especially in private equity funds, real assets funds, and co-investments for either of those investment types. TRICOT's Board of Directors is comprised of one Managing Director. The Managing Director position is appointed by the Executive Director of TRS.

TRICOT provides investment advisory services exclusively to TRS pursuant to an intercompany agreement. TRICOT does not make investment decisions or enter into investment contracts and has no authority to legally bind TRS. All investment opportunities are referred to TRS for consideration, due diligence, decision-making, and authorization.

### **B. Measurement Focus, Basis of Presentation and Basis of Accounting**

The financial statements present only the financial position and changes in financial position of TRICOT and include all activities for which TRICOT exercises fiscal control and responsibility. These statements are not intended to, and do not, present fairly the financial position or changes in financial position of TRS. The reporting period is for the fiscal year ended August 31, 2024.

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with TRICOT's financial statements for the year ended August 31, 2023, from which the partial information was derived.

As a blended component unit of the TRS Pension Trust Fund, TRICOT reports its accounts in the same manner, which is as a fiduciary fund. Fiduciary funds are used to report assets held in a trustee or agency capacity on behalf of others. TRICOT operations are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, additions and deductions. The fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Additions are recognized when earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows. All economic resources, including financial, capital assets, and related liabilities, both current and long-term, and changes therein are reported in the fund financial statements.

In 2022, TRICOT became an employer under UK law and must contribute to UK's National Insurance and State Pension system for its three UK direct-hire employees. TRS employees who are seconded from the Austin, Texas headquarters to TRICOT remain employees and members of TRS for all purposes, including health insurance, pension contributions, benefits, and Social Security and Medicare taxes. The salary and benefit costs to TRS for seconded employees are allocated and transferred to TRICOT for transfer pricing and UK corporate income tax reporting purposes. Additionally, TRS employees provide legal, accounting and administrative services for TRICOT. When non-seconded TRS employees perform work on behalf of TRICOT, the proportionate cost of that labor is allocated to TRICOT. Allocation of the pension liabilities and expense for non-seconded TRS employees is not necessary nor required. TRS' risk management programs apply to TRICOT.

TRICOT's accounting records are maintained in United States (US) dollars. Purchases and receipts made in Great Britain Pounds (GBP) are translated into US dollars at the exchange rate on the dates of the transactions.

### **C. New Accounting Pronouncements**

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB issued the following statement that relates to TRICOT.

*GASB Statement No. 100, Accounting Changes and Error Corrections, issued June 2022 and first implemented this year. The objective of the Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. GASB Statement No. 100 was not applicable to TRICOT during fiscal year 2024.*

#### **D. Budgets and Appropriations**

The administrative costs and capital asset outlay for TRICOT are controlled by annual budgets approved by TRS' Board of Trustees and the Managing Director of TRICOT.

#### **E. Assets and Liabilities**

##### **Receivables**

Receivables represent the amount of money owed to TRICOT for goods or services delivered or used for which payments have not been received at fiscal year-end.

- Value Added Tax (VAT) receivables represent amounts owed at fiscal year-end to TRICOT by the United Kingdom for the refund of value added taxes that will not be received until the next fiscal year.
- Corporate Taxes receivable (if applicable) represents a tax deferral based upon timing differences.

##### **Prepaid and Other Assets**

Prepaid expenses reflect payment for expenses related to rental, lease, property use tax, and research costs applicable to a future accounting period. Other Assets are deposits made to retain services and rental properties.

##### **Assets**

Capital assets and Right to Use assets associated with the entity's activities are included in the Statement of Fiduciary Net Position.

Purchases of capital assets are reported at cost on the acquisition date. Depreciation of all exhaustible capital assets is charged as an expense against operations. Depreciation is calculated using the straight-line method over the asset's useful life.

Right to Use assets are initially reported at present value of the lease payments. Amortization of these assets is charged as an expense against operations. Amortization is calculated using the straight-line method over the lease contract period.

##### **Liabilities**

Liabilities represent the amount of money owed by TRICOT for goods or services received at fiscal year-end for which payment has not been made as of the balance sheet date.

- Accounts Payable represents the liability for assets or services received at fiscal year-end for which payment has not been made.
- Corporate, Payroll, and Property Taxes Payable represents amounts owed by TRICOT at fiscal year-end but not paid to the United Kingdom until the next fiscal year.
- Right to Use Lease Obligations represent the present value of lease payments due for Right to Use assets.

##### **Related Party Transactions**

As a blended component unit of TRS, TRICOT relies upon TRS for financial resources. Those resources are recognized through three basic types of revenue.

Amounts paid on behalf of TRICOT represent amounts paid by TRS on behalf of TRICOT and recognized as revenue in accordance with GASB 24 *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*. The associated expenses are also recorded on an accrual basis at the same time in order to present the full costs of operations.

Transfers in of cash from TRS represent cash contributions for operational expenses, net of any reimbursements from TRICOT back to TRS.

- The cash transfers are deposited to TRICOT's bank account to provide operating funds to TRICOT. For fiscal year 2024, TRS contributed \$2,876,050 in cash.
- Transfers in of expense from TRS represent monies paid directly by TRS then allocated to TRICOT for reporting purposes. For fiscal year 2024, TRS contributed \$2,350,501 in transferred expenses.

## Note 2: Assets

Capital assets are presented at historical cost or, if not purchased, at acquisition value at the date of acquisition. To the extent assets are purchased or leased by TRICOT for use in operations, appropriate straight-line depreciation and amortization have been charged over the shorter of the estimated useful lives of the assets or the lease period. Capitalization thresholds for applicable capital asset classes and useful lives for exhaustible assets are shown below:

<b>Table 2.1: Capitalization of Assets</b>			
<b>Asset Class</b>	<b>Capitalization Threshold</b>		<b>Depreciable Life</b>
Furniture and Equipment	\$	5,000	5 years
Intangible Right to Use (IRTU) Buildings		100,000	1 - 9 years

The tables below present the composition of TRICOT's assets.

<b>Table 2.2: Capital Asset Activity</b>				
<b>Asset Class</b>	<b>Balance 9/1/2023</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 8/31/2024 (Exhibit I)</b>
<b>Capital Assets Depreciated/Amortized</b>				
Furniture and Equipment	\$ 48,140	\$	\$	\$ 48,140
IRTU Buildings and Building Improvements	1,657,804			1,657,804
<b>Total Capital Assets Depreciated/Amortized</b>	<b>\$ 1,705,944</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,705,944</b>
<b>Less Accumulated Depreciation/Amortization</b>				
Furniture and Equipment	\$ (40,910)	\$ (7,230)	\$	\$ (48,140)
IRTU Buildings and Building Improvements	(551,750)	(183,916)		(735,666)
<b>Total Accumulated Depreciation/Amortization</b>	<b>\$ (592,660)</b>	<b>\$ (191,146)</b>	<b>\$ —</b>	<b>\$ (783,806)</b>
<b>Total Net Capital Assets Depreciated/Amortized</b>	<b>\$ 1,113,284</b>	<b>\$ (191,146)</b>	<b>\$ —</b>	<b>\$ 922,138</b>

### **Note 3: Deposits**

#### **A. Cash and Deposits**

Cash and deposits of TRICOT are maintained in demand deposit accounts with J.P. Morgan Chase Bank, N.A. in the United States (US) and the United Kingdom (UK). As of August 31, 2024, the balance in these accounts totaled \$297,810 and the carrying amount totaled \$297,810.

#### **B. Deposit Risk Factors**

##### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the system will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. TRICOT does not have a formal deposit policy for custodial credit risk.

Deposits in US bank accounts are covered by the Federal Deposit Insurance Corporation (FDIC) which insures bank balances up to \$250,000. Deposits in UK bank accounts are covered by the Financial Services Compensation Scheme (FSCS) which insures bank balances up to £85,000. Deposits more than these insured amounts are uninsured and uncollateralized. As of August 31, 2024, deposits in TRICOT's US bank account were not exposed to custodial credit risk. As of August 31, 2024, deposits in TRICOT's UK bank accounts were exposed to custodial credit risk.

##### **Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. TRICOT does not have a formal deposit policy for foreign currency risk. As of August 31, 2024, TRICOT held £127,834.

### **Note 4: Leases**

In fiscal year 2020, TRICOT entered into a non-cancelable lease agreement for office building space with a 10-year lease term, ending on September 4, 2029. The lease agreement included a break right in fiscal year 2025, at which time TRICOT had the option to terminate the lease by delivering a formal break notice. However, the break date has passed, and no break notice was served. As a result, the lease remains in effect through its full term.

In accordance with GASB Statement No. 87, Leases, TRICOT recognizes right-to-use assets and lease liabilities based on the present value of expected lease payments over the lease term. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using an estimated incremental borrowing rate. TRICOT applies guidance from the State of Texas Comptroller's Office when determining discount rates for leases where the interest rate is not explicitly stated in the agreement. See Note 2 - Capital Assets for information on leased assets and associated accumulated amortization.

The future minimum lease payments for the next five years are listed in the following table.

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Future Min Lease Payments</b>
2025	\$ 182,934	\$ 11,048	\$ 193,982
2026	185,268	8,714	193,982
2027	187,632	6,350	193,982
2028	190,016	3,966	193,982
2029	192,452	1,531	193,983
<b>Total</b>	<b>\$ 938,302</b>	<b>\$ 31,609</b>	<b>\$ 969,911</b>

## **Note 5: Tax Disclosure**

### **A. Tax on Ordinary Activities**

For the period ended August 31, 2024, TRICOT had tax on profit on ordinary activities. The current income tax charge is presented below:

	<b>Amount</b>
<b>Current Tax</b>	
UK Corporation Tax	\$ 98,070
<b>Total Current Tax</b>	<b>\$ 98,070</b>
<b>Deferred Tax</b>	
Origination and reversal of timing differences	\$ (1,495)
<b>Total Deferred Tax</b>	<b>\$ (1,495)</b>
<b>Tax on Profit on Ordinary Activities</b>	<b>\$ 96,575</b>

### **B. Factors Affecting the 2024 Total Tax Charge**

The tax assessed on profit/loss on ordinary activities for the year is the standard rate of corporation tax in the UK of 25% (2023 21.52%). The differences are reconciled below:

	<b>Amount</b>
Profit on ordinary activities before taxation	\$ 386,301
Tax on profit at standard United Kingdom corporation tax rate 25%	\$ 96,575
<b>Total Tax Expense</b>	<b>\$ 96,575</b>

### **C. Factors That May Affect Future Tax Charges**

The UK Government announced on March 3, 2021 that the UK corporation tax rate would increase from 19% to 25% from April 1, 2023. This change in tax rate was substantively enacted on May 24, 2021. Accordingly, these rates have been considered when calculating the closing deferred tax balances at the balance sheet date. The

deferred tax liability has been calculated based on a closing tax rate of 25%, which is in accordance with the expected unwinding of the fixed asset temporary differences in future periods.

#### D. 2024 Deferred Tax (Assets)/Liabilities

	<b>Amount</b>
Deferred tax liability at September 1, 2023	\$ 286
Deferred tax charge to Income Statement	(1,495)
<b>Deferred tax asset at August 31, 2024</b>	<b>\$ (1,209)</b>
<b>Made up of:</b>	
Depreciation in excess of capital allowances	\$ (1,209)

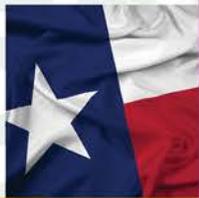
#### E. Other Tax Expense

Tax expense also includes amounts paid to His Majesty's Revenue and Customs office by TRS for seconded employees working in the UK. These costs were allocated to TRICOT per the intercompany agreement. Refer to Note 1.B for more information on seconded employees.

### 6: Contingent Liabilities

A Performance Incentive Compensation Plan was established by the Board in September 2007, and amended effective October 1, 2023, to enable TRS to remain competitive in its efforts to attract, retain, and motivate talented staff. The purpose of the Plan is to provide the opportunity for investment division employees to earn performance incentive pay based on the fund's investment performance and the employee's job performance. Payments can only be earned following years in which the Pension Trust Fund experiences a positive return, and employees must be employed by TRS and TRICOT on the designated dates in the Plan to receive payment. For the incentive pay plan year ended August 31, 2024, the liability is estimated not to exceed \$774,675. The Board of Trustees may cancel or modify the Plan at any time.

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**TRICOT**  
Teacher Retirement  
Investment Company  
Of Texas Ltd.





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