



Chartered Accountants
& Business Advisors

EDUCATION FACILITIES COMPANY LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2014



Chartered Accountants
& Business Advisors

EDUCATION FACILITIES COMPANY LIMITED

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EDUCATION FACILITIES COMPANY LIMITED

P.O.Box 604; Long Circular Place, 2nd Floor, 74 Long Circular Road, Maraval, Trinidad, W.I.

Building our Children's Future

Statement of Management Responsibilities

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Education Facilities Company Limited, which comprise the statement of financial position as at 30 September 2014, the statements of comprehensive income, 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 company 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 company's assets, detection/prevention of fraud, and the achievement of company 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, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

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

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

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

Chairman

Date 28/6/2017

General Manager (Ag.)

Date 28/6/2017



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholder Education Facilities Company Limited

We were engaged to audit the accompanying financial statements of Education Facilities Company Limited, which comprise the statement of financial position as at 30 September 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Company was unable to provide the required evidence to substantiate the existence, completeness, valuation, ownership and disclosure of accounts receivable and prepayments, government funding receivable, fixed assets, retention payable, accounts payable and accruals balances as at 30 September 2014 and the related income and expenditure for the year ended 30 September 2014. We were unable to confirm or verify by alternative means, the existence, completeness, valuation, ownership and disclosure of, accounts receivable and prepayments, government funding receivable, fixed assets, retention payable, accounts payable and accruals balances as at 30 September 2014 and the related income and expenditure for the year ended 30 September 2014. As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of these elements making up the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

**Port-of-Spain
28 June 2017**

PKF Chartered Accountants and Business Advisors (Trinidad) is a member of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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Partners: Renée-Lisa Philip Mark K. Superville

EDUCATION FACILITIES COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

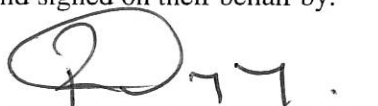
ASSETS

		30 September	
	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Current Assets:			
Cash in hand and at bank	5	\$ 45,366,240	\$ 56,475,984
Accounts receivable and prepayments	6	130,051,468	120,359,311
Government funding receivable	7	568,750,358	361,164,919
Corporation tax refundable		<u>39,735</u>	<u>66,778</u>
Total Current Assets		<u>744,707,801</u>	<u>538,066,992</u>
Non-Current Assets:			
Bond receivable	8	400,000,000	400,000,000
Deferred taxation	9	2,438,459	5,667,637
Furniture, fixtures and equipment	10	<u>1,857,806</u>	<u>2,774,344</u>
Total Non-Current Assets		<u>404,296,265</u>	<u>408,441,981</u>
Total Assets-		<u>\$1,148,504,066</u>	<u>\$ 946,508,973</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:			
Retention payable		\$ 104,735,529	\$ 100,472,092
Accounts payable and accruals	11	<u>633,930,050</u>	<u>445,530,237</u>
Total Current Liabilities		738,665,579	546,002,329
Non-Current Liabilities:			
Bond payable	8	<u>400,000,000</u>	<u>400,000,000</u>
Total Liabilities		<u>1,139,165,579</u>	<u>946,002,329</u>
Shareholder's Equity:			
Stated Capital	12	10	10
Contributed capital		6,999,990	6,999,990
Accumulated deficit		<u>2,838,487</u>	<u>(6,493,356)</u>
Total Shareholder's Equity		<u>9,838,487</u>	<u>506,644</u>
Total Liabilities and Shareholder's Equity		<u>\$1,149,004,066</u>	<u>\$ 946,508,973</u>

These financial statements were approved by the Board of Directors and authorised for issue on 28 June 2017 and signed on their behalf by:


Director


Director

(The accompanying notes form an integral part of these financial statements)

EDUCATION FACILITIES COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 30 September	
	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Income:			
Project management fees	13	\$ 51,334,889	\$ 36,128,023
Interest income		166	-
Other income	14	<u>375,069</u>	<u>2,796,651</u>
Total income		<u>51,710,124</u>	<u>38,924,674</u>
Expenditure:			
Personnel expenses	15	24,560,191	24,889,891
Administrative expenses	16	8,617,666	9,049,976
Project-related expenses	17	<u>5,867,826</u>	<u>3,802,106</u>
Total expenditure		<u>39,045,683</u>	<u>37,741,973</u>
Net surplus before taxation		12,664,441	1,182,701
Taxation	19	<u>(3,332,598)</u>	<u>(468,295)</u>
Net surplus for the year		<u>\$ 9,331,843</u>	<u>\$ 714,406</u>

(The accompanying notes form an integral part of these financial statements)

EDUCATION FACILITIES COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2014

	<u>Stated Capital</u>	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance as at 1 October 2012	\$ 10	\$ 6,999,990	\$ (7,207,762)	\$ (207,762)
Net surplus for the year	<u>-</u>	<u>-</u>	<u>714,406</u>	<u>714,406</u>
Balance as at 1 October 2013	10	6,999,990	(6,493,356)	506,644
Net surplus for the year	<u>-</u>	<u>-</u>	<u>9,331,843</u>	<u>9,331,843</u>
Balance as at 30 September 2014	<u><u>\$ 10</u></u>	<u><u>\$ 6,999,990</u></u>	<u><u>\$ 2,838,487</u></u>	<u><u>\$ 9,838,487</u></u>

(The accompanying notes form an integral part of these financial statements)

EDUCATION FACILITIES COMPANY LIMITED

STATEMENT OF CASH FLOWS

	For the year ended 30 September	
	<u>2014</u>	<u>2013</u>
Operating Activities:		
Net surplus before taxation	\$ 12,664,441	\$ 1,182,701
Adjustments for:		
Depreciation	1,198,096	1,288,837
Loss/(gain) on disposal of fixed asset	<u>34,307</u>	<u>(113,325)</u>
Operating profit before working capital changes	13,896,844	2,358,213
Net change in accounts receivable and prepayments	(9,692,157)	(45,511,409)
Net change in accounts payable and accruals	188,399,813	134,667,606
Net change in retention payable	4,263,437	6,245,384
Net change in Government funding receivable	(207,585,439)	(93,215,023)
Taxation paid	<u>(76,377)</u>	<u>(60,214)</u>
Cash provided by operating activities	<u>(10,793,879)</u>	<u>4,484,557</u>
Investing Activities:		
Purchase of fixed assets	(323,162)	(220,916)
Proceeds from the disposal of fixed assets	1,894	483,974
Adjustments to fixed assets	<u>5,403</u>	<u>-</u>
Cash provided by investing activities	<u>(315,865)</u>	<u>263,058</u>
Net change in cash resources	(11,109,744)	4,747,615
Cash resources, beginning of year	<u>56,475,984</u>	<u>51,728,369</u>
Cash resources, end of year	<u>\$ 45,366,240</u>	<u>\$ 56,475,984</u>
Represented by:		
Cash in hand and at bank	<u>\$ 45,366,240</u>	<u>\$ 56,475,984</u>

(The accompanying notes form an integral part of these financial statements)

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

1. **Incorporation and Principal Business Activity:**

The Education Facilities Company Limited was incorporated in The Republic of Trinidad and Tobago on 11 March 2005 and commenced operations in August 2005 as a special purpose company of the Government of Trinidad and Tobago. Its principal place of business is at 74 Long Circular Road, Maraval. In support of the Ministry of Education's goals and objectives, the Education Facilities Company Limited was originally mandated with the responsibility for providing project management services for the implementation of the School Construction Programme. In January 2008, its mandate was expanded to include responsibility for the repair and upgrade of all schools and District Education Offices under the purview of the Ministry of Education. In February 2010 the procurement of textbooks was also included.

2. **Summary of the Significant Accounting Policies:**

(a) **Basis of financial statements preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars rounded to the nearest whole dollar. These financial statements are stated on the historical cost basis, except for the measurement at fair value of certain financial instruments.

(b) **Use of estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(c) **New Accounting Standards and Interpretations -**

The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of the Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations (cont'd) -

- | | |
|---------|---|
| IFRS 2 | Share-based payment – Amendment to the definition of vesting condition (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 3 | Business Combinations – Amendment re: accounting for a contingent consideration in a business combination (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 3 | Business Combinations – Amendment on the scope of exception for joint ventures (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 8 | Operating Segments – Amendment re: disclosure of the aggregation of operating segments and the reconciliation of assets (effective for accounting periods beginning on or after 1 July 2014). |
| IFRS 10 | Consolidated Financial Statements – Amendment for investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IFRS 12 | Disclosure of Interests in Other Entities – Amendment for investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IFRS 13 | Fair Value Measurement – Amendment re: clarification of portfolio exception (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 16 | Property, Plant and Equipment – Amendment re: proportionate restatement of accumulated depreciation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 24 | Related Party Disclosures – Amendment on disclosures for entities providing key management personnel services (effective for accounting periods beginning on or after 1 July 2014). |
| IAS 27 | Separate Financial Statements – Amendment to measure at fair value eligible investment entities (effective for accounting periods beginning on or after 1 January 2014). |
| IAS 32 | Financial Instruments; Presentation – Amendment re: application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014). |

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of the Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations (cont'd) -

- IAS 38 Intangible Assets – Amendment re: the proportionate restatement of accumulated amortisation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014).
- IAS 39 Financial Instruments: Recognition and Measurement – Amendment re: the novation of derivatives and continuation of hedge accounting (effective for accounting periods beginning on or after 1 January 2014).
- IAS 40 Investment Property – Amendment re: clarification of specific transactions that are both business combinations and investment property (effective for accounting periods beginning on or after 1 July 2014).
- IFRIC 21 Levies (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 7 Financial Instruments: Disclosures - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 10 Consolidated Financial Statements - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for accounting periods beginning on or after 1 January 2016).
- IFRS 12 Disclosure of Interest in Other Entities - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of the Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations (cont'd) -

- | | |
|---------|--|
| IFRS 14 | Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016). |
| IFRS 15 | Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017). |
| IAS 1 | Presentation of Financial Statements - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 16 | Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 16 | Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016). |
| IFRS 19 | Employee Benefits: Disclosures - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 27 | Separate Financial Statements - Amendments reinstalling the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 28 | Investment in Associates - Amendments regarding the sale or contribution of assets between investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 28 | Investment in Associates - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 34 | Interim Financial Reporting - 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 38 | Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 41 | Agriculture - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016). |

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of the Significant Accounting Policies (Cont'd):

(d) **Fixed assets -**

Fixed assets are stated at historical cost or valuation less accumulated depreciation and impairment in value. Depreciation is provided for on a straight-line basis.

The following rates considered appropriate to write-off the assets over their estimated useful lives are applied:

Office furniture and library materials	-	10%
Office equipment and appliances	-	25%
Computer equipment	-	25%
Motor vehicles	-	25%
Storage equipment	-	25%

Depreciation is charged on a pro rata basis in the year of acquisition as well as in the year of disposal.

The assets' residual values and useful lives are reviewed at each Statement of Financial Position date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amounts and are taken into account in determining the net (deficit)/surplus for the year.

Repairs and maintenance costs are charged to the Statement of Comprehensive Income when expenditure is incurred.

Leasehold improvements are amortised over the unexpired period of the lease.

(e) **Financial instruments -**

Financial assets and financial liabilities are recognised on the Company's Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of the Significant Accounting Policies (Cont'd):

(e) **Financial instruments (cont'd) -**

Accounts receivable and prepayments

Accounts receivable and prepayments are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the company will not be able to collect the debts. Bad debts are written off when identified.

Accounts payable and accruals

Accounts payable and accruals are recognized at original invoice amount.

(f) **Leases -**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(g) **Taxation -**

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax

Deferred income tax is provided using the liability method on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of the Significant Accounting Policies (Cont'd):

(h) **Income recognition -**

The Company derives its income from project management fees charged on construction contracts, repair and upgrade to schools and replacement of furniture and equipment on behalf of the Ministry of Education. Income is recognized to the extent that is probable that the economic benefits will flow to the Company and the income can be reliably measured.

(i) **Foreign currency -**

Foreign currency transactions during the year are recorded in Trinidad and Tobago Dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the Statement of Financial Position date are translated into Trinidad and Tobago dollars at the exchange rate ruling at that date. Gains or losses thus arising are dealt with in the current year's Statement of Comprehensive Income and accumulated surplus.

(j) **Provisions -**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(k) **Government grant -**

Grants from the Government of the Republic of Trinidad and Tobago are recognised at fair values, where there is a reasonable assurance that the grant will be received, and the Company will comply with all conditions attached.

Grants relating to operating expenses are deferred and included in non-current liabilities. They are recognised in the Statement of Comprehensive Income over the period necessary to match them with net expenses they are intended to compensate.

Grants received for construction are included in current liabilities under capital grants. The costs incurred to construct the schools are accumulated in development work in progress and charged against the Capital Grant Fund.

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

2. Summary of the Significant Accounting Policies (Cont'd):

(I) **Comparative figures -**

Where necessary, comparative amounts have been adjusted to conform with changes in presentation in the current year.

3. Financial Risk Management:

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Company to manage these risks are discussed below:

(a) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities is minimal and is monitored closely by management. Interest rate risk is not considered a material risk.

(b) **Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date. The Company relies heavily on written Financial Processes and Internal Controls.

The Company's debtors' portfolio is managed and consistently monitored by the Company's management and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

Cash balances are held with Republic Bank Limited.

The Company also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

3. **Financial Risk Management (Cont'd):****Financial risk factors (cont'd)****(c) Liquidity risk -**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The Company is able to make daily calls on its available cash resources to settle financial and other liabilities. Liquidity risk is not considered a material risk.

(d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's exposure to foreign exchange risk is minimal and the Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. Currency risk is not considered a material risk.

(e) Operational risk -

Operational risk is the risk derived from deficiencies relating to the Company's information technology and control systems, as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error.

(f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the strong monitoring controls applied by the Company's management.

(g) Reputation risk -

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company engages in public social endeavours to engender trust and minimize this risk.

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies. See **Note 2 (b)**.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for fixed assets is used.

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

4. Critical Accounting Estimates and Judgments (Cont'd):

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each Statement of Financial Position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Fixed assets

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

5. Cash in Hand and at Bank:

	30 September	
	<u>2014</u>	<u>2013</u>
Petty cash	\$ 30,000	\$ 30,000
Republic Bank Limited	44,640,552	56,445,984
First Citizens Bank Limited	<u>695,688</u>	<u>-</u>
	<u>\$ 45,366,240</u>	<u>\$ 56,475,984</u>

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

6. Accounts Receivable and Prepayments:

	30 September	
	<u>2014</u>	<u>2013</u>
Receivable from Ministry of Education (MOE):		
Project management fees and other receivable	\$ 57,793,786	\$ 30,861,810
Bond interest on 5.35% EFCL Bond Issue	<u>8,970,411</u>	<u>5,393,973</u>
Total reimburseable from MOE	66,764,197	36,255,783
Mobilization/advances due from contractors	56,484,586	79,595,457
Prepayments	406,630	549,653
Value Added Tax	623,943	816,532
Other receivables	<u>5,772,112</u>	<u>3,141,886</u>
	<u>\$ 130,051,468</u>	<u>\$ 120,359,311</u>

Accounts receivable and prepayments are stated at amortised cost. Because of the short maturity period, historic cost is a reasonable approximation of the amortised cost.

7. Government Grants:

	30 September	
	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 361,164,919	\$ 267,949,846
Government funding received for the year	(651,634,933)	(789,732,639)
Funding utilised and accrued for the year	<u>859,220,372</u>	<u>882,947,712</u>
Balance at end of year	<u>\$ 568,750,358</u>	<u>\$ 361,164,919</u>

8. Bond Receivable/(Payable):

This held-to-maturity financial instrument is measured to amortised costs and represents a **TT\$400 million** 5.35% Fixed Rate Bond issued by Education Facilities Company Limited on October 2009 to be repaid at par on 30 October 2016. Interest is payable semi-annually on 30 April and 30 October. The principal and interest are guaranteed irrevocably and unconditionally by the Government of Trinidad and Tobago. The bond is the first in a series of bonds, the proceeds of which is to provide supplementary funds for construction, outfitting and associated cost of four hundred and seventy eight (478) Early Childhood Centres during the period 2009 to 2012. The proceeds are currently held by the Ministry of Education to be released in tranches upon commencement of construction.

Subsequent to the foregoing, in November 2011 the Ministry of Education made a request to the Ministry of Finance for a change to be made to the purpose of the bond issue, from *"the construction and outfitting of four hundred and seventy-eight (478) Early Childhood Centres"* to *"to meet expenditure related to the current school construction programme."*

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. Deferred Taxation:

	30 September	
	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 5,667,637	\$ 6,062,623
Effect of Statement of Comprehensive Income	<u>(3,229,178)</u>	<u>(394,986)</u>
Balance at end of year	<u>\$ 2,438,459</u>	<u>\$ 5,667,637</u>
Deferred taxation is attributable to the following items:		
Excess of net book value over tax written-down value	\$ 230,073	\$ 129,022
Taxable losses	<u>2,208,386</u>	<u>5,538,615</u>
	<u>\$ 2,438,459</u>	<u>\$ 5,667,637</u>

The utilization of these deferred tax assets is dependent on the entity's ability to generate future profits. In the current and prior years, the entity has in fact generated taxable losses.

EDUCATION FACILITIES COMPANY LIMITED

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10. Furniture, Fixtures and Equipment:

	Office Furniture and Library Materials	Office Equipment and Appliances	Computer Equipment	Motor Vehicles	Leasehold Improvements	Storage Equipment	Total
Cost							
Balance as at 1 October 2013	\$ 3,684,160	\$ 938,774	\$ 1,134,203	\$ 1,065,258	\$ 3,088,981	\$ 82,776	\$ 9,994,152
Additions	5,385	63,979	111,082	-	142,716	-	323,162
Adjustments	-	(3,834)	-	-	-	-	(3,834)
Disposals	(106,183)	(673,406)	(23,428)	-	-	-	(803,017)
Balance as at 30 September 2014	<u>3,583,362</u>	<u>325,513</u>	<u>1,221,857</u>	<u>1,065,258</u>	<u>3,231,697</u>	<u>82,776</u>	<u>9,510,463</u>
Accumulated Depreciation							
Balance as at 1 October 2013	2,120,725	826,949	813,865	665,793	2,790,752	1,724	7,219,808
Charge for the year	368,641	58,000	181,859	266,315	302,587	20,694	1,198,096
Adjustments	-	(719)	2,288	-	-	-	1,569
Disposals	(73,428)	(673,406)	(19,982)	-	-	-	(766,816)
Balance as at 30 September 2014	<u>2,415,938</u>	<u>210,824</u>	<u>978,030</u>	<u>932,108</u>	<u>3,093,339</u>	<u>22,418</u>	<u>7,652,657</u>
Net Book Value							
Balance as at 30 September 2014	<u>\$ 1,167,424</u>	<u>\$ 114,689</u>	<u>\$ 243,827</u>	<u>\$ 133,150</u>	<u>\$ 138,358</u>	<u>\$ 60,358</u>	<u>\$ 1,857,806</u>
Balance as at 30 September 2013	<u>\$ 1,563,435</u>	<u>\$ 111,825</u>	<u>\$ 320,338</u>	<u>\$ 399,465</u>	<u>\$ 298,229</u>	<u>\$ 81,052</u>	<u>\$ 2,774,344</u>

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

10. Furniture, Fixtures and Equipment (Cont'd):

		<u>Office Furniture and Library Materials</u>	<u>Office Equipment and Appliances</u>	<u>Computer Equipment</u>	<u>Motor Vehicles</u>	<u>Leasehold Improvements</u>	<u>Storage Equipment</u>	<u>Total</u>
Cost								
Balance as at 1 October 2012	\$	3,684,160	\$ 900,914	\$ 1,807,677	\$ 1,669,628	\$ 3,088,981	\$ -	\$ 11,151,360
Additions		-	37,860	100,280	-	-	82,776	220,916
Disposals		-	-	(773,754)	(604,370)	-	-	(1,378,124)
Balance as at 30 September 2013		<u>3,684,160</u>	<u>938,774</u>	<u>1,134,203</u>	<u>1,065,258</u>	<u>3,088,981</u>	<u>82,776</u>	<u>9,994,152</u>
Accumulated Depreciation								
Balance as at 1 October 2012		1,752,310	735,618	1,336,664	626,117	2,487,737	-	6,938,446
Charge for the year		368,415	91,331	232,855	291,497	303,015	1,724	1,288,837
Disposals		-	-	(755,654)	(251,821)	-	-	(1,007,475)
Balance as at 30 September 2013		<u>2,120,725</u>	<u>826,949</u>	<u>813,865</u>	<u>665,793</u>	<u>2,790,752</u>	<u>1,724</u>	<u>7,219,808</u>
Net Book Value								
Balance as at 30 September 2013	\$	<u>1,563,435</u>	<u>\$ 111,825</u>	<u>\$ 320,338</u>	<u>\$ 399,465</u>	<u>\$ 298,229</u>	<u>\$ 81,052</u>	<u>\$ 2,774,344</u>
Balance as at 30 September 2012	\$	<u>1,931,850</u>	<u>\$ 165,296</u>	<u>\$ 471,013</u>	<u>\$ 1,043,511</u>	<u>\$ 601,244</u>	<u>\$ -</u>	<u>\$ 4,212,914</u>

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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11. Accounts Payable and Accruals:

	30 September	
	<u>2014</u>	<u>2013</u>
Green Fund Levy	\$ 25,367	\$ 4,855
Statutory payable	515,543	369,537
Audit fees payable	245,000	85,000
Contractors payable	611,286,322	427,844,833
Miscellaneous accruals	11,883,959	10,241,652
Value Added Tax	143,344	810,029
Vacation leave payable	860,104	780,358
Interest on 5.35% Bond Issue	<u>8,970,411</u>	<u>5,393,973</u>
	<u>\$ 633,930,050</u>	<u>\$ 445,530,237</u>

12. Stated Capital:

	30 September	
	<u>2014</u>	<u>2013</u>
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
10 ordinary shares of no par value	<u>\$ 10</u>	<u>\$ 10</u>

The entity also has contributed capital amounting to **\$6,999,990**.

The entity's capital comprises stated capital and bonds.

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2014

13. Project Management Fees:

	30 September	
	<u>2014</u>	<u>2013</u>
New Construction and Outfitting	\$ 22,971,203	\$ 18,426,480
Outfitting existing schools	1,933,556	2,155,933
Textbooks	3,312,286	7,061,221
Repairs and Temporary Classrooms	<u>23,117,844</u>	<u>8,484,389</u>
	<u>\$ 51,334,889</u>	<u>\$ 36,128,023</u>

14. Other Income:

	30 September	
	<u>2014</u>	<u>2013</u>
Tender fees	\$ 375,069	\$ 526,565
Recoverable contract expenses	<u>-</u>	<u>2,270,086</u>
	<u>\$ 375,069</u>	<u>\$ 2,796,651</u>

15. Personnel Expenses:

	30 September	
	<u>2014</u>	<u>2013</u>
Directors' fees	\$ 618,750	\$ 594,950
Gratuity	2,965,416	2,984,619
Group health expenses	27,186	33,654
National Insurance	916,253	854,016
Salaries and wages	19,718,183	19,932,668
Staff welfare	285,339	369,807
Training	28,386	98,838
Uniforms and protective gear	<u>678</u>	<u>21,339</u>
	<u>\$ 24,560,191</u>	<u>\$ 24,889,891</u>

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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16. Administrative Expenses:

	30 September	
	<u>2014</u>	<u>2013</u>
Advertising	\$ 379,816	\$ 117,291
Audit fees	245,000	85,000
Bank charges	47,905	47,731
Depreciation	1,198,096	1,288,837
Directors expenses	62,002	-
Equipment rental	413,288	408,432
Furniture, equipment and building maintenance	200,840	371,061
Loss/(gain) on disposal of fixed asset	34,307	(113,325)
Loss on foreign exchange	139,927	-
General insurance	185,312	151,219
Green Fund Levy	58,648	36,655
Legal and professional fees and expenses	1,058,283	1,951,377
Miscellaneous expenses	45,967	36,464
Penalty and interest	11,500	27,148
Public relations/donations	27,659	30,424
Rental of building	2,704,250	2,678,400
Security	8,820	85,380
Stationery/printing/office supplies	421,499	380,563
Travel	50,206	4,679
Utilities	974,345	1,082,400
Vehicle maintenance	114,496	129,260
Vehicle rental	235,500	250,980
	<u>\$ 8,617,666</u>	<u>\$ 9,049,976</u>

17. Project Related Expenses:

	30 September	
	<u>2014</u>	<u>2013</u>
Architectural plan	\$ -	\$ 52,466
Rental of building	309,900	412,200
Supervision and technical services	4,586,830	1,823,130
Transport	82,581	9,250
Vehicle maintenance	99,237	184,951
Vehicle rental	789,278	1,320,109
	<u>\$ 5,867,826</u>	<u>\$ 3,802,106</u>

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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18. Contingent Liabilities:

As at 30 September 2014 the Company had contingent liabilities to the value of **\$13,971,056** (2013: **\$42,200,822**). This potential liability relates to repairs and maintenance jobs, where contractors have done works and the invoices have been received. The obligation to the contractor for these invoices would only be recognised when works performed have been verified and confirmed by Education Facilities Company Limited.

19. Taxation:

	30 September	
	<u>2014</u>	<u>2013</u>
Business Levy	\$ (103,420)	\$ (73,309)
Deferred taxation	<u>(3,229,178)</u>	<u>(394,986)</u>
	<u>\$ (3,332,598)</u>	<u>\$ (468,295)</u>

The tax on profit before tax differs from the theoretical amount that would arise using the basic rate of tax as follows:

Net surplus before taxation	<u>\$ 12,664,441</u>	<u>\$ 1,182,701</u>
Tax calculated at 25%	(3,166,110)	(295,676)
Business Levy	(103,420)	(73,309)
Expenses allowable for tax purposes	35,679	4,774
Expenses not deductible for tax purposes	<u>(98,747)</u>	<u>(94,536)</u>
	<u>\$ (3,332,598)</u>	<u>\$ (468,295)</u>

EDUCATION FACILITIES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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20. 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 decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

Balances and transaction with related parties and key management personnel during the year were as follows:

	30 September	
	<u>2014</u>	<u>2013</u>
Expenses		
Directors fees	\$ 618,750	\$ 594,950
Key management compensation		
Short-term benefits	\$ 4,665,624	\$ 4,905,242