

**Evolving TecKnologies and Enterprise Development  
Company Limited**

**Consolidated Financial Statements**

**30 September 2012**

(Expressed in Trinidad and Tobago Dollars)

# **Evolving TecKnologies and Enterprise Development Company Limited**

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**Independent Auditors' Report to the shareholder of  
Evolving Technologies and Enterprise Development Company Limited**

We have audited the accompanying consolidated financial statements of Evolving Technologies and Enterprise Development Company Limited ("the Company"), which comprise the consolidated statement of financial position as at September 30, 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



### *Basis for Qualified Opinion*

(a) Predecessor auditor's disclaimer of opinion

The predecessor auditor issued a disclaimer of opinion on the financial statements as at September 30, 2011. We were appointed as auditors of the Company for the year ended September 30, 2012 on June 12, 2013. We were unable to satisfy ourselves by alternative means the completeness, accuracy, existence and valuation of opening balances. Since opening balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the statement of profit or loss and other comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

(b) As explained in Note 5 to the consolidated financial statements, Investment properties include several properties that were not valued at the current year end in accordance with International Accounting Standard 40 – Investment Property. This constitutes non-compliance with the applicable accounting framework. At the year end the effect of this matter, which may be material to the financial statements, could not be quantified. Consequently we are unable to determine the impact of adjustments necessary to the carrying amounts and changes in fair values of investment properties.

(c) Assessment of impairment

The description of the Vanguard Hotel Limited's (VHL, the subsidiary) property, plant and equipment impairment assessment process is provided in notes 2.3, 4, 1(e) and 5. While an impairment adjustment was effected in the 31 December 2012 financial statements, we were unable to satisfy ourselves by alternative means whether or not the adjustment was reasonable. The impairment adjustment was based on a 2009 valuation as a more current valuation was not available. Given the lapse of time and events that have subsequently occurred since the valuation was conducted, we are unable to determine whether further adjustments might be necessary in respect of the impairment adjustment, profit for the year and reserves.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated statement of financial position and consolidated statement of comprehensive income and cash flows present fairly, in all material respects, the consolidated financial position and financial performance and consolidated cash flows of the Company for the year ended September 30, 2012 in accordance with International Financial Reporting Standards.





*Other Matter*

The consolidated financial statements of the Company for the year ended September 30, 2011 were audited by another auditor who expressed a disclaimer of opinion on those statements on December 31, 2014.

K P M G

Chartered Accountants

March 07, 2016

Port of Spain

Trinidad and Tobago


# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Financial Position

		September 30	
		2012	2011
		\$'000	\$'000
Notes			
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment Properties	5	1,600,910	1,589,951
Property, Plant and Equipment	6	174,162	14,907
Investments	7	-	-
		<u>1,775,072</u>	<u>1,604,858</u>
<b>Current Assets</b>			
Inventory	8	1,293	-
Other Receivables and Prepayments	9	3,375	128,331
Trade Receivables	10	12,278	16,074
Taxation Recoverable		15,357	14,931
Cash and Cash Equivalents	11	165,847	70,730
		<u>198,150</u>	<u>230,066</u>
<b>Total Assets</b>		<u><b>1,973,222</b></u>	<u><b>1,834,924</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital And Reserves</b>			
Share Capital	12	1	1
Capital Contributions	13	1,597,903	1,246,893
Accumulated Deficit		(543,026)	(302,703)
<b>Total Equity</b>		<u>1,054,878</u>	<u>944,191</u>
<b>Non-Current Liability</b>			
Deferred Income	14	52,243	50,616
<b>Current Liabilities</b>			
Trade and Other Payables	15	84,142	211,338
Borrowings	16	781,959	628,779
		<u>866,101</u>	<u>840,117</u>
<b>Total Liabilities</b>		<u>918,344</u>	<u>890,733</u>
<b>Total Equity And Liabilities</b>		<u><b>1,973,222</b></u>	<u><b>1,834,924</b></u>

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

On February 26, 2016, the Board of Directors authorised these financial statements for issue.

 Director

 Director

# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Comprehensive Income

		Year Ended September 30	
	Notes	2012 \$'000	2011 \$'000
Revenue	17	82,565	39,531
Other Operating Income		158	24
		82,723	39,555
Expenses			
Operating		(291,903)	(70,251)
Administrative		(49,746)	(59,905)
Marketing		(740)	(415)
		(342,389)	(130,571)
Impairment (Reversals) / Provision	18	55,735	(37,762)
Operating Loss		(203,931)	(128,778)
Finance Costs		(36,745)	(31,610)
Interest Income		645	109
Loss Before Taxation		(240,031)	(160,279)
Taxation Charge	19	(292)	(311)
Loss for the Year		(240,323)	(160,590)
Other Comprehensive Income		--	--
Total Comprehensive Loss For The Year		(240,323)	(160,590)
Attributable To:			
Owners of the Parent		(240,323)	(160,590)
Non-Controlling Interests		--	--
		(240,323)	(160,590)

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Changes in Equity

	Share Capital \$000	Capital Contributions \$000	Accumulated Deficit \$000	TOTAL \$000
<b>Year ended September 30 2012</b>				
Balance at October 1 2011	1	1,246,893	(302,703)	944,191
Total comprehensive loss for the year	-	-	(240,323)	(240,323)
Capital Contributions (Note 13)	-	351,010	-	351,010
<b>Balance as at September 30 2012</b>	<b>1</b>	<b>1,597,903</b>	<b>(543,026)</b>	<b>1,054,878</b>
<b>Year ended September 30 2011</b>				
Balance at October 1 2010	1	1,140,825	(142,113)	998,713
Total comprehensive loss for the year	-	-	(160,590)	(160,590)
Capital Contributions	-	106,068	-	106,068
<b>Balance as at September 30 2011</b>	<b>1</b>	<b>1,246,893</b>	<b>(302,703)</b>	<b>944,191</b>

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



# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Cash Flows

		Year Ended September 30	
	Note	2012 \$'000	2011 \$'000
<b>Net Cash Used In Operating Activities</b>	20	<u>(332,324)</u>	<u>(248,130)</u>
<b>Investing Activities</b>			
Purchase of property, plant and equipment		(33,355)	(1,269)
Expenditure on investment properties		<u>(15,112)</u>	<u>(13,049)</u>
<b>Net Cash Used In Investing Activities</b>		<u>(48,467)</u>	<u>(14,318)</u>
<b>Financing Activities</b>			
Capital contributions received		351,010	106,068
Proceeds from borrowings		140,000	168,140
Repayment of principal		<u>(15,102)</u>	<u>--</u>
<b>Net Cash Generated From Financing Activities</b>		<u>475,908</u>	<u>274,208</u>
<b>Increase In Cash And Cash Equivalents</b>		95,117	11,760
<b>Cash and Cash Equivalents at Beginning of Year</b>		<u>70,730</u>	<u>58,970</u>
<b>Cash and Cash Equivalents at End of Year</b>		<u><u>165,847</u></u>	<u><u>70,730</u></u>

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

# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements September 30 2012**

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### **1 Incorporation and Principal Business Activities**

The Parent Company was incorporated in the Republic of Trinidad and Tobago on 30 January 1997 as Property and Industrial Development Company of Trinidad and Tobago Limited (PIDCOTT) and commenced operations in September 1997. The address of its registered office is #131 Uriah Butler Highway, Charlieville, Chaguanas. At its inception the Company was a wholly owned subsidiary of the Tourism and Industrial Development Company of Trinidad and Tobago Limited (TIDCO) until August 2003 when its issued shares were transferred to the Corporation Sole. PIDCOTT's name was subsequently changed to Evolving TecKnologies and Enterprise Development Company Limited (eTeCK). Its principal activities are the provision of industrial estate properties to the business sector, the rental of its Hilton property located in Port of Spain, Trinidad (Note 5b), and development of new industrial estates. The Company is also an investment holding company with Vanguard Hotel Limited (VHL), (trading as Magdalena Grand Beach and Golf Resort) being its main operating subsidiary. The Company also receives mandates from the shareholder to project-manage other specific state sector projects.

### **2 Summary of Significant Accounting Policies**

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

#### **2.1 Basis of preparation**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared under the historical cost convention except for investment properties which are measured at fair value.

These consolidated financial statements are presented in Trinidad & Tobago dollars, which is the Group's functional currency. All financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousand, except when otherwise indicated.

##### **2.1.1 Going Concern**

The Group as at 30 September 2012 had an Accumulated Deficit of \$581 million and a total Comprehensive Loss of \$278 million for the year then ended. Additionally, the Group's Current Liabilities exceeds Current Assets by \$662 million. Current Liabilities include Medium to Long Term Borrowings of \$782 million.

However, these financial statements are prepared on the going concern basis, in accordance with IAS 1, since the Board of Directors and Management are of the view that the Group can continue to rely on the support of the Shareholder, the Government of the Republic of Trinidad and Tobago (GORTT), as required, in meeting its obligations as they fall due.

This support is evidenced by the fact that all of the Group's borrowings have been guaranteed by GORTT and are being serviced in full by GORTT. For fiscals 2013 and 2014, GORTT's debt service, on behalf of the Group has exceeded \$123 million. This debt service is accounted for as Capital Contributions (Refer to Note 2.12) in these consolidated financial statements.



# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements 30 September 2012

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### 2 Summary of Significant Accounting Policies (Continued)

#### 2.1 Basis of preparation (Continued)

##### 2.1.1 Going Concern (Continued)

The GORTT's continued support to date has been evidenced by:

- Group's continued receipt of funds under the Public Sector Investment Programme (PSIP) in respect of ongoing initiatives and projects of \$20 million in 2013 and \$32 million in 2014.
- The allocation of \$96 million in the 2015 national budget under PSIP
- The noting of the Group's strategic, corporate and business plans by Cabinet. These plans were prepared by the Group's Management and are based on prudent assumptions which are considered realistic and achievable by the Board of Directors.
- Cabinet's approval for the issuance of 99 year leases by the Group.
- Group's continuing ability to consistently and adequately meet its liabilities as they fall due.

The ability of the Group to continue to trade and to meet its obligations is dependent on the continued support of the shareholder in the form of direct financing and or the provision of appropriate guarantees to third parties. There are no indications that such support will not be forthcoming.

##### 2.1.2 New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements.

(a) *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group*

- IAS 12, Income Taxes (Amendment) – effective 1 January 2012
- IAS 1, Presentation of Items of Other Comprehensive Income (Amendment) – effective 1 July 2012
- IFRS 9, Financial Instruments – effective 1 January 2013. The objective of this IFRS is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. It is not expected to have a material impact on the Group financial statements.
- IFRS 13, Fair Value Measurement – effective 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.

# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **2 Summary of Significant Accounting Policies (Continued)**

#### **2.2 Investment Property**

Property that is held for long-term rental and that is not occupied by the Group, is classified as investment property. Investment Property also includes property that is being constructed or developed for future use as Investment Property.

Property held under operating leases that meet the qualification criteria as Investment Property is classified and accounted for as such by the Group. The operating lease is accounted for as if it were a finance lease.

Investment Property is measured initially at cost, including related transaction costs and where applicable, Borrowing Costs.

After initial recognition, Investment Property is carried at fair value. Investment Property under construction is measured at fair value if the fair value is considered to be reliably determined. Investment Properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determined when construction is completed, are measured at cost less impairment until the fair value becomes reliably determined or construction is completed – whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed periodically by professional valuers who hold recognised and relevant professional qualifications. These valuations form the basis for the carrying amounts in the financial statements. Investment Property that is being redeveloped for continuing use as Investment Property or for which the market has become less active continues to be measured at fair value.

The fair value of Investment Property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an Investment Property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss.

#### **2.3 Property, Plant and Equipment**

Apart from items of equipment and furniture held by the parent company, the carrying amount of which was \$9 million as at 30 September 2012 (2011 - \$14.9 million), all other property, plant and equipment which represents the property and chattel comprising Vanguard Holding Limited ownership of a hotel assets are stated at fair value, based on a directors' valuation, less accumulated depreciation. The first directors' valuation was effective as at 30 September 2012. Future valuations are expected to be performed with sufficient regularity to ensure that the fair value of a revalued assets do not differ materially from their carrying amount. Prior to this directors' valuation, property, plant and equipment was stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **30 September 2012**

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### **2 Summary of Significant Accounting Policies (Continued)**

#### **2.3 Property, Plant and Equipment (Continued)**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases/decreases in the carrying amount arising on revaluations are credited/charged to other comprehensive income/loss and shown as revaluation reserve in shareholders' equity. Going forward from the initial directors' valuation, decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings/accumulated deficit.

Land which is held on a leasehold basis for 999 years that commenced in 1997 is not depreciated as the impact is not considered to be material and the directors' valuation compensates for any reduction in the carrying amount. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

- Buildings	40 years
- Building improvements	7.5 years
- Furniture and fittings	10 years
- Machinery and equipment	10 years

Equipment and furniture held by the parent company as described above are depreciated as follows:

Equipment and Furniture:	10% - 33⅓%	Reducing Balance
Hilton: Furniture, Fixtures & Fittings	25%	Straight Line

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of significant change since the last reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)**

**September 30 2012**

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### **2 Summary of Significant Accounting Policies (Continued)**

#### **2.4 Consolidation**

##### *a) Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Consolidation ceases from the date that control ends.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

##### *b) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in Associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its Associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves, if applicable. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an Associate equals or exceeds its interest in the Associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associate.

Unrealised gains on transactions between the Group and its Associate(s) are eliminated to the extent of the Group's interest in the Associate(s). Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.



# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **2 Summary of Significant Accounting Policies (Continued)**

#### **2.5 Foreign Currencies**

##### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

##### *(b) 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 currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### **2.6 Revenue recognition**

Revenue earned as rental income is recognised on an accrual basis in accordance with the terms of the individual lease agreements with tenants. Revenue in respect of long-term leases (premiums) are deferred and recognised as Revenue over the term of the lease.

#### **2.7 Employee Benefits**

The Group's permanent monthly paid employees are required to participate in a registered deferred annuity scheme. This scheme is intended to provide a pension to those who participate and therefore constitutes the Group pension plan. The plan is a defined contribution plan. Employees contribute 5% of their basic salary and the Group contributes 10% of the employees' basic salary. The Group's contributions to the pension plan are charged to statement of comprehensive income in the year to which they relate.

#### **2.8 Trade Receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of sale.

The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to statement of comprehensive income.

# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **2 Summary of Significant Accounting Policies (Continued)**

#### **2.9 Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with bank and other bank balances with original maturities of three months or less. The Group has no bank overdrafts.

#### **2.10 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### **2.11 Trade Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised at fair value.

#### **2.12 Capital Contributions**

Capital Contributions comprise:

- Amounts received from the state for the execution of projects stipulated by the shareholder. Project expenditure is capitalised or expensed in accordance with company policy;
- The value of assets transferred to the Group for which no or less than market consideration is required.

These amounts are unsecured, interest free and have no fixed repayment terms.

Included in Capital Contributions are amounts received by the Group under the Public Sector Investment Programme (PSIP), debt service by GORTT on behalf of the Group, amounts received from GORTT to liquidate VHL's debt at acquisition and amounts transferred from former parent, Tourism Development Company Limited (TIDCO).



# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **2 Summary of Significant Accounting Policies (Continued)**

#### **2.13 Current and Deferred Income Taxes**

The tax expense for the period comprises current tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Parent Company and its Subsidiaries and Associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **2.14 Borrowings**

Borrowings are recognised initially at the loan principal amount. Related transaction costs incurred are expensed.

Borrowings are recognised at the full face value of outstanding principal and interest repayments to maturity.

Borrowings are classified as Current Liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of Financial Position date.

# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **2 Summary Of Significant Accounting Policies (Continued)**

#### **2.15 Leases**

(i) The Group is the Lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the Lessor

Assets leased out under operating leases are included in Property, Plant and Equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similarly owned Property, Plant and Equipment. Rental income (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

#### **2.16 Share Capital**

Ordinary shares are classified as equity.

#### **2.17 Impairment of Assets**

The Company assesses its assets for impairment whenever events or changes in circumstances indicate that the carrying value of its assets may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

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### 3 Financial Risk Management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by Management. Management identifies and evaluates financial risks.

##### (a) Market risk

###### *Foreign exchange risk*

The Group has no significant foreign exchange risk.

##### (b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group has no significant concentration of credit risk.

##### (c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

#### **Liquidity Risk Analysis**

The table below analyses the Group's financial liabilities based on the remaining period at the Consolidated Statement of Financial Position date to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows.

#### **Maturity Analysis of Financial Liabilities**

<b>Financial Liabilities</b>	<b>Less than 1 year \$</b>	<b>Total Contractual cash flows \$</b>
<b>Year Ended 30 September 2012</b>		
Trade and Other Payables	84,142	84,142
Borrowings	<u>781,959</u>	<u>889,018</u>
<b>Total</b>	<u><u>866,101</u></u>	<u><u>973,160</u></u>



# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 3 Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### Maturity Analysis of Financial Liabilities

Financial Liabilities	Less than 1 year \$	Total Contractual cash flows \$
<b>Year Ended 30 September 2011</b>		
Trade and Other Payables	211,170	211,170
Borrowings	<u>628,779</u>	<u>786,841</u>
Total	<u>839,949</u>	<u>998,011</u>

#### 3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2012 \$	2011 \$
Total Borrowings	781,959	628,779
Less Cash and Cash Equivalents	<u>(165,847)</u>	<u>(70,730)</u>
Net Debt	616,112	558,049
Total Equity	<u>1,054,878</u>	<u>944,191</u>
	<u>1,670,990</u>	<u>1,502,240</u>
Gearing Ratio	<u>37%</u>	<u>37%</u>

#### 3.3 Fair Value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.



# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)**

**September 30 2012**

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### **4 Critical Accounting Estimates and Judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **4.1 Critical accounting Estimates and Assumptions**

The Group makes estimates and assumptions concerning the future. The accounting policies applied by the Group in which judgments, estimates and assumptions may significantly differ from actual results are discussed below:

##### **(a) Going Concern**

The financial statements have been prepared on a going concern basis on the assumption that continued financial support will be forthcoming from the shareholder.

##### **(b) Income taxes**

Some judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### **(c) Valuation of Investment Properties**

This is considered a key management estimate because the valuations are based on a variety of factors including assumptions about current and expected market conditions, earnings, etc., which are subject to change. Refer to Note 5.

##### **(d) Leasehold interests in Trinidad Hilton Property and Tamana Intech Park**

Refer to Note 5.

##### **(e) Carrying amount of property, plant and equipment**

The subsidiary's hotel property is carried at a directors' valuation which is based on the results of an external market position study. The valuation is impacted by various market, financial, operating and economic assumptions including occupancy rates, room rates, demand/supply expectations, the airlift to Tobago and the inclusion of amenities such as golf and spa facilities. Refer to Note 6.1

##### **(f) Impairment of assets**

Impairment charges are based on a variety of factors and assumptions made by Management and accordingly reported results may vary.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 5 Investment Properties

	2012 \$'000	2011 \$'000
At beginning of the year	1,589,951	1,657,973
Additions - subsequent expenditure on Investment Property	15,112	13,049
Transfers to Property, Plant & Equipment	(192)	-
Revision of prior year estimates (Note 5c)	-	(33,610)
Derecognition of Investment Property (Note 5a)	(2,800)	(9,690)
Impairments	-	(37,762)
Adjustments	(1,161)	(9)
End of year	<u>1,600,910</u>	<u>1,589,951</u>

The Group has 3 major investment properties:

- Industrial estates
- Trinidad Hilton property
- Tamana Intech Park (TIP), which is under construction and development

The valuation and costs of the above properties are as follows:

	Buildings and Completed Works (at Fair Value) \$m	Land (at Fair Value) \$m	Work in Progress (at Cost) \$m	TOTAL \$m
<b>Year ended September 30 2012</b>				
Industrial Estates	234	428	30	692
Trinidad Hilton Property	161	36	-	197
Tamana Intech Park	-	100	611	711
Balance at September 30 2012	<u>395</u>	<u>564</u>	<u>641</u>	<u>1,600</u>
<b>Year ended September 30 2011</b>				
Industrial Estates	240	428	27	695
Trinidad Hilton Property	156	36	3	195
Tamana Intech Park	-	100	600	700
Balance at September 30 2011	<u>396</u>	<u>564</u>	<u>630</u>	<u>1,590</u>



# **Evolving TecNologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **5 Investment Properties (Continued)**

Industrial estates and the Trinidad Hilton property are stated at fair value. TIP is carried at a mixture of fair value and cost less impairment. In 2003 all industrial estate assets as well as the Trinidad Hilton property were purchased from Tourism and Industrial Development Company of Trinidad and Tobago Limited (TIDCO) for a consideration of \$1. There were subsequent directors' and independent valuations of portions of the Investment properties over the ensuing years. However, the fair values of all properties as at the ends of 2008, 2009, 2010, 2011 and 2012 were not determined and accordingly the net fair values movements attributable to each of the years 2009, 2010, 2011 and 2012, and the cumulative effect on prior years cannot be determined, as described below. The following sets out the details of each investment property:

#### *a) Industrial estates*

As at 30 September 2006, the industrial estates were carried in the Financial Statements at a Board of Directors' valuation of approximately \$1 billion. Independent professional valuations were completed for most of the estates effective 1 January 2010 and arising there from, a fair value gain of approximately \$169 million was recorded in 2010. The valuations are considered by the Board of Directors and Management to be applicable at the current year end.

The professional valuator used the following methodologies in determining the valuations:

#### *i) Direct comparison method*

This method was used to determine the valuator's opinion on the value for the properties which were of vacant possession (having no lessee). This method was used to estimate the value of all vacant land sites.

#### *ii) Investment of income capitalization method*

This method was used to determine the valuator's opinion on value for the properties which were tenanted. It was used to estimate the value of factory shells, and land sites that were leased to tenants.

Included in the valuation of the industrial estates are several leasehold properties which are carried in the financial statements on the basis that the Group is a wholly owned enterprise and the leases are expected to be renewed for the foreseeable future upon expiry. The Group is taking steps to obtain documentation to confirm this position. Among such leases is a significant portion of TIP. This portion of the Tamana Intech Park comprises 1,100 acres of leasehold land (state lease for 199 years from 2003). Some of the properties included in the valuation are accounted for as the Company's assets on the basis of Cabinet notes/State directives which articulated the State's intentions to transfer these properties to eTeck, but in respect of which the vesting process has not been completed.

Subsequent to the valuation exercise referred to in a) above, the shareholder, Government of the Republic of Trinidad and Tobago, has advised the Parent Company of its intention to vest several additional estates in the name of the Parent Company. The vesting process is not yet complete and accordingly the Directors' valuation as indicated above did not include these estates.

Certain properties are vested in the Parent Company's name but have not been fair valued by either the Directors or independently.

# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

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### 5 Investment Properties (Continued)

#### a) Industrial estates (Continued)

##### De-recognition of Investment Property

- \$9.7 million in 2011 represents an adjustment for a property of 37.15 acres located at Yanqui Road Wallerfield for which eTeCK does not have beneficial ownership. The property was occupied by squatters and was returned to the state several years ago.
- \$2.8 million in 2012 represents an adjustment for 4 factory shells that were destroyed by fire at the Diamond Vale Industrial Estate.

#### b) Trinidad Hilton Property

This property, also known as the Trinidad Hilton and Conference Centre, comprises a four-star hotel occupying approximately 30 acres of land at Lady Young Road, St Ann's, Trinidad. As noted above the buildings were acquired from TIDCO for a nominal consideration. The land is leased from the state for a term of 30 years commencing 25 February 2003. This property is sublet to Hilton International Trinidad Limited. The land together with the buildings are being carried in these consolidated financial statements at fair value on the basis that the Group is a wholly-owned state enterprise and the lease for the land is expected to be renewed for the foreseeable future when the lease expires. The Parent Company is taking steps to obtain documentation to confirm this position.

As at 30 September 2004, the Hilton property was carried in the financial statements at a Board of Directors' valuation of approximately \$200 million. On 30 September 2005, an independent professional valuation was completed and the valuation was adjusted to \$275 million. Management had obtained from the Valuator, a notional apportionment of the valuation, of which \$30 million related to land and \$245 million related to buildings.

Renovation works commenced on the hotel in 2007 and were substantially completed at year end. An updated independent valuation, as at 30 September 2009 was obtained which reflected a decline in the value of this property to \$182 million. The Board of Directors and Management consider that the valuation of \$182 million applies to the 2010. As a result, all costs incurred on the hotel's renovation which were in excess of the valuation (\$119 million) were impaired in 2010. Management has obtained from the Valuator a notional apportionment of the values attributable to land and buildings and site improvements of approximately \$36 million and \$146 million respectively.

An updated valuation at the end of the current year was not obtained. At the end of the current year, the brought forward carrying amount of \$195 million was increased by \$2 million to \$197 million as a result of expenditure incurred on improvement works at the property.

The professional valuator used the investment or income capitalisation method in determining the valuation.



# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 5 Investment Properties (Continued)

#### c) Tamana Intech Park (TIP)

The movement in its carrying amount is as follows:

	Land (At Valuation)	Work In Progress (At Cost)	Total
	\$'000	\$'000	\$'000
<b>Year Ended 30 September 2012</b>			
Opening carrying amount	100,000	599,988	699,988
Additions	--	11,627	11,627
Closing carrying amount	<u>100,000</u>	<u>611,615</u>	<u>711,615</u>
<b>Year Ended 30 September 2011</b>			
Opening carrying amount	109,690	633,598	743,288
Derecognition/Disposal	(9,690)	--	(9,690)
Revision of prior year estimates	--	(33,610)	(33,610)
Closing carrying amount	<u>100,000</u>	<u>599,988</u>	<u>699,988</u>

Tamana Intech Park is an industrial estate under construction which is located at Wallerfield in Trinidad. Development works commenced in 2006. The land component of the park is stated at a valuation of \$100 million. However, \$119 million was impaired in 2010 and \$49 million in 2009. The land valuation was carried out in 2005, prior to the park's development and does not consider the development works.

Development work on the park was reduced considerably in 2010 and there have been other issues related to the park as explained under Subsequent Events Note 25. There is now a phased approach to development of the park and certain changes from the original plans and conceptual framework have been implemented. The current status is that the flagship building and 21 fully serviced lots have been completed and there is a medium-term plan in place regarding the development of certain lots for occupation by potential tenants. In addition, the Board of Directors are satisfied that the GORTT will provide the required funding and support for the completion of the development of the park. The Board of Directors commissioned an updated valuation by an external independent valuator that was completed in 2013. The park "as is" was then valued at \$534 million, while the "as if" valuation was \$959 million.

#### Revision of prior year estimates

In 2010 there was a suspension in works at TIP, in part due to the non-settlement of contractor invoices. As a result, amounts were accrued for works certified, interest, suspension and penalties, which was considered to be the most prudent and reasonable approach in the circumstances. In 2012, upon the receipt of GORTT funding, negotiations were held with all contractors and settlement amounts were determined. The total settlements were less than amounts previously estimated by approximately \$34 million. Management considers that this revision is attributable to the overall favourable settlement negotiations with contractors and it was not due to an error in the original estimate.



# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 6 Property, Plant and Equipment

	Land	Buildings	Furnishings And Equipment	Machinery And Equipment	Information Systems	Work In Progress	Total
<b>Year ended 30 September 2012</b>							
Opening net book amount	-	-	14,907	-	-	-	14,907
Recognition of subsidiary's assets	15,750	-	-	-	-	158,245	173,995
Additions	-	-	785	-	-	32,570	33,355
Adjustments	-	208	1,376	-	-	-	1,584
Transfers	-	106,148	47,133	37,487	48	(190,815)	-
Depreciation	-	(9,451)	(11,169)	(2,499)	(16)	-	(23,135)
Valuation adjustment (Note 6.1)	-	(26,544)	-	-	-	-	(26,544)
Closing net book amount	15,750	70,360	53,032	34,988	32	-	174,162
<b>As at 30 September 2012</b>							
Cost	18,737	282,244	151,563	37,487	48	-	490,079
Accumulated depreciation and impairment	(2,987)	(211,884)	(98,531)	(2,499)	(16)	-	(315,917)
Net book amount	15,750	70,360	53,032	34,988	32	-	174,162
<b>Year ended 30 September 2011</b>							
Opening net book amount	-	22,837	-	-	-	-	22,837
Additions	-	1,269	-	-	-	-	1,269
Depreciation	-	(9,199)	-	-	-	-	(9,199)
Closing net book amount	-	14,907	-	-	-	-	14,907
<b>As at 30 September 2011</b>							
Cost	-	59,836	-	-	-	-	59,836
Accumulated depreciation and impairment	-	(44,929)	-	-	-	-	(44,929)
Net book amount	-	14,907	-	-	-	-	14,907

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 6 Property, Plant and Equipment (Continued)

2012	2011
\$'000	\$'000

#### 6.1 Valuation adjustment

The directors have considered the results of an external market position study regarding the carrying amount of the hotel property as a functioning four-star destination resort. The study was concluded in 2009 and the result was based on the hotel being fully refurbished to four-star destination resort status. Following completion of refurbishment works and the hotel's formal opening in 2012, the directors have considered the facts and circumstances relevant to the hotel property and as at 31 December 2012, the carrying amount of the hotel property was adjusted downwards by TT\$26.5 million to reflect the results of the study of US\$25.8 million or TT\$165.1 million

### 7 Investments

2012	2011
\$'000	\$'000

Cost	10,110	10,110
Less provision for impairment	<u>(10,110)</u>	<u>(10,110)</u>
	<u>---</u>	<u>---</u>

The Group in partnership with the National Energy Corporation has entered into an agreement with UniBio A/S of Denmark to fund a gas to protein pilot plant in Trinidad and Tobago. The Group is required under the arrangement to partner in the funding to the value of 50% of the investment. An initial payment of approximately \$10 million was provided by the University of Trinidad and Tobago (UTT) on behalf of the Group and is included in accrued expenses and other payables. Full provision has been made against this investment due to uncertainty over its timing and/or recovery.

#### Other Investments

Over the period, the Group assessed the impairments previously recognised on other Investments in its portfolio. It was found that some of these investments were over impaired by \$511 thousand. This was corrected and accounted for in 2012. Further details of these reversals can be found in Note 18.

### 8 Inventories

Food and beverage	803	--
Operating supplies	354	--
Guest supplies	<u>136</u>	<u>--</u>
	<u>1,293</u>	<u>--</u>

All inventories relate to the subsidiary, VHL. At the end of the comparative period, no inventories were recognized for consolidation purposes.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 9 Other Receivables and Prepayments

	2012 \$'000	2011 \$'000
Value Added Tax (VAT) refundable	161,278	127,000
Less: impairment provision	<u>(161,278)</u>	<u>--</u>
Net VAT refundable	--	127,000
Other receivables and prepayments	<u>3,375</u>	<u>1,331</u>
	<u>3,375</u>	<u>128,331</u>

The balance at the end of the current year includes the effect of a full provision against Value Added Tax (VAT) refunds of approximately \$161 million. There was no provision in the prior year. Most of this VAT balance relates to the parent company (\$157 million) and the remainder of \$4 m relates to VHL. The comparative balance relates to the parent company only as balances related to VHL were impaired to nil in prior years, as explained in note 21.

In respect of the VAT refunds due to the parent company, the Board of Directors and management have revised their assumption regarding collectability. These VAT refunds relate to several return periods over a number of years and have not been refunded to date. Accordingly a full provision was made against the carrying amount in the current year. The refunds are due from the VAT Administration Centre, which is a State agency. The Board of Directors and Management, after obtaining professional advice, still maintain the view that the refunds are properly due to eTeck under the provisions of the legislation which govern VAT.

Refer to Note 28, Contingent Assets and Liabilities.



# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

<b>10 Trade Receivables</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Trade Receivables	29,703	31,985
Less: Provision for Doubtful Debts	<u>(17,425)</u>	<u>(15,911)</u>
Net trade receivables	<u>12,278</u>	<u>16,074</u>
<b>10.1 Ageing analysis</b>		
The analysis of these balances is as follows:		
00 – 60 days	5,189	9,768
Over 60 days	<u>24,514</u>	<u>22,217</u>
	<u>29,703</u>	<u>31,985</u>
<b>10.2 Movement in provision for impairment</b>		
Opening balance	15,911	17,805
Increase/(Decrease) in Provision	3,036	(1,894)
Amounts Written Off	<u>(1,522)</u>	<u>--</u>
Closing balance	<u>17,425</u>	<u>15,911</u>
<b>11 Cash and Cash Equivalents</b>		
Cash at Bank and In Hand	154,971	38,676
Fixed Deposits and Money Market Instruments	<u>10,876</u>	<u>32,054</u>
	<u>165,847</u>	<u>70,730</u>
Interest Income on short-term bank deposits	<u>645</u>	<u>109</u>
<b>12 Share Capital</b>		
Authorised		
20,000,000 ordinary shares of no par value		
Issued and fully paid		
2 ordinary shares of no par value	<u>1</u>	<u>1</u>
<b>13 Capital Contributions</b>	<u>1,597,903</u>	<u>1,246,893</u>

This balance comprises amounts received from the Government of the Republic of Trinidad and Tobago (GORTT) in connection with the Group's mandate regarding specific projects, as well as the value of assets received.

The Group accounts for these balances as Capital Contributions in the absence of specific directives from GORTT regarding either conversion or repayment terms and conditions.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

14 Deferred Income	2012 \$'000	2011 \$'000
Leases of Industrial Estates (14a)	43,393	43,872
Deferred Revenue pertaining to Land Rent (14b)	2,135	--
Deferred revenue pertaining to project with Government Bodies (14c)	<u>6,715</u>	<u>6,744</u>
Deferred income as at year end	<u>52,243</u>	<u>50,616</u>

### a) Leases of industrial estates

The Group offers leases for varying periods to its tenants. Long term leases (i.e. those in excess of 35 years) are generally subject to the payment of a lease premium payable at the beginning of the lease term (or over a short period, typically 1 to 5 years) with a nominal annual rent being due for the remainder of the term. Premiums invoiced are recorded as Deferred Income and recognised over the term of the lease.

Total unamortized premiums received in prior year	43,872	43,913
Total premiums invoiced during the financial year	--	479
Premium income recognised during the financial year	<u>(479)</u>	<u>(520)</u>
Deferred income as at year end	<u>43,393</u>	<u>43,872</u>

### b) Deferred Revenue pertaining to Land Rent

eTeck charges an annual Land Rent to its tenants. This amount is initially recorded as Deferred Land Rent Income and subsequently recognised as revenue over the annual rental term.

### c) Deferred revenue pertaining to project with Government Bodies

The brought forward balance relates to amounts invoiced and received in connection with the development of a payroll system (\$6.7 million).

15 Trade And Other Payables	2012 \$'000	2011 \$'000
Trade payables	29,297	47,733
Accruals	<u>54,845</u>	<u>163,605</u>
	<u>84,142</u>	<u>211,338</u>

# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 16 Borrowings

As at 30 September 2012, the Group had three (3) loan facilities that are guaranteed by the Government of the Republic of Trinidad and Tobago (GORTT). They are as follows.

	2012 \$'000	2011 \$'000
First Caribbean International Bank Limited	482,716	457,725
First Citizens Bank Limited	163,480	20,188
Scotiabank and Merchant Bank Limited	<u>135,763</u>	<u>150,866</u>
	<u>781,959</u>	<u>628,779</u>
Finance Costs		
Interest on bank borrowings	36,708	30,044
Other bank charges	<u>37</u>	<u>1,566</u>
	<u>36,745</u>	<u>31,610</u>

#### First Caribbean International Bank Limited (FCIB) - \$410 million

The Group entered into a short term bridge loan agreement comprising two tranches with First Caribbean International Bank Limited (FCIB) on 28 November 2008 in the amount of TT\$220 million (with up to 25% available in United States dollars) in connection with the renovation / upgrading of the Trinidad Hilton Property. On 29 October 2009, the amount of the facility was increased to TT\$410 million (with up to US\$10 million available in United States dollars). Drawings can be made in both Trinidad and Tobago dollars and United States dollars (subject to certain minimum and maximum amounts) and the respective interest rates are:

- TT\$ drawings - base lending rate less 2.26%
- US\$ drawings - 90 day LIBOR plus 3.25%

Interest rates are subject to change based on market conditions. Interest is accrued and capitalized monthly on the drawn down balance. The interest rate for the year varied between 7.24% and 6.24% for the TT\$ drawings and 3.75% and 3.50% for the US\$ drawings. The principal together with accumulated interest is to be repaid upon maturity.

The loan agreement sets out certain prepayment options. At year-end the balances of principal and accumulated interest on the loans were as follows:

- TT\$ drawings - TT\$410.89 million
- US\$ drawings - US\$11.22 million

The tenor of this loan facility in the first instance was eighteen months. During the period, the maturity of the loan has been extended to accommodate refinancing. At year-end, the balance of principal and interest amounted to approximately \$483 million.

Cabinet, by Minute No. 2184 dated August 18, 2011 agreed to the liquidation of the short-term facility (inclusive of capitalized interest accrued on the short term facility at the date of liquidation) by a long term facility. It was agreed that TT\$488 million will be the full amount raised.



# **Evolving TecNologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)**

**September 30 2012**

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### **16 Borrowings (Continued)**

#### **First Caribbean International Bank Limited (FCIB) - \$410 million (Continued)**

In a letter dated 21 August 2012, the Ministry of Finance and Economy informed the Group that the award of the mandate for the \$488 million facility was granted to ANSA Merchant Bank Limited. This award took effect from December 2012.

Loan covenants pertaining to the provision of audited financial statements to FCIB have been breached and accordingly the balance has been classified as current.

#### **First Citizens Bank Limited - \$160 million**

In August 2011, the Group entered into a 10 year loan of TT\$ 160 million from First Citizens Bank Limited to finance the development and management plan for the refurbishment and operationalization of the Magdalena Grand Beach Resort (formerly VHL Hotel) in an effort to ensure that the hotel becomes operational by November 1, 2011.

The loan is secured by a Letter of Comfort from the Ministry of Finance which shall be substituted in due course by an unconditional guarantee and indemnity from the Government of the Republic of Trinidad and Tobago. It carries an interest rate of 5.25% and is a bullet-type loan facility payable semi-annually with a principal payment due at maturity.

Loan covenants pertaining to the provision of audited financial statements to First Citizens Bank Limited have been breached. And accordingly the balance has been classified as current.

#### **Scotiabank and Merchant Bank (First Citizens Trustee Services Limited) - \$148 million**

This represents a 10 year loan facility commencing in April 2011 at a rate of interest of 4.25% to be used as follows in respect of the Tamana Intech Park Project:

- \$98 million to complete the flagship building and related works and
- \$50 million to meet outstanding payments to contractors and consultants

The principal is to be repaid in equal semi-annual amortizations and interest on a reducing balance, semi-annually in arrears.

Loan covenants pertaining to the provision of audited financial statements to Scotia Trust & Merchant Bank Limited have been breached and accordingly the balance has been classified as current.

# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

17 Revenue	2012 \$'000	2011 \$'000
Income from Trinidad Hilton (Note 17a)	19,506	13,315
Income from Industrial Estates	16,242	16,959
Services and rental outlet income	2,980	2,996
Other property income	--	352
Project fee income	6,197	5,144
Income from VHL (trading as Magdalena Grand Beach & Golf Resort)	<u>37,640</u>	<u>765</u>
	<u>82,565</u>	<u>39,531</u>

17a. The Group has sub-let the Trinidad Hilton Property (Note 5b) to Hilton International Trinidad Limited under the terms of a deed of lease for a period of 20 years from 1 October 2003.

## 18 Impairment (Reversals) / Provision

The provision comprises the following items:

Impairment of Vanguard Hotel (Note 18.1)	26,544	37,762
Reversal of previous impairment charges - (Note 18.2)	<u>(82,279)</u>	<u>--</u>
	<u>(55,735)</u>	<u>37,762</u>

18.1 The amount relates to capitalised renovation costs for Vanguard Hotel (trading as Magdalena Grand Beach and Golf Resort).

18.2 This reversal relates primarily to Vanguard Hotel Limited as explained in Note 21 c.

Vanguard Hotel Limited (Note 21 c)	(81,768)
Valeo Software Limited	(268)
Interfix Ventures LLC	(64)
Other Investments	<u>(179)</u>
	<u>(82,279)</u>

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

19 Taxation	2012 \$'000	2011 \$'000
Current	<u>292</u>	<u>311</u>
The Group's effective tax rate varies from the statutory rates as a result of the differences shown below:		
Loss before taxation	<u>(213,487)</u>	<u>(160,279)</u>
Tax calculated at a rate of 25%	(53,372)	(40,069)
Effect of non-deductible expenditure	2,025	11,819
Deferred tax assets not recognised	71,832	28,250
Non-taxable items	(20,485)	--
Business Levy and Green Fund Levy	<u>292</u>	<u>311</u>
Tax Charge	<u>292</u>	<u>311</u>

At the Consolidated Statement of Financial Position date the Group had significant accumulated taxation losses. These losses have not yet been agreed with the Board of Inland Revenue.

The group has no corporation tax liabilities due to significant accumulated tax losses in the individual group entities. The parent company had taxation losses of approximately \$425 million (2011 - \$362 million). The operating subsidiary had significant accumulated tax losses, the amount of which could not be reliably estimated due to issues related to its corporation tax returns, which its management are taking steps to address.

At the Consolidated Statement of Financial Position date no deferred tax assets on the tax losses were recognised on account of uncertainty over the timing of their recovery.



# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 20 Cash Generated From Operating Activities

	2012 \$'000	2011 \$'000
<b>Operating Activities</b>		
Loss before taxation	(240,031)	(160,279)
<b>Adjustments for:</b>		
Depreciation	23,135	9,199
Non cash adjustments to property plant and equipment	(1,584)	33,610
Non cash adjustments to investment properties	4,153	9,690
Interest capitalised	28,282	30,044
Impairment provision for VAT refunds	156,771	--
Recognition of property, plant and equipment in subsidiary	(173,995)	--
Impairment of assets	26,544	37,762
	(176,725)	(39,974)
<b>Changes in Working Capital:</b>		
Other receivables and prepayments - Non-current	--	412
Inventory	(1,293)	
Trade receivables	3,796	1,622
Other receivables and prepayments - Current	(31,815)	(13,159)
Deferred income	1,627	92
Trade and other payables	(127,196)	(196,971)
	(331,606)	(247,978)
Taxation Paid	(718)	(152)
<b>Net Cash Used In Operating Activities</b>	<b>(332,324)</b>	<b>(248,130)</b>

# Evolving TecNologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 21 Subsidiary And Associate

Entity	Interest (%)	Country of Incorporation
Vanguard Hotel Limited	98.28	Trinidad and Tobago
Interfix Ventures LLC	49.00	United States of America

Interfix Ventures, LLC is not operational.

- a) Effective 30 September 2008, the Group acquired a controlling interest in Vanguard Hotel Limited (VHL). VHL ceased its main activity, that of hotel operations, in late 2008. The purchase consideration for the acquisition was \$139 million. The assets and liabilities of VHL were not fair valued at the date of acquisition, in accordance with IFRS 3 – Business Combinations. The book values of assets and liabilities at the date of acquisition are based on unaudited results to 30 September 2008 were as follows:

*Carrying amounts on acquisition:*

	\$'000
Property, Plant and Equipment	173,577
Inventories	1,157
Trade and Other Receivables	11,592
Cash and Cash Equivalents	10,758
Trade and Other Payables	<u>(20,019)</u>
<b>TOTAL</b>	<b><u>177,065</u></b>

*Details of net assets acquired and goodwill are as follows:*

Purchase consideration	139,000
Carrying amount of net assets acquired	<u>(177,065)</u>
<b>Negative Goodwill</b>	<b><u>(38,065)</u></b>

*The negative goodwill was immediately recognised in the statement of comprehensive income within the impairment provision as follows:*

Impairment of VHL assets (excluding cash)	186,326
Negative goodwill	<u>(38,065)</u>
<b>Impairment provision</b>	<b><u>148,261</u></b>

- b) The unaudited financial position and results of VHL at 31 December 2012 were as follows:

Total Assets	170,591
Total Liabilities	<u>261,079</u>
<b>Net liabilities</b>	<b><u>90,488</u></b>
<b>Total comprehensive loss for the year</b>	<b><u>66,929</u></b>

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) September 30 2012

### 24 Credit quality of Financial Assets

The credit quality of the financial assets can be assessed by reference to historical information about the counterparty default rates:

Counterparties without external credit rating:

Group 1	<u>12,278</u>	<u>16,074</u>
Group 1 – Local customers with no history of default		

#### Cash at bank and in hand

Group A	<u>165,847</u>	<u>70,730</u>
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The rest of the balance sheet item "Cash and Cash Equivalents" is cash on hand.

Group A – Trinidad and Tobago based banking institutions.

### 25 Commitments

- a) The Group has entered into significant contracts in the normal course of its business operations. The following are commitments for which contracts have been executed at the Consolidated Statement of Financial Position date and subsequently:

	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Investment Properties	<u>242,300</u>	<u>604,000</u>

- b) The Group is committed to the following minimum lease payments:

Less than 1 year	2,175	2,175
Greater than 1 and not later than 5 years	8,700	8,700
Later than 5 years	<u>32,625</u>	<u>34,800</u>
	<u>43,500</u>	<u>45,675</u>



# **Evolving TecNologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **29 Subsequent Events**

- a) The Group has received claims for material amounts arising in the ordinary course of business. Management has considered the claims and obtained external professional advice as considered necessary. Amounts have been recognised and or disclosed in the financial statements where appropriate. The final outcome of the claims is uncertain and there may be additional liabilities to the company.
- b) Capital works on the Flagship Building at Tamana Intech Park which restarted in 2013 have been substantially completed in 2014 at an additional cost of \$97 million. These works are funded by the GORTT's Public Sector Investment Programme.
- c) By letter dated August 21, 2012, the Ministry of Finance and Economy informed the Group that the award of the mandate for the \$488 million was granted to ANSA Merchant Bank Limited. This long-term facility will be guaranteed by GORTT.

The indicative terms and conditions of the \$488 million are as follows:

- i. Term: 10 years
- ii. Security: Initially, Letter of Guarantee from GORTT and thereafter by a Guarantee by GORTT
- iii. Interest Rate: 3%
- iv. Principal Repayment: Amortized and repayable semi-annually in instalments
- v. Interest Repayment: Calculated on a reducing balance, 30/360 day basis and repayable semi-annually in arrears

eTeck concluded the loan agreement with ANSA Merchant Bank Limited in December 2012.

- d) Cabinet Minute dated 3 May 2012 issued a directive that a parcel of land comprising approximately 56 acres situated at Point Fortin be transferred to the Ministry of Health for a consideration of \$1.00. Cabinet also agreed that the Group will be reimbursed the sum of \$35.4 million for expenditure incurred as at 20 April 2012 for development works undertaken on the parcel of land. The parcel of land is carried in the financial statements at a valuation of \$36.9 million.
- e) Subsequent to the year end, two wholly-owned special purpose subsidiaries were incorporated as part of a group restructuring exercise, Asset Optimization Company Limited (AOCL) and InvesTT Limited. After this, Cabinet by Minute dated 28 February 2013 agreed to rationalize the Group and establish two independent legal entities i.e. eTeck and InvesTT Limited. Instructions were also given to the Group's Board of Directors to take immediate action to dissolve AOCL, which was never operational. The new functions and operations of the companies are as follows:
  - InvesTT becomes a wholly owned Government Enterprise under the purview of the Ministry of Trade, Industry and Investment;
  - The sole mandate of the Group is to refocus along the lines of asset management and development and the facilitation of economic zones in accordance with the recommendations of the September 2012 Technical Report of the World Bank Group on Special Economic Zones;
  - The sole mandate of InvesTT is to implement the investment policy and investment promotion strategy of the GORTT and act as the national "one stop shop" and point of access for potential investors in all sectors of the economy as well as facilitate all the relevant requirements and regulatory approvals required by investors.

# **Evolving TecKnologies and Enterprise Development Company Limited**

## **Notes to the Consolidated Financial Statements (Continued)** **September 30 2012**

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### **29 Subsequent Events (Continued)**

- f) Cabinet by Minutes dated 26 June 2014, agreed that GORTT through the Ministry of Finance and the Economy meet the outstanding payments under the medium term loan facility between eTeck and ANSA Merchant Bank Limited effective from the third loan instalment due on 19 June 2014.
- g) By letter dated 15 May 2014, the Ministry of Finance and the Economy (MOFE) informed that it is the convention of the Ministry to make annual GORTT subventions to eTeck to enable the Group to meet its operating and capital expenditures. The MOFE further confirmed that in the post balance sheet period – 30 September 2013 – it has committed and disbursed GORTT funding to support the Group in its expenditure.
- h) VHL's contract for hotel operations with the existing hotel operator ended on 30 April 2015 and was renewed for a further six months. This party has operated the hotel since its re-opening in 2011.
- i) VHL's Board of Directors approved of the search for a long term hotel operator. As of the current date, no decision has been made regarding any appointment.
- j) On 6 October 2013, VHL's Common Area Management (CMA) fee agreement with Tobago Plantations Limited (TPL) ended. A new agreement for the period 7-31 October 2013 was entered into and VHL agreed to pay TPL a CMA fee" of \$190,000 and a capital contribution of \$70,000, which were the same monthly fees under the expired agreement.
- k) The parent's Board of Directors has agreed to seek funding to enable the redemption of all Class X Non-voting Redeemable shares, held by F&K Holdings Limited in VHL. This represents approximately 1.72% of VHL's shareholding.