

Shaffick Hosein & Company

Chartered Accountants
and
Forensic Certified Public Accountants

NATIONAL MAINTENANCE TRAINING
AND
SECURITY COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTENTS

PAGES

AUDITORS' REPORT	1a-1b
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF COMPREHENSIVE INCOME	3
STATEMENT OF CHANGES IN EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO THE FINANCIAL STATEMENTS	6-20

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED

Report on the Financial Statements

Opinion

We have audited the financial statements of National Maintenance Training and Security Company Limited which comprise the statement of financial position as at 31st December, 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Maintenance Training and Security Company Limited as at 31st December, 2018 and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (*IFRS*).

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (*ISAs*). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethical Standards Board for Accountants Code of Ethics for Professional accountants (*IESBA Code*), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

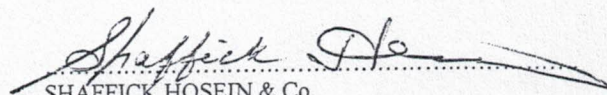
1a.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

54 Jarvis Street,
Vistabella.
20th February, 2019



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CHARTERED ACCOUNTANTS
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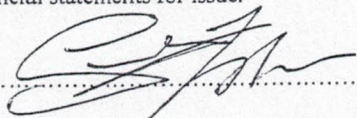
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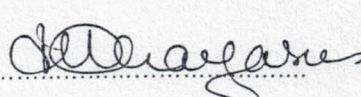
NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED
31ST DECEMBER, 2018

<u>ASSETS</u>	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
<u>Non - Current Assets</u>			
<u>FIXED ASSETS</u>			
Property, Plant and Equipment	6	<u>27,416,554</u>	<u>28,253,331</u>
<u>Other Non-Current Assets</u>			
Amount Receivable from GORTT	3(b)	49,979,406	79,425,396
Deferred Taxation	15(a)	<u>4,112,438</u>	<u>1,294,723</u>
		<u>54,091,844</u>	<u>80,720,119</u>
TOTAL NON-CURRENT ASSETS		<u>81,508,398</u>	<u>108,973,450</u>
<u>CURRENT ASSETS</u>			
Inventories	7	6,012,881	8,856,169
Debtors and Prepayments	8	494,078,778	420,382,634
Amount Receivable from GORTT	3(a)	29,445,990	29,445,990
Amount Received From GORTT (EFCL)	26	400,000,000	-
FCB Facility (EFCL)	27	397,999,970	-
Short Term Investments	9	33,069,837	32,732,858
Cash on Hand and at Banks	10(a)	<u>9,177,126</u>	<u>375,021</u>
		<u>1,369,784,582</u>	<u>491,792,672</u>
TOTAL ASSETS		<u>\$1,451,292,980</u>	<u>\$600,766,122</u>
<u>REPRESENTED BY:</u>			
<u>EQUITY AND LIABILITIES</u>			
Share Capital	11	3,000,000	3,000,000
Re-valuation Reserve	14	19,777,867	19,777,867
Retained Earnings		<u>59,187,533</u>	<u>57,421,992</u>
		<u>81,965,400</u>	<u>80,199,859</u>
<u>Non-Current Liabilities</u>			
Pensions	4	4,062,000	2,595,000
Provision for Retirement Lump Sum Benefits	5	176,274,000	165,610,000
Provision for Vacation Leave	12	50,251,199	46,264,477
Deferred Taxation	15(b)	661,844	724,863
Amount Due to Bond Holders	3(d)	<u>49,979,406</u>	<u>79,425,396</u>
		<u>281,228,449</u>	<u>294,619,736</u>
<u>CURRENT LIABILITIES</u>			
Bank Overdraft	10(b)	-	7,057,024
Creditors and Accruals	13	260,653,171	189,443,513
Amount Due to Bond Holders	3(c)	29,445,990	29,445,990
FCB - Short Term Loan (EFCL)	28	400,000,000	-
Amount Due to Contractors (EFCL)	29	<u>397,999,970</u>	<u>-</u>
		<u>1,088,099,131</u>	<u>225,946,527</u>
TOTAL EQUITY AND LIABILITIES		<u>\$1,451,292,980</u>	<u>\$600,766,122</u>

The notes on pages 6 to 20 form part of these financial statements.

On 20th February, 2019, the Board of Directors of National Maintenance Training and Security Company Limited authorized these financial statements for issue.

Director.....

Director.....

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
31ST DECEMBER, 2018

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
Income from Operations	18	498,438,336	490,217,152
Rent		1,588,329	1,655,978
Interest Received		336,980	386,984
Other Income		7,060	3,585
(Loss)/Gain on Disposal of Fixed Assets		<u>(549)</u>	<u>608</u>
TOTAL INCOME		<u>500,370,156</u>	<u>492,264,307</u>
<u>EXPENSES</u>			
Depreciation	6	1,227,574	1,427,454
Directors Fees and Allowances	16	459,000	459,000
Staff and Salary Expenses	19	435,419,314	411,594,405
Operating Expenses	20	23,283,978	24,329,190
Bad Debts	21	-	14,354,281
Supplies and Materials	22	29,551,016	30,971,998
Finance Charges	23	<u>1,338,038</u>	<u>679,179</u>
TOTAL EXPENSES		<u>491,278,920</u>	<u>483,815,507</u>
PROFIT FOR THE YEAR BEFORE TAXATION		9,091,236	8,448,800
TAXATION (Note 17)		<u>(7,325,695)</u>	<u>(6,695,944)</u>
NET PROFIT FOR THE YEAR AFTER TAXATION		<u>\$1,765,541</u>	<u>\$1,752,856</u>

The notes on pages 6 to 20 form part of these financial statements.

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
31ST DECEMBER, 2018

	<u>SHARE CAPITAL</u>	<u>REVALUATION RESERVE</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
<u>AS AT 31ST DECEMBER, 2018</u>				
Balance at 01.1.2018	3,000,000	19,777,867	57,421,992	80,199,859
Profit for the Year	-	-	<u>1,765,541</u>	<u>1,765,541</u>
Balance at 31.12.2018	<u>\$3,000,000</u>	<u>\$19,777,867</u>	<u>\$59,187,533</u>	<u>\$81,965,400</u>
<u>AS AT 31ST DECEMBER, 2017</u>				
Balance at 01.1.2017	3,000,000	19,777,867	55,669,136	78,447,003
Profit for the Year	-	-	<u>1,752,856</u>	<u>1,752,856</u>
Balance at 31.12.2017	<u>\$3,000,000</u>	<u>\$19,777,867</u>	<u>\$57,421,992</u>	<u>\$80,199,859</u>

The notes on pages 6 to 20 form part of these financial statements.

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

	<u>2018</u>	<u>2017</u>
<u>OPERATING ACTIVITIES</u>		
Profit for the year before Taxation	9,091,236	8,448,800
<u>Adjustments for Non-Cash Items:</u>		
Depreciation	1,227,574	1,427,454
(Loss)/Gain on Disposal of Fixed Assets	549	(608)
Operating Profit Before Working Capital Changes	<u>10,319,359</u>	<u>9,875,646</u>
<u>CHANGES IN WORKING CAPITAL</u>		
Increase in Severance and Pensions	12,131,000	17,109,000
Increase in Provision for Vacation Leave	3,986,722	6,469,348
(Increase) in Receivables and Prepayments	(73,696,144)	(133,730,252)
(Increase) in Other Assets	(5,689,805)	-
Decrease in Inventories	2,843,288	1,062,681
(Decrease)/Increase in Trade Payables	(352,712)	844,677
Increase in Other Creditors and Accruals	<u>71,562,025</u>	<u>72,136,008</u>
	<u>10,784,374</u>	<u>(36,108,538)</u>
Cash provided by Operating Activities	21,103,733	(26,232,892)
Taxation Paid	<u>(4,516,623)</u>	<u>(3,928,008)</u>
Net Cash flow from Operating Activities	<u>16,587,110</u>	<u>(30,160,900)</u>
<u>INVESTING ACTIVITIES</u>		
Disposal of Fixed Assets	-	740
Acquisition of Fixed Assets	<u>(391,002)</u>	<u>(670,172)</u>
Cash used by Investing Activities	<u>(391,002)</u>	<u>(669,432)</u>
<u>FINANCING ACTIVITIES</u>		
Cash (used)/provided by Financing Activities	<u>-</u>	<u>-</u>
Net Increase/(Decrease) in Cash and Cash Equivalent	16,196,108	(30,830,332)
Cash at 01.01.	<u>26,050,855</u>	<u>56,881,187</u>
Cash at 31.12.	<u>\$42,246,963</u>	<u>\$26,050,855</u>
<u>REPRESENTED BY:</u>		
Bank Overdraft	-	(7,057,024)
Cash on Hand and at Banks	9,177,126	375,021
Investments	<u>33,069,837</u>	<u>32,732,858</u>
	<u>\$42,246,963</u>	<u>\$26,050,855</u>

The notes on pages 6 to 20 form part of these financial statements.

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

1. INCORPORATION AND PRINCIPAL BUSINESS ACTIVITY

The company was incorporated under the Companies Act (1995) in the Republic of Trinidad and Tobago on 27th November, 1979. The registered office is MTS Plaza, Aranguez Main Road, Aranguez. The Company changed its name by Special Resolution from the Secondary Schools Maintenance Training and Security Company Limited to National Maintenance Training and Security Company Limited. Approval for change was granted by the Registrar of Companies on 29th December, 1989.

Its principal business activities are the provision of security, janitorial, agricultural services and project management.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

2.1 Basis of Preparation

These financial statements have been prepared under the historical cost convention and no account has been taken of the effects of inflation. The company's accounting policies conform with International Accounting Standards approved in Trinidad and Tobago.

The preparation of financial statements in conformity with International Financial Reporting Standard requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The company makes estimates and assumptions concerning the future. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.2 Inventories

Inventories are stated at the lower of cost and net realizable value, allowance having been made for slow moving and obsolete items. Stocks are valued on an average cost basis.

Cost of inventories excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.3. Revenue and Expenditure

Revenue and expenditure are accounted for on an accruals basis. With respect to projects under management, the project management fees are recorded as revenue.

2.4 Investments

Investments are intended to be held for an indefinite period of time and may be sold in response to the need for liquidity or changes in interest rates. These investments are carried at fair value with realized gains and losses taken to the statement of comprehensive income.

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

2.5 Leases

For operating leases, lease payments are recognized as an expense on the straight line basis over the term of the lease.

2.6 Financial Assets

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve (12) months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise "trade receivables and prepayments" and "cash and cash equivalents" in the statement of financial position.

2.7 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates of the amount of the obligation can be made.

2.8. Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents are cash in hand, deposits held at bank, and short terms cash investments.

2.9. Foreign Currencies

The financial statements are stated in Trinidad and Tobago dollars. Revenue transactions in foreign currencies are translated at the rates ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated at the rates prevailing at the statement of financial position date. Profit and losses are disclosed in the statement of comprehensive income.

2.10 Borrowings

Borrowings are recognized initially at cost, being their issue cost net of transaction costs incurred. Subsequently, borrowings are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using effective interest method.

2.11 Critical Accounting Estimates and Judgements

The Company's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

of preparation of the financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and assumptions are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality.

2.12 Fixed Assets

Fixed assets are stated at cost. Depreciation is provided for on the Reducing Balance Basis at rates sufficient to write off the assets over their estimated useful lives. Rates used are as follows:

Furniture & Fittings	10%
Office Equipment	25%
Plant & Equipment	33.3%
Motor Vehicles	25%
Computer Equipment	25%
Fire Arms	33.3%
Land	-
Buildings	2.5%

2.13 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events of changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell add value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.14 Employee Benefits – Pension and Termination Benefit

The company operates a defined benefit pension plan, the assets of which are held in separate trustee-administered funds. The company also operates an unfunded termination lump sum benefit arrangement for un-unionized employees who are covered by an industrial agreement.

The company's pension and retirement benefit accounting costs are assessed under IAS 19 using the projected unit method, taking account of recommendations of independent qualified actuaries.

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

2.15 Current and Deferred Taxes

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

The current tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment and losses carried forward.

Currently enacted tax rates are used to determine deferred income tax.

Deferred taxation relating to the carry forward of unused tax losses are recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

2.16 Comparative Information

Comparative figures have been adjusted in conformity with changes in presentation for the current year where necessary.

2.17 Financial Risk Management

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow and interest rate risk. Risk management is carried out in line with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and the investment of excess liquidity.

(a) Market Risk

The company monitors its exposure to fluctuations in foreign currencies. If it is determined that there is a need to hedge this exposure the appropriate instrument is used.

(b) Credit Risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers. The company has a significant concentration of credit risk. However, the company has policies in place to ensure that services rendered are made to customers with an appropriate credit history. The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk and are regularly monitored through the use of credit terms. Management does not expect any losses from non-performance from counterparties.

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

(c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term funds and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the company aims at maintaining flexibility in funding by keeping committed credit lines available.

(d) Cash Flow and Fair Value Interest Rate Risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market rates.

2.18 Capital Risk Management

The company's objectives when managing capital are to safeguard the company'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.

2.19 Fair Value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in arm's length transaction.

2.20 New Standards and Interpretations Not Yet Adopted.

The company has not applied the following standards, revised standards and interpretations which 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.

IFRS 2 – Share-based Payment
IFRS 8 – Operating Segments
IAS 27 – Consolidated and Separate Financial Statements
IAS 28 – Investments in Associates
IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 32 – Financial Instruments – Presentation
IAS 39 – Financial Instruments – Recognition and Measurement
IAS 40 – Investment Property
IAS 41 – Agriculture

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

3. AMOUNT DUE FROM THE GOVERNMENT OF TRINIDAD AND TOBAGO 2018 2017

BONDS

1.	Citicorp Merchant Bank	13,399,755	22,332,925
2.	Unit Trust Corporation of T&T	34,615,385	46,153,846
3.	Unit Trust Corporation of T&T	<u>31,410,256</u>	<u>40,384,615</u>

TOTAL BONDS \$79,425,396 \$108,871,386

REPRESENTED BY:

Current Portion due from the Government of Trinidad and Tobago 3(a) 29,445,990 29,445,990

Long Term Portion due from the Government of Trinidad and Tobago 3(b) 49,979,406 79,425,396
\$79,425,396 \$108,871,386

The Company's legal obligations with regards to these bonds are as follows:

Current Portion due to Bond Holders	3(c)	29,445,990	29,445,990
Long Term Portion due to Bond Holders	3(d)	<u>49,979,406</u>	<u>79,425,396</u>
Net Defined Liability		<u>\$79,425,396</u>	<u>\$108,871,386</u>

\$174.1 million issued by CitiCorp Merchant Bank Limited on the 15th June, 2000 in favour of National Maintenance Training and Security Company Ltd (MTS) to be used for the construction of ten Secondary Schools under the first phase of the Secondary Education Modernization Programme (SEMP Phase 1) and extends for twenty years. These 11.75% Bonds 2000-2020 are guaranteed by the Government of Trinidad and Tobago.

1. \$225.0 million issued by the Unit Trust Corporation of Trinidad and Tobago Limited as a first tranche on the 16th November, 2001 in favour of National Maintenance Training and Security Co. Ltd (MTS) to be used for construction of twelve (12) secondary schools under the phase of the Secondary Education Modernization Programme (SEMP Phase 2) and extends for twenty years. This bond issued as Series 1-10.15%. Fixed Rate Bonds 2001-2021 under a guarantee from the Government of Trinidad and Tobago.
2. \$175.0 million issued by the unit Trust Corporation of Trinidad and Tobago Limited as a second tranche on the 16th November, 2001 in favour of National Maintenance Training and Security Co. Ltd (MTS) to be used for construction of twelve (12) secondary schools under the phase of the Secondary Education Modernization Programme (SEMP Phase 2) and extends for twenty years. This bond issued

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

as Series 1-10.15%. Fixed Rate Bonds 2002-2022 under a guarantee from the Government of Trinidad and Tobago.

4. <u>PENSIONS</u>	<u>2018</u>	<u>2017</u>
<u>Non - Current Liability</u>	<u>\$4,062,000</u>	<u>\$2,595,000</u>

The company's pension and retirement benefit accounting costs are assessed under International Accounting Standard #19 using the projected unit method by qualified independent actuaries.

<u>MTS PENSION FUND PLAN</u>	<u>2018</u>	<u>2017</u>
<u>Non - Current Liability</u>		
Defined Benefit Obligation	42,821,000	42,921,000
Fair Value of Assets	(38,759,000)	(40,326,000)
Net Defined Liability	<u>\$4,062,000</u>	<u>\$2,595,000</u>

Movement in Asset Recognized in the Statement of Financial Position

<u>Non - Current Liability</u>	<u>2018</u>	<u>2017</u>
Defined benefit asset as at 1 st January	2,595,000	1,381,000
Experience Gain	1,551,000	1,364,000
Plus Net Pension Cost	1,430,000	1,473,000
Less: Company Contributions Paid	(1,514,000)	(1,623,000)
Defined Benefit Liability as at 31 st December	<u>\$4,062,000</u>	<u>\$2,595,000</u>

The amounts to be recognized in the Statement of Comprehensive Income are as follows:

Current Service Cost	1,264,000	1,365,000
Interest on Defined Benefit Obligation	84,000	20,000
Amortized Net Loss	<u>82,000</u>	<u>88,000</u>
Net Pension Cost	<u>\$1,430,000</u>	<u>\$1,473,000</u>
Actual Return on Plan Assets	<u>(0.259)</u>	<u>0.792</u>

5. <u>PROVISION FOR TERMINATION LUMP SUM BENEFITS</u>	<u>2018</u>	<u>2017</u>
Provision for Termination Lump Sum Benefit	<u>\$176,274,000</u>	<u>\$165,610,000</u>
Company Unfunded Termination Lump Sum Benefit Arrangement:		
Defined Benefit Obligation	<u>\$176,274,000</u>	<u>\$165,610,000</u>
Movement in the Liability recognized in the Statement of Financial Position		

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

	<u>2018</u>	<u>2017</u>
Defined Benefit as at 1 st January	165,610,000	149,715,000
Plus Termination Benefit Net Cost	<u>10,664,000</u>	<u>15,895,000</u>
Defined Benefit Asset as at 31 st December	<u>\$176,274,000</u>	<u>\$165,610,000</u>

The amounts recognized in the Statement of Comprehensive Income are as follows:

Current Service Cost	<u>\$10,664,000</u>	<u>\$15,895,000</u>
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NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

6. PROPERTY, PLANT AND EQUIPMENT

<u>Original Costs</u>	<u>FURNITURE & FITTINGS</u>	<u>OFFICE EQUIPMENT</u>	<u>PLANT & EQUIPMENT</u>	<u>VEHICLES</u>	<u>COMPUTER EQUIPMENT</u>	<u>FIRE ARMS</u>	<u>LAND</u>	<u>BUILDINGS</u>	<u>TOTAL</u>
Cost at 31.12.17	3,285,833	3,749,729	17,027,718	5,082,073	4,769,881	1,552,359	21,823,838	8,176,163	65,467,594
Additions	2,790	-	259,318	-	101,394	27,500	-	-	391,002
Disposals	-	-	-	-	(96,204)	-	-	-	(96,204)
Cost at 31.12.18	<u>\$3,288,623</u>	<u>\$3,749,729</u>	<u>\$17,287,036</u>	<u>\$5,082,073</u>	<u>\$4,775,071</u>	<u>\$1,579,859</u>	<u>\$21,823,838</u>	<u>\$8,176,163</u>	<u>\$65,762,392</u>

ACCUMULATED DEPRECIATION

Bal b/f 31.12.17	(2,605,884)	(3,624,630)	(15,624,902)	(4,282,428)	(4,299,884)	(1,480,238)	-	(5,296,297)	(37,214,263)
Charge for the Year	(78,589)	(22,995)	(521,983)	(267,342)	(210,592)	(18,703)	-	(107,370)	(1,227,574)
Disposals	-	-	-	-	95,999	-	-	-	95,999
AS AT 31.12.18	<u>\$(2,684,473)</u>	<u>\$(3,647,625)</u>	<u>\$(16,146,885)</u>	<u>\$(4,549,770)</u>	<u>\$(4,414,477)</u>	<u>\$(1,498,941)</u>	<u>\$ -</u>	<u>\$(5,403,667)</u>	<u>\$(38,345,838)</u>

NET BOOK VALUE

AS AT 31.12.18	<u>\$604,150</u>	<u>\$102,104</u>	<u>\$1,140,151</u>	<u>\$532,303</u>	<u>\$360,594</u>	<u>\$80,918</u>	<u>\$21,823,838</u>	<u>\$2,772,496</u>	<u>\$27,416,554</u>
AS AT 31.12.17	<u>\$679,949</u>	<u>\$125,099</u>	<u>\$1,402,816</u>	<u>\$799,645</u>	<u>\$469,997</u>	<u>\$72,121</u>	<u>\$21,823,838</u>	<u>\$2,879,866</u>	<u>\$28,253,331</u>

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

7.	<u>INVENTORIES</u>	<u>2018</u>	<u>2017</u>
	Electronics Security	288,538	576,835
	Raw Materials and Consumables	6,104,882	8,659,873
	LESS: Provision for Obsolescence	<u>(380,539)</u>	<u>(380,539)</u>
		<u>\$6,012,881</u>	<u>\$8,856,169</u>
8.	<u>DEBTORS AND PREPAYMENTS</u>	<u>2018</u>	<u>2017</u>
	Trade Debtors	329,635,606	344,847,775
	Provision for Bad Debts	<u>(34,412,134)</u>	<u>(34,412,134)</u>
	Prepayments and Other Receivables	<u>198,855,306</u>	<u>109,946,993</u>
		<u>\$494,078,778</u>	<u>\$420,382,634</u>
9.	<u>SHORT TERM INVESTMENTS</u>	<u>2018</u>	<u>2017</u>
	Unit Trust Corporation	12,103,680	11,954,479
	FCB Abercrombie Fund	<u>20,966,157</u>	<u>20,778,379</u>
		<u>\$33,069,837</u>	<u>\$32,732,858</u>
10.	(a) <u>CASH ON HAND AND CASH AT BANKS</u>	<u>2018</u>	<u>2017</u>
	Petty Cash Floats	102,500	102,500
	First Citizens Bank Limited	73,227	73,527
	Republic Bank Limited – Current Account	8,929,274	-
	Scotia Bank T&T Limited	<u>72,125</u>	<u>198,994</u>
		<u>\$9,177,126</u>	<u>\$375,021</u>
	(b) <u>OVERDRAFT</u>		
	Republic Bank Limited	\$ _____	<u>\$7,057,024</u>
11.	<u>SHARE CAPITAL</u>	<u>2018</u>	<u>2017</u>
	<u>AUTHORIZED</u>		
	Unlimited Ordinary Shares	\$ _____	\$ _____
	<u>ISSUED AND FULLY PAID</u>		
	3,000,000 Ordinary Shares	<u>\$3,000,000</u>	<u>\$3,000,000</u>

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

12. <u>PROVISION FOR VACATION LEAVE</u>	<u>2018</u>	<u>2017</u>
Provision for Vacation Leave	\$50,251,199	\$46,264,477

13. <u>CREDITORS AND ACCRUALS</u>	<u>2018</u>	<u>2017</u>
Trade Creditors	1,437,074	1,789,786
Accruals	228,546,911	157,590,011
Provisions	1,613,042	1,664,603
Projects	27,888,698	26,802,761
Vat	1,167,446	1,596,352
	<u>\$260,653,171</u>	<u>\$189,443,513</u>

14. <u>REVALUATION RESERVE</u>	<u>2018</u>	<u>2017</u>
Revaluation Reserve	\$19,777,867	\$19,777,867

The property comprising freehold lands and buildings were revalued in accordance with IAS 16 by a professional firm of valuers, Linden Scott and Associates. The surplus arising from the revaluation was credited to the revaluation reserve account. The valuation was accounted for in the year ended 31st December, 2012.

15. <u>DEFERRED TAXATION</u>	<u>2018</u>	<u>2017</u>
a) <u>Deferred Tax Asset</u>		
Brought Forward	6,984,528	4,016,462
Amount utilized during the Year (Note 17)	(2,872,090)	(2,721,739)
Balance Carried Forward	<u>\$4,112,438</u>	<u>\$1,294,723</u>

b) <u>Deferred Tax Liability</u>		
Balance Brought Forward	724,863	678,666
Charge to Statement of Comprehensive Income (Note 17)	(63,019)	46,197
Balance Carried Forward	<u>\$661,844</u>	<u>\$724,863</u>

16. <u>RELATED PARTIES</u>	<u>2018</u>	<u>2017</u>
Directors' Compensation	\$459,000	\$459,000
<u>Key Management Compensation</u>		
Salaries and Other Short Term Benefits	3,166,844	3,160,800
Post-Employment Benefits	212,756	212,350
	<u>\$3,379,600</u>	<u>\$3,373,150</u>

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

17. <u>TAXATION</u>	<u>2018</u>	<u>2017</u>
Business Levy	3,013,772	2,618,672
Green Fund Levy	1,502,851	1,309,336
Deferred Tax Asset	2,872,091	2,721,739
Deferred Tax Charge	(63,019)	46,197
Provision for Taxation	<u>\$7,325,695</u>	<u>\$6,695,944</u>
Profit before Taxation	9,091,236	8,448,800
Expenses not deductible for Tax	1,403,912	1,724,471
Income/Allowances subject to Tax	(921,515)	(1,100,806)
Taxable Profit for the Year	<u>9,573,633</u>	<u>9,072,465</u>
Tax Calculated at 30%	<u>\$2,872,090</u>	<u>\$2,721,739</u>
Corporation Tax Loss B/F	6,993,388	16,065,853
Tax Loss Utilized for the Year	(6,993,388)	(9,072,465)
Corporation Tax Loss C/F	<u>\$ -</u>	<u>\$6,993,388</u>
18. <u>INCOME FROM OPERATIONS</u>	<u>2018</u>	<u>2017</u>
Agriculture	8,561,823	8,166,671
Engineering	1,589,914	6,419,412
Janitorial & Maintenance	233,729,563	227,521,543
Security	231,953,809	225,622,332
Technical	<u>22,603,227</u>	<u>22,487,194</u>
	<u>\$498,438,336</u>	<u>\$490,217,152</u>
19. <u>STAFF AND SALARY EXPENSES</u>	<u>2018</u>	<u>2017</u>
Casual Labour	207,440	352,217
Car Loan – Employees	-	1,463
Dental & Vision	234,787	207,072
Group Life	63,401	86,034
Health Plan Employer's Contribution	586,588	675,707
Interest Subsidy – Loan Employee	18,395	17,868
Local Travel Expenses	28,876	43,224
Medical Expenses	348,628	534,874
NIS Employer's Contribution	31,008,476	29,670,051
Pension Plan	1,513,317	1,791,180
Salaries – Monthly	16,121,181	17,114,422
Staff Welfare	203,342	363,037
Wages – Forth-nightly	<u>385,084,883</u>	<u>360,737,256</u>
	<u>\$435,419,314</u>	<u>\$411,594,405</u>

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

20. <u>OPERATING EXPENSES</u>	<u>2018</u>	<u>2017</u>
Accommodation	136,751	124,528
Air Travel	81,450	69,538
Canine	1,328,970	2,482,286
Consumable Tools	19,746	105,349
Electricity	1,007,268	1,035,309
Firearm/Gun Lodging	137,230	141,683
Insurance	2,415,840	2,348,946
Legal & Professional Fees	1,456,845	1,548,986
Motor Vehicle Expenses	1,203,378	1,095,014
Office Expenses	15,529	15,720
Public Relations	2,409,008	3,223,036
Rent	8,185,782	7,811,788
Software License Fees	260,999	51,714
Telephone/Fax	1,175,832	1,055,005
Tenders	28,851	17,132
Training	3,376,304	3,126,458
Transportation	7,345	16,559
Water Rates	36,850	60,139
	<u>\$23,283,978</u>	<u>\$24,329,190</u>
21. <u>BAD DEBTS</u>	<u>2018</u>	<u>2017</u>
Bad Debts	\$ -	\$14,354,281
22. <u>SUPPLIES AND MATERIALS</u>	<u>2018</u>	<u>2017</u>
Consumables	12,488,522	12,333,600
Maintenance and Repairs	12,770,741	13,248,195
Supplies	4,291,753	5,390,203
	<u>\$29,551,016</u>	<u>\$30,971,998</u>
23. <u>FINANCE CHARGES</u>	<u>2018</u>	<u>2017</u>
Bank Charges and Interest	1,270,538	644,179
Fees on Bond Issues	67,500	35,000
	<u>\$1,338,038</u>	<u>\$679,179</u>

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

24. SUBSEQUENT EVENTS

2018

2017

The company is in the process of wage negotiations with various unions which represent the employees and cover the years 2011 to 2018. These negotiations are guided by instructions from the Chief Personnel Officer. No increase rates have been proposed by the company to date as they are awaiting instructions. Since the current negotiations are not yet finalized, the quantum of the increase, if any, cannot be determined. It is expected that the Government will fund any backpay which may arise on the completion of the wage negotiations.

25. CONTINGENT LIABILITIES

2018

2017

Performance Bonds

\$507,732

\$507,732

Litigation Matters

\$1,613,042

\$1,664,603

The company has a number of small legal claims pending against it. The directors are of the opinion that the company will be successful in defending most of the matters.

26. AMOUNT RECEIVED FROM GOVERNMENT OF TRINIDAD AND TOBAGO (EFCL)

2018

2017

Amount Received from the Government of the Republic
of Trinidad and Tobago (EFCL)

\$400,000,000

\$ -

The Government of the Republic of Trinidad and Tobago has agreed to approve funding in the sum of TT \$400,000,000.00 through a one (1) year Fixed Rate Loan with First Citizens Bank Limited and that the said loan is fully guaranteed by the Government. (See Note 28).

27. FCB FACILITY (EFCL)

2018

2017

FCB Facility (EFCL)

\$397,999,970

\$ -

This amount represents the one year fixed rate facility to finance the upgrade and maintenance of school infrastructure within Trinidad and Tobago. (See notes 28 and 29).

28. FCB SHORT - TERM LOAN

2018

2017

FCB Short - Term Loan

\$400,000,000

\$ -

Cabinet by Minute No. 1813 of October 18 2018, agreed, inter alia, that First Citizens Bank Limited (FCB) be awarded the mandate to arrange a one (1) year, \$400 million Short Term Fixed Rate Facility on behalf of the National Maintenance Training and Security Company Limited to finance the upgrade and maintenance of school infrastructure within Trinidad and Tobago.

NATIONAL MAINTENANCE TRAINING AND SECURITY COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER, 2018

CONTINUED.....

Subsequently, on October 24, 2018, the Ministry of Finance issued the Mandate and Letter of Guarantee to FCB to arrange the aforementioned financing. The Ministry of Finance will provide funding to service the interest and principal payments due on this loan. Given that these funds are to be utilized on behalf of the Education Facilities Company Limited it is recommended that an escrow account be opened by MTS with FCB into which the loan funds would be deposited. Disbursements from the account will be made in accordance with requests from the Ministry of Education.

The Terms of this Facility is as follows:

Type of Facility: Short Term Loan

Facility Amount: Up to Four Hundred Million (400,000,000)

Currency: Trinidad and Tobago Dollars (TTD)

Purpose: To finance the upgrade and maintenance of school Infrastructure within Trinidad and Tobago

Interest Rate: Fixed at 3.0% per annum

Interest Accrual: Actual/360

Repayment: Principal and Interest is due at Maturity

Term: One year from Disbursement.

Drawdown Period: To be drawn down in full on Disbursement Date.

29. <u>AMOUNT DUE TO CONTRACTORS (EFCL)</u>	<u>2018</u>	<u>2017</u>
Amount Due To Contractors (EFCL)	<u>\$397,999,970</u>	<u>\$ -</u>