

Consolidated Financial Statements of

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

December 31, 2008

(Presented in Trinidad and Tobago Dollars)

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated financial Statements

December 31, 2008

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Independent Auditors' Report
To the Shareholders of Urban Development Corporation
of Trinidad and Tobago Limited

We were engaged to audit the accompanying consolidated financial statements of Urban Development Corporation of Trinidad and Tobago Limited (the Group) which comprise the consolidated statement of financial position as at December 31, 2008, 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 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 conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

a) Commission of enquiry

Subsequent to the year ended December 31, 2007, the Government of the Republic of Trinidad and Tobago (GORTT) appointed a Commission of Enquiry (the "Commission") into the operations of the construction sector and the Corporation as discussed in Note 4. The Commission's report dated March 29, 2010 established various findings of fact as well as made several recommendations in response to these findings as discussed in Note 4. To date, management has implemented recommendations that are within its purview, that are required by the UFF Commission. Management is unable to address recommendations that relate to matters that are outside of their control. As a result, we were unable to determine whether the implications of this matter are properly accounted for and adequately disclosed in these consolidated financial statements. The possible effects on these consolidated financial statements could be material and pervasive.



Basis for Disclaimer of Opinion (continued)

b) Subsequent events

The Group's accounting records did not provide sufficient appropriate evidence that all events occurring between the date of the consolidated financial statements and the date of our auditors' report requiring adjustment to, or disclosure in, the consolidated financial statements were appropriately identified by management and that the necessary adjustments and/or disclosures were included in the consolidated financial statements as at December 31, 2008. There were no satisfactory audit procedures that could have been performed to ensure that all applicable subsequent events were appropriately reflected in the Group's consolidated financial statements as at the year end. As a result, we are unable to determine whether any adjustments would be required to the elements making up the consolidated statements of financial position, comprehensive income, changes in equity and cash flows for the year then ended. In addition, we were unable to determine whether any additional note disclosures relevant to the users of the financial statements should be included in the consolidated financial statements as at December 31, 2008.

c) Lack of audit evidence

We were unable to obtain sufficient appropriate audit evidence on amounts included in the financial statements for leasehold properties, other property, plant and equipment, due from the Government of the Republic of Trinidad and Tobago, prepaid lease payments, accounts receivable and prepayments, cash and cash equivalents, development in progress, contributed capital, borrowings, taxation, accounts payable and accruals, accumulated deficit and reserve development. We were unable to satisfy ourselves by alternative means concerning these amounts. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded and unrecorded assets and liabilities and the elements making up the consolidated statements of comprehensive income, changes in equity and cash flows.

d) Opening balances

We were also unable to obtain sufficient appropriate audit evidence on opening balances as consolidated financial statements for the year ended December 31, 2007 were accompanied by a basis for disclaimer of opinion issued by another auditor. We were unable to satisfy ourselves by alternative means concerning opening balances and as a result we are unable to determine whether any adjustments might have been found necessary in respect of opening balances.



Disclaimer of Opinion

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

Emphasis of Matter

The existence of the following factors as at the reporting date raises concerns about the use of the going concern assumption by the Group in the preparation of the financial statements for the year:

- i. The Group was in a net current liability position of \$437,631,960 (2007: \$42,426,622) at the end of the year.
- ii. The gearing ratio of the Group is 93% (2007: 91%), which is comprised mainly of third party debt obligations guaranteed by the GORTT.
- iii. The Group is dependent on the GORTT to provide guarantees in order for the Group to restructure and/or repay existing loan facilities and to obtain new loan facilities. The Group is also dependent on capital contributions from the GORTT to support its primary operating activities. Capital contributions received from the GORTT as at the end of the year amounted to \$76,179,237 (2007: \$75,748,578).

A letter of financial support from the GORTT would confirm its continued financial support of the Group as no reliable subsequent financial statements and cash flow budgets are available.

Other Matter

An audit opinion for the year ended December 31, 2007 was not issued. Instead, a basis of disclaimer opinion was issued by another auditor on the consolidated financial statements for the year ended December 31, 2007 and was dated December 13, 2013.

K P M G

Chartered Accountants

March 4, 2016

Port of Spain

Trinidad and Tobago

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

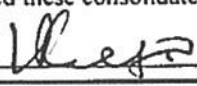

Consolidated Statement of Financial Position

December 31, 2008

	Notes	2008 \$	2007 \$
ASSETS			
Non-current assets			
Leasehold properties	7	585,207,941	585,207,941
Other property, plant and equipment	8	5,738,300,160	4,063,105,304
Value added tax recoverable	9	368,022,657	518,706,686
Due from the Government of the Republic of Trinidad and Tobago (GORTT)	10	103,201,982	60,651,492
Intangible Asset	17	2,608,443	-
Restricted Cash	15	1,287,238	-
Prepaid lease payments	11	8,138,615	8,157,544
Accounts receivable and prepayments	12	509,253,937	93,204,731
		<u>7,316,020,973</u>	<u>5,329,033,698</u>
Current assets			
Development work in progress	14	240,369,939	169,617,914
Accounts receivable and prepayments	12	10,096,667	363,340,644
Loan receivable from the GORTT	13	-	7,554,819
Cash and cash equivalents		<u>283,775,676</u>	<u>181,130,168</u>
		<u>534,242,182</u>	<u>721,643,545</u>
Total Assets		<u>7,850,263,255</u>	<u>6,050,677,243</u>
EQUITY AND LIABILITIES			
Capital and reserve			
Share capital	18	999,602	999,602
Accumulated deficit		(172,433,140)	(185,095,376)
Revaluation Reserve		3,048,443	-
Contributed capital	19	<u>661,386,674</u>	<u>660,956,519</u>
		<u>493,001,579</u>	<u>476,860,745</u>
Non-current liabilities			
Borrowings	20	6,364,234,842	4,809,610,526
Deferred liability	21	10,350,000	-
Deferred tax liability	22	<u>10,802,692</u>	<u>135,805</u>
		<u>6,385,387,534</u>	<u>4,809,746,331</u>
Current liabilities			
Accounts payable and accruals	23	667,436,871	556,030,239
Borrowings	20	196,304,255	201,439,732
Reserve development fund	24	106,805,139	5,562,187
Deposit on account	25	<u>1,327,877</u>	<u>1,038,009</u>
		<u>971,874,142</u>	<u>764,070,167</u>
Total Equity and Liabilities		<u>7,850,263,255</u>	<u>6,050,677,243</u>

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

On February 25th, 2016 the Board of Directors of Urban Development Corporation of Trinidad and Tobago Limited authorised these consolidated financial statements for issue.

 Director
 Director

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Comprehensive Income

Year ended December 31, 2008

	Notes	2008 \$	2007 \$
Income – Hotel Operations		168,606,703	-
Rental income		155,954,393	-
Contract revenue:			
- Project management fees		32,280,017	22,100,676
- Recoverable contract costs		<u>344,671,638</u>	<u>658,336,435</u>
		701,512,751	680,437,111
Contract costs incurred		<u>(479,366,501)</u>	<u>(658,336,435)</u>
Gross profit		222,146,250	22,100,676
Other income	26	28,702,511	4,611,987
Gain on disposal of housing projects	27	-	29,133,300
Other losses	28	-	(6,962,728)
Administrative expenses	29	<u>(140,137,937)</u>	<u>(43,711,831)</u>
Operating profit		<u>110,710,824</u>	<u>5,171,404</u>
Finance income	31	15,710,292	5,237,516
Finance costs	32	<u>(110,992,391)</u>	<u>(16,517,771)</u>
Finance costs - net		<u>(95,282,099)</u>	<u>(11,280,255)</u>
Profit (loss) before taxation		15,428,725	(6,108,851)
Taxation	33	<u>(2,766,489)</u>	<u>(15,715,497)</u>
Profit (loss) for the year being total comprehensive income for the year		<u>12,662,236</u>	<u>(21,824,348)</u>

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

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Changes in Equity

Year ended December 31, 2008

	Share Capital	Accumulated Deficit	Contributed Capital	Revaluation Reserve	Total Equity
	\$	\$	\$	\$	\$
<i>Year ended December 31, 2007</i>					
Balance at January 1, 2007	999,602	(163,271,028)	702,737,339	-	540,465,913
Loss for the year	-	(21,824,348)	-	-	(21,824,348)
Contributed capital for the year	-	-	(41,780,820)	-	(41,780,820)
Balance at December 31, 2007	<u>999,602</u>	<u>(185,095,376)</u>	<u>660,956,519</u>	<u>-</u>	<u>476,860,745</u>
<i>Year ended December 31, 2008</i>					
Balance at January 1, 2008	999,602	(185,095,376)	660,956,519	-	476,860,745
Profit for the year	-	12,662,236	-	-	12,662,236
Revaluation surplus	-	-	-	3,048,443	3,048,443
Contributed capital for the year	-	-	430,155	-	403,155
Balance at December 31, 2008	<u>999,602</u>	<u>(172,433,140)</u>	<u>661,386,674</u>	<u>3,048,443</u>	<u>493,001,579</u>

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

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Cash Flows

Year ended December 31, 2008

	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before taxation	15,428,725	(6,108,851)
Adjustments to reconcile loss to net cash from operating activities:		
Depreciation and amortisation	43,882,700	1,401,865
Impairment provision and unwinding	-	(4,408,151)
Interest expenses	96,686,297	18,352,305
Interest income	(15,710,292)	(52,730)
Taxes written off	2,687,550	-
Gain on disposal of housing projects and other assets	-	(29,133,300)
	142,974,981	19,948,862
Changes in operating assets and liabilities:		
VAT recoverable	150,684,029	(224,322,179)
Accounts receivable and prepayments	(62,805,229)	2,240,974
Accounts payable and accruals	52,238,196	150,548,575
Development work in progress	(70,752,025)	(94,517,302)
Due from GORTT	(42,550,490)	10,537,165
Loan receivable from GORTT	7,554,819	15,109,679
Prepaid Lease Payments	(20,858)	6,335,754
Reserve development fund	101,242,952	(301,328)
Deposit on account	289,868	(191,815,665)
Deferred liability	10,350,000	-
Reserve operating grant	-	(2,750,000)
	289,206,243	(308,985,465)
Interest paid	(199,990,565)	(151,377,747)
Taxation paid	(3,670,528)	(8,904,198)
Net cash from (used in) operating activities	85,545,150	(469,207,410)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of other property, plant and equipment	(1,439,140,644)	(1,673,806,060)
Purchase of intangible asset	(2,831,913)	-
Proceeds from sale of properties and equipment	-	415,064,048
Interest received	15,710,292	52,730
Net cash used in investing activities	(1,426,262,265)	(1,258,689,282)

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Cash Flows (continued)

Year ended December 31, 2008

	2008	2007
	\$	\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,582,388,530	3,364,599,890
Repayment of borrowings	(137,738,669)	(1,399,895,846)
Derivative financial instruments	-	(90,723,570)
Net cash from financing activities	1,444,649,861	1,873,980,474
Net increase in cash and cash equivalents	103,932,746	146,083,782
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	181,130,168	35,046,386
CASH AND CASH EQUIVALENTS AT END OF YEAR	285,062,914	181,130,168
Represented by		
Restricted cash	1,287,238	-
Cash	156,216,289	181,063,404
Short-term investments	127,559,387	66,764
	285,062,914	181,130,168

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

URBAN DEVELOPMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

Notes to Consolidated Financial Statements

December 31, 2008

1. Incorporation and Principal Activities

Urban Development Corporation of Trinidad and Tobago Limited (the "Company" or "UDeCOTT") is incorporated in Trinidad and Tobago and is wholly owned by the Government of the Republic of Trinidad and Tobago (the "GORTT"). The Company commenced operations on January 13, 1995. The address of its registered office is 38-40 Sackville Street, Port of Spain. Details of the subsidiary companies are included in Note 14.

The consolidated financial statements of the Company as at and for the year ended December 31, 2008 comprise the Company and its Subsidiaries (together referred to as "the Group").

The Group undertakes project development work on behalf of the GORTT. The work performed by the Group can be segregated into two principal categories:

(i) *Project management activities*

The Group provides full scale project development and management services which includes identification of appropriate site location, assisting in project design, selection of contractors, overseeing project execution and completion and procurement of funding. For these activities, the Group earns a project management fee.

(ii) *Development of projects to be retained*

The Group also undertakes project development work on assets that are expected to be retained on completion. These assets are expected to generate future returns in the form of rental income, or sale of the assets.

(iii) *Hotel operations*

The Company entered into a Multi-Party Agreement dated June 2, 2014 with Hyatt Trinidad Limited (the "Hyatt" or "hotel") and the Port of Spain Waterfront Development Limited ("POSWDL") wherein it was agreed that the Company is the sole "Owner" under the Hotel Management Agreement dated July 27, 2005. The Multi-Party Agreement specified that Hyatt shall manage and operate the hotel for the account and benefit of the Company in accordance with the Hotel Management Agreement. Accordingly, the operations of the Hyatt, which began operations on January 19, 2008, have been included in these financial statements.

The GORTT communicates development projects to be undertaken by the Group by way of letters, Cabinet Minutes or through Directives. The Group's Project Management activities are carried out in accordance with an agreement with the Ministry of Public Administration dated July 1, 1999.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2008

2. Basis of Preparation

(a) Statement of compliance

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

(b) Basis of preparation

The consolidated financial statements have been prepared using the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

(c) 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). These consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

3. Summary of Significant Accounting Policies

The principal accounting policies applied 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.

(a) Consolidation

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. They are de-consolidated from the date that control ceases. All subsidiaries were established by the Urban Development Corporation of Trinidad and Tobago Limited and are wholly-owned since incorporation. (See Note 16).

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2008

3. Summary of Significant Accounting Policies (continued)

(a) Consolidation (continued)

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 recognised directly in the consolidated statement of comprehensive income.

All inter-group transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated on consolidation.

Where necessary the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Foreign currencies

(i) 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). These consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2008

3. Summary of Significant Accounting Policies (continued)

(c) *Financial assets*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. At the reporting date, the Group did not hold any available-for-sale financial assets.

Regular purchases and sales of financial assets are recognised at trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the consolidated statement of comprehensive income within 'other losses' in the period in which they arise.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

3. Summary of Significant Accounting Policies (continued)

(c) Financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the fair value of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payment is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial assets is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the consolidated statement of comprehensive income.

(d) Development work in progress

The Group carries out project management activities on behalf of the GORTT based on an agreement with the GORTT on a project by project basis. Instructions are provided to the Group regarding the projects that are to be executed. The following functions are performed by the Group in its project management role: assisting in project design, selection of and entering into contracts with sub-contractors, certification of work performed by sub-contractors and settlement of amounts due to the sub contractors. The Group is responsible for transferring the project to the GORTT on completion.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

3. Summary of Significant Accounting Policies (continued)

(d) Development work in progress (continued)

The Group accounts for this type of development work undertaken on behalf of the GORTT on a cost reimbursement basis as it is expected to be reimbursed for allowable or defined costs together with project management fees.

Contract costs are recognised when incurred. Variations in contract work are included in contract revenue to the extent that they are recoverable and are capable of being reliably measured. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion for the work performed.

The Group presents as an asset the gross amount due from the GORTT for contract work for all work in progress in which the costs incurred plus project management fees recognised exceeds progress billings. Amounts billed and not yet paid are included within trade receivables.

The Group presents as a liability the gross amount due to the GORTT for contract work for all contracts in progress for which the amounts paid by the GORTT exceeds the cost incurred plus the project management fees recognised.

Advances received from the GORTT where work has not yet been undertaken are reflected as liabilities in the consolidated financial statements.

e) Other property, plant and equipment

Freehold lands are stated at fair value and freehold buildings are stated at historical cost less depreciation. Freehold land is not depreciated. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a consolidated 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. All other repair and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on other assets using the straight line method to allocate their cost to their residual values over their estimate useful lives, as follows:

Building	-	5%
Furniture and fixtures	-	10%
Office equipment	-	20%
Motor vehicles	-	20%
Computer equipment	-	30%

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

3. Summary of Significant Accounting Policies (continued)

e) Other property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each statement of financial position date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognised.

(f) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments and short-term investments with a maturity of three months or less, net of bank overdraft.

(g) Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts 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 the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When an accounts receivable balance is uncollectible, it is written off against the allowance account for accounts receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

(h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(i) Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

3. Summary of Significant Accounting Policies (continued)

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

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.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(k) Derivative financial instruments

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at its fair value. The fair value is determined by establishing, from an active market for the instrument, the transaction price or rate as at the reporting date in an arm's length exchange. The Group recognises the resulting gain or loss in the consolidated statement of comprehensive income. Where derivatives do not qualify for hedge accounting they are classified as derivatives at fair value through profit or loss. Changes in the fair value of derivatives classified at fair value through profit or loss are recognised immediately in the consolidated statement of comprehensive income.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable for the provision of services rendered in the ordinary course of the Group's activities.

The following specific recognition criteria must also be met before revenue is recognised:

Construction contract revenue

Revenue for contract work performed on behalf of GORTT is recognised based on the recoverable costs incurred by the Group during the period plus the project management fees earned for the period which are measured based on surveys of work performed. The project management fees are calculated as a percentage of the construction costs incurred for the period.

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December 31, 2008

3. Summary of Significant Accounting Policies (continued)

(l) Revenue recognition (continued)

Interest income

Revenue is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Rental income

Rental income is recognised on the accruals basis using the straight line method.

(m) 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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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 recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(n) Current and deferred income taxes

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.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts to be paid to the tax authorities.

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3. Summary of Significant Accounting Policies (continued)

(n) *Current and deferred income taxes* (continued)

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability that at the time of the transaction affects neither accounting nor the taxable profit or loss. Currently enacted rates are used to determine deferred income tax.

A deferred tax asset relating to the carry forward of unused tax losses is recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(o) *Employee benefits*

The Group does not have a retirement benefit plan for its employees. The Group makes contributions to approved pension policies held by employees. The Group's contributions to these policies are expensed in the consolidated financial statements.

(p) *Leases*

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 are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

(q) *Impairment of non-financial assets*

Assets that are subject to depreciation and/or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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3. Summary of Significant Accounting Policies (continued)

(r) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2009 or later periods but have not been early adopted by the Group:

- IAS 1 (Revised), Presentation of Financial Statements (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner charges in equity') in the statement of changes in equity, requiring 'non-owner charges in equity' to be presented separately from owner charges in equity. All 'non-owner charges in equity' will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current and comparative period. The Company will apply IAS 1 (Revised) from 1 January 2009.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Company will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Company's financial statements.
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The Group will apply IAS 16 (Amendment) from 1 January 2009. This is not expected to have a significant impact on the financial statements.

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3. Summary of Significant Accounting Policies (continued)

(r) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- IAS 23 (Amendment), Borrowing Costs (Effective from 1 January 2009). The amendment requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amendment) from 1 January 2009. This will not have a significant impact on the Group's operations as the Group's policy is to capitalise borrowings costs directly attributable to qualifying assets.
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', IAS 39 would continue to be applied. The amendment will not have an impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of the Group.
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in an associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Group's operations as the Group currently has no investments in associates.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

3. Summary of Significant Accounting Policies (continued)

(r) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in a joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation', and IFRS 7 'Financial instruments: Disclosures'. The amendment will not have an impact on the Group's operations as there are no interests held in joint ventures.

- IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 (Amendment) 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected to have any impact on the Group's financial statements.
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows disclosures equivalent to those for value-in-use calculation should be made. The Group will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009.
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the IAS 38 (Amendment) from 1 January 2009. It is not expected to have any impact on the Group's financial statements.

**URBAN DEVELOPMENT CORPORATION
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3. Summary of Significant Accounting Policies (continued)

(r) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008:

This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition.
- The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, 'Operating segments', which requires disclosure for segments to be based on information reported to the chief operating decision-maker.
- When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

The Group will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Group's income statement as the Group does not currently have any hedges.

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December 31, 2008

4. Commission of Enquiry

Commission of Enquiry (the 'Commission') into the construction sector and the Parent Company. The mandate of the Commission was to enquire into particular aspects of the Construction Sector in Trinidad & Tobago, including the practices and methods of UDeCOTT, and to make recommendations and observations (in summary) to promote (a) value for money, (b) high standards of workmanship, (c) free and fair competition and (d) integrity and transparency.

The report of the Commissioners dated March 29, 2010 made several recommendations regarding the construction sector and in particular regarding the Company. The recommendations made expressed concern over the Company's board, its senior staff and also recommended investigations by law enforcement authority into projects existing as at December 31, 2007.

As noted in Paragraph 35 of the report, the Commissioners "have identified a small but significant number of instances concerning UDeCOTT Projects where potential corruption has been alleged and where we (the Commissioners) have not been able to conclude that the allegations are unfounded. It is not the function of this Commission to make specific findings or to reach conclusions on such matters; but we regard it of the highest importance that the activities of UDECOTT, its Directors and Managers and all other Government agencies and their staff should be able to justify public confidence in their activities as being beyond reproach."

The recommendations of the Commissioners relating to the operations of the Company and also to projects existing in UDeCOTT's financial records as at December 31, 2007 are all under investigation by the office of the Attorney General and include the following:

- a) For the Government Campus project, there should be an investigation into what steps were taken by UDeCOTT's managers to control and reduce delay. (Paragraph 58).
- b) UDeCOTT must avoid any breach or abuse of procurement rules through excessive and unfair use of sole selective tendering, in breach of obligations as to free and fair competition and transparency. (Paragraph 64).
- c) There should be a full investigation by an appropriate law Enforcement Authority into the award of the MLA (Ministry of Legal Affairs) contract to CH Development (subcontractor) including the role of Mr. Calder Hart (Chairman of the Board of Directors) and the conduct of the Board in not ensuring that an enforceable guarantee was given by the Parent Company of CH development. (Paragraph 67).

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December 31, 2008

4. Commission of Enquiry (continued)

- d) There should be a full investigation by an appropriate law Enforcement Authority into the award of Packages 3 and 5-8 for the Brian Lara project, particularly as to (a) why no formal terms were drawn up dealing with advance payments (b) the manner in which UDeCOTT interpreted the right to advance payments including advice sought and received (c) the accounting procedures employed by UDeCOTT for making advance payments and repayments and why no vouched accounts were drawn up. (Paragraph 68).
- e) There should be a full forensic audit of all sums advanced against the value of work and materials provided by HKL (Hafeez Karamath Limited) and of repayments made on the Brian Lara Project. (Paragraph 69).
- f) The roles of Chairman and Chief Executive Officer of UDeCOTT should be separated. (Paragraph 70).
- g) There should be an audit of the conduct of all UDeCOTT's senior staff and directors in the period 2004 to 2009, as to their involvement in errors and omissions concerning the Brian Lara Stadium Project in respect of which no action was taken by senior staff or by the board. (Paragraph 72).
- h) There should be an investigation into the circumstances in which 9 hectares (22 acres) of land at Valsayn, sold to the National Union of Government and Federated Workers (the Union), at a reduced price, was re-sold at a profit by the Union to include the reasons for re-sale and the whereabouts of the profit from the re-sale. (Paragraph 74).

Management's response to the above as at the reporting date are as follows:

- a) The majority of the relevant UDeCOTT's managers and the Project Manager are no longer associated with UDeCOTT. Hence UDeCOTT is unable to effectively investigate this matter. However, the Attorney General's Office has undertaken to investigate this matter.
- b) A new redesigned procurement process was implemented in 2013 and a Contract and Procurement Manager was employed to oversee that the Tender Rules and Procurement Policies are strictly adhered to.
- c) A new Chief Executive Officer was appointed on October 3, 2011.

As at the date of approval of these consolidated financial statements the investigations into the other findings of the Commission have not been concluded.

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5. Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk) credit risk and liquidity risk. The Group's risk management policies and procedures which seeks to minimise the potential adverse effects of these financial risks on the Group's financial performance are as follows:

a) Market Risk

i) Currency risk

Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Management mitigates its exposure to currency risk by obtaining contracts in its functional currency where possible. In the event that the Group enters into a foreign currency contract, its exposure to currency risk is managed through the use of its foreign currency available cash resources and the sourcing of financing for its projects in the relevant foreign currency. The Group maintains foreign currency cash resources to meet its expected foreign currency liabilities in any given period.

The Group's foreign currency debt facility is secured by a lease agreement for which the lessee is the GORTT. The lease agreement is structured to ensure the rental income is obtained in the same currency as the debt facility and as a result, mitigates the Group's exposure to currency risk.

Sensitivity analysis

In the performance of the sensitivity analysis, a 1% movement in the United States Dollar exchange rates was assumed, however, all other variables, including interest rates remain the same.

	As reported	Effect on Income	
		1%	1%
	TTS	Appreciation	Depreciation
		TTS	TTS
<u>December 31, 2008</u>			
<i>US dollar denominated</i>			
Cash and cash equivalents	40,298,757	402,988	(402,988)
Borrowings	(3,589,324,641)	(35,893,246)	35,893,246
Accounts payables and accruals	(28,360,101)	(283,601)	283,601
Total	(3,577,385,985)	(35,773,860)	35,773,860

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

5. Financial Risk Management (continued)

a) Market Risk (continued)

i) Currency risk (continued)

	As reported	Effect on Income	
		1%	1%
	TTS	Appreciation	Depreciation
	TTS	TTS	TTS
<u>December 31, 2007</u>			
<i>US dollar denominated</i>			
Cash and cash equivalents	100,388,381	(1,003,884)	1,003,884
Borrowings	2,694,061,597	26,940,616	(26,940,616)
Accounts payables and accruals	82,827,396	828,274	(828,274)
Total	2,877,277,374	26,765,006	(26,765,006)

There were no changes in the assumptions and method used in performing the sensitivity analysis as compared to prior years.

ii) Fair value and cash flow interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the fair values of a financial instrument will fluctuate because of changes in the market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from long-term debt obligations. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at the balance sheet date, fifty seven per cent of the Group's long-term borrowings are fixed rate instruments and forty three per cent are floating rate instruments. During 2006 and 2007 the Group's borrowings were denominated in the functional currency and the United States Dollar.

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December 31, 2008

5. Financial Risk Management (continued)

a) Market Risk (continued)

ii) Fair value and cash flow interest rate risk (continued)

The Group manages its interest rate risk through the following mechanisms:

a) Repayment of certain loan obligations by the GORTT.

In some instances, the Group's floating rate instruments are repaid by the GORTT. This injection by the GORTT is treated as capital contributions in the Company in the period of payment.

b) Structuring of its security arrangements

The Group's floating rate facilities are secured in some instances by lease agreements with the GORTT. The debt facilities are structured to allow a moratorium period for the repayment of the facility. This moratorium period is utilised to ensure that lease income and the timing of repayments on the facilities are synchronised. The lease agreements are also structured to ensure that both the principal and interest payments on the debt facility will be fully settled by the rental income gained from the lease.

Some of the Group's financing arrangements are repriced regularly at current market interest rates. This assists the Group in ensuring that the fair value interest rate risk associated with these instruments are minimised.

The following shows the cash flow sensitivity of the variable-rate instruments to a change of 100 basis points in the interest rate at the reporting date. All other factors, particularly, the foreign currency rates, remain unchanged.

	Current Carrying Amount	Effect of 1% Increase in Interest Rates	Effect of 1% Decrease in Interest Rates
	\$	\$	\$
Variable-rate instruments			
December 31, 2008	3,588,617,464	28,657,115	(28,657,115)
December 31, 2007	<u>2,141,605,474</u>	<u>1,835,455</u>	<u>(1,835,455)</u>

There were no changes in the assumptions and method used in performing the sensitivity analysis as compared to prior years.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

5. Financial Risk Management (continued)

a) Market Risk (continued)

ii) Fair value and cash flow interest rate risk (continued)

The carrying amounts and fair values of the fixed rate interest borrowings are as follows:

	Carrying Amount		Fair Value	
	2008	2007	2008	2007
	\$	\$	\$	\$
Fixed rate instruments	3,029,112,107	2,869,444,784	3,029,112,107	2,844,794,773
Floating rate instruments	3,588,617,464	2,141,605,474	3,588,617,464	2,141,605,474
	<u>6,617,729,571</u>	<u>5,011,050,258</u>	<u>6,617,729,571</u>	<u>4,986,400,247</u>

The fair values for the floating rate instruments are deemed to be equal to the carrying amounts by virtue of the interest reset periods being six months or less and as a result of minimal changes in the credit risk profile of the Group.

The Group fixed rate financial liabilities are measured at amortised cost. There will be no impact on income due to fair value changes if there were interest movements on fixed rate financial instruments.

iii) Other price risk

The Group is not exposed to commodity price risk and does not possess any financial instruments that are affected by changes in commodity prices.

b) 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.

Liquidity risk management

The Group's main financial liabilities are its trade payables and borrowings. The Group monitors the expected repayment of these liabilities against its available cash resources and the expected timing of its cash inflows.

The Group's trade payables comprise mainly of project payables. The Group finances these projects mainly through debt facilities. The Group manages its exposure to liquidity risk arising as a result of its project payables by ensuring the timing of drawdowns on these facilities coincides with its settlement terms on its project payables.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

5. Financial Risk Management (continued)

b) Liquidity Risk (continued)

The exposure to liquidity risk on its debt facilities is mitigated mainly through the following factors:

- a) The GORTT makes repayments on certain debt facilities on behalf of the Group.
- b) The Group enters into lease arrangements with the GORTT. These lease agreements are structured to ensure the lease income is sufficient to meet the principal and interest payments on the debt facility in the periods in which they arise.

The table below summarises the Group's exposure to liquidity risk based on the contracted undiscounted cash flows on the instruments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual Cash flow	Less than 1 year	More than 1 year but less than 5 years	More than 5 years
	\$	\$	\$	\$	\$
As at December 31, 2008					
Borrowings	6,560,539,097	11,271,489,334	295,434,102	3,214,482,606	7,761,572,626
Accounts payable and accruals	662,436,871	662,436,871	662,436,871	-	-
Reserve development fund	106,805,139	106,805,139	106,805,139	-	-
Deposit on account	1,327,877	1,327,877	1,327,877	-	-
	<u>7,336,128,984</u>	<u>12,047,059,221</u>	<u>1,071,003,989</u>	<u>3,214,482,606</u>	<u>7,761,572,626</u>
As at December 31, 2007					
Borrowings	5,011,050,258	10,342,408,090	150,938,356	2,499,130,972	7,692,338,462
Accounts payable and accruals	556,030,239	556,030,239	556,030,239	-	-
Reserve development fund	5,562,187	5,562,187	5,562,187	-	-
Deposit on account	1,038,009	1,038,009	1,038,009	-	-
	<u>5,573,680,693</u>	<u>10,905,038,525</u>	<u>713,568,791</u>	<u>2,499,130,972</u>	<u>7,692,338,462</u>

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2008

5. Financial Risk Management (continued)

c) Credit risk

Credit risk is the potential for loss due to the failure of a counter-party to meet its financial obligations. The Group's credit risk arises from cash and cash equivalents, as well as credit exposures relating to outstanding receivables and committed transactions. For banks and financial institutions, only reputable commercial banks and financial institutions are accepted.

The Group undertakes project development work based on directives/instructions received from the GORTT. The Group currently does not execute project development work on behalf of third parties. Receivable balances for project development work included in the consolidated financial statements relate to amounts due to the Group by the GORTT and Government agencies.

The Group's major client is the Government of the Republic of Trinidad and Tobago (GORTT). The GORTT possesses an A+/A-1 (Standard and Poors) local currency credit rating and is considered to be creditworthy.

The Group also makes advance payments to contractors which are reflected as a receivable balance in the consolidated financial statements. Credit risk arises in the event that the contractor is unable to repay the advance in accordance with the terms of the contract. Contractors are evaluated during the tender evaluation process to ensure that they can demonstrate the requisite financial capacity. In addition, the Group requires contractors to provide an advance payment bond equivalent to the advance being provided which is issued by a reputable bonding agent.

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December 31, 2008

5. Financial Risk Management (continued)

c) Credit risk (continued)

Analysis of financial assets that are exposed to credit risk:

	<u>2008</u>	<u>2007</u>
	\$	\$
Amounts due from the GORTT	92,966,897	68,206,311
Contract works billed to the GORTT	184,800,205	98,072,248
Contract costs to be recovered via loan repayments	6,045,473	10,347,158
Advances to contractors	280,305,680	339,488,496
Cash and cash equivalents	283,775,676	181,130,168
Other receivables excluding prepayments	411,693,649	8,371,648
	<u>1,259,587,580</u>	<u>698,061,210</u>

The analysis of the accounts receivable is as follows:

Advances to contractors	280,305,680	339,488,496
Amounts due from GORTT	101,093,320	76,332,734
Contract costs to be recovered via loan repayments	6,045,473	10,347,158
Contract works billed to GORTT	184,800,205	98,072,248
Other receivables	412,650,639	9,328,638
	<u>984,895,317</u>	<u>533,569,274</u>
Total accounts receivable – gross	984,895,317	533,569,274
Less: Provision for impairment (discounting)	<u>(9,083,412)</u>	<u>(9,083,412)</u>
Accounts receivables - net	975,811,905	516,931,042
Prepayments	<u>11,110,510</u>	<u>265,825</u>
	<u>986,922,415</u>	<u>517,196,867</u>
Total	986,922,415	517,196,867
Current portion	<u>9,401,001</u>	<u>363,340,644</u>
	<u>977,521,414</u>	<u>161,441,042</u>
Non current portion	<u>977,521,414</u>	<u>161,441,042</u>

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5. Financial Risk Management (continued)

c) Credit risk (continued)

The fair values of the accounts receivables balances are as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Due from GORTT	92,966,897	68,206,311
Contract work billed to the GORTT	184,800,205	98,072,248
Contract costs to be recovered via loan repayments	6,045,473	10,347,158
Advances to contractors	280,305,680	339,488,496
Other receivables excluding prepayments	<u>411,693,649</u>	<u>8,371,648</u>

The fair value of the balances due from the GORTT are based on future cash flows discounted using rates of 5.5%-8.04%.

Analysis of receivable balances:

	<u>2008</u>	<u>2007</u>
	\$	\$
Fully performing	625,813,443	104,459,899
Past due but not impaired (i)	280,305,680	339,488,496
Impaired (discounted balances) (ii)	<u>80,803,292</u>	<u>80,803,292</u>
	<u>986,922,415</u>	<u>524,751,687</u>

The impairment provision can be analysed as follows:

At beginning of year	9,083,412	13,491,563
Additional provision recognized	-	776,635
Unwinding of discount	<u>-</u>	<u>(5,184,786)</u>
	<u>9,083,412</u>	<u>9,083,412</u>

The above figures for 2008 were apportioned using the same proportion for 2007 as management was unable to determine the actual figures.

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5. Financial Risk Management (continued)

c) Credit risk (continued)

The Group does not hold any collateral as security for the impaired balances noted above. The Group's receivable balances are mainly denominated in the functional currency. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable balances above and the value of its cash and cash equivalents.

d) Capital risk management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise stakeholders' value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total borrowings (current and non-current borrowings) less cash and cash equivalents. Capital includes share capital, accumulated deficit and contributed capital.

Project development work undertaken by the Group is mainly funded by debt financing which significantly contributes to the high gearing ratio.

	<u>2008</u>	<u>2007</u>
	\$	\$
Total borrowings	6,617,729,571	5,011,050,258
Less: Cash and cash equivalents	<u>(283,775,676)</u>	<u>(181,130,168)</u>
Net debt	<u>6,333,953,895</u>	<u>4,829,920,090</u>
Share capital	999,602	999,602
Accumulated deficit	(134,673,098)	(185,095,376)
Revaluation Reserve	3,048,443	-
Contributed capital	<u>661,386,674</u>	<u>660,956,519</u>
Total capital	<u>530,761,621</u>	<u>476,860,745</u>
Capital and net debt	<u>6,864,715,516</u>	<u>5,306,780,835</u>
Gearing ratio	92%	91%

The increase in the gearing ratio during the period is due to an increase in net debt from \$4.8 billion to \$6.3 billion.

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6. 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.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Revenue recognition

The Group recognises revenue for work performed on behalf of GORTT by reference to recoverable costs incurred during the year plus the project management fees earned for the period which are measured based on surveys of work performed. If there was a 10% change in the amount of work surveyed by the Group compared to management's estimate, the amount of revenue and receivables recognised would change by approximately \$54.5 million (2007: \$68 million).

(ii) Income taxes

Significant estimates are required in determining the Group's provision for income taxes. There are some transactions for which the ultimate tax determination may be uncertain in the ordinary course of business. Management has made estimates of tax deductions based on current information available. If these deductions were to be different from management's estimate, such differences may impact the current and deferred income tax in the period in which such determination is made.

(iii) Valuation of properties

Leased properties included in the consolidated financial statements are recognised at revalued amounts at the year end. In applying this method, the Group utilises advice from independent valuers regarding changes in market prices and other external factors which would have an impact on property prices for the current year. If the estimate of fair values were to change by 10%, this would result in a change in leased property value and the capital contribution account of approximately \$58,520,794 (2007: \$58,520,794).

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6. Critical Accounting Estimates and Judgments (continued)

(a) Critical accounting estimates and assumptions (continued)

(iv) *Impairment of loans and receivables*

Annually, the Group assesses whether its receivable balances due are impaired in accordance with the accounting policy stated in Note 2(h). In making this judgment, the Group utilises discounted cash flow analyses. This technique requires the Group to make certain assumptions regarding the rate used to discount these receivables, among other factors. A change of 1% in the discount rate utilised by management in this estimate will result in an increase/decrease in the impairment provision recognised in the consolidated financial statements by \$8.9 million (2007: \$4.5 million).

(b) Critical judgements in applying the Group's accounting policies

(i) *Revenue recognition*

The Group's activities includes project development work carried out on behalf of the GORTT. The projects that are undertaken by the Group fall into two categories.

(a) Projects that the GORTT directs the Company to retain in the business in order to generate future revenue.

(b) Projects that will be transferred to the GORTT upon completion.

The GORTT via a letter from the Ministry of Planning, Housing and the Environment advised the Group of its intention regarding projects that are to be retained and projects that are to be transferred on completion.

Revenue from projects being transferred on completion include amounts for recoverable project costs incurred and the project management fees earned for the period. No revenue is recorded for assets being retained. These projects are capitalised and are included in construction in progress.

The Group has applied its accounting policies to projects included in the consolidated financial statements based on this directive.

If there is a change in the intention of the GORTT, this could materially affect the revenue earned in the consolidated statement of comprehensive income as well as the categorisation of assets on the consolidated balance sheet.

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6. Critical Accounting Estimates and Judgments (continued)

(b) Critical judgements in applying the Group's accounting policies (continued)

(i) *Revenue recognition* (continued)

If the projects that the Group is capitalising are required to be transferred to the GORTT on completion, the impact is that the project costs included in construction in progress will have to be reflected in the consolidated statement of comprehensive income and the appropriate project management fees will be recorded on these costs.

(ii) *Principal and interest payments being made by the GORTT on behalf of the Group*

The GORTT has guaranteed certain loans on behalf of the Group and in some instances is meeting the principal and interest payments due on these loans on behalf of the Group. These loans are being utilised by the Group to fund the following projects:

- Projects being retained by the Group
- Projects being transferred to the GORTT on completion.

There is no formal agreement between the GORTT and the Group for the treatment of the loan repayments. However the practice is as follows:

- (a) Where the principal and interest payments are being made towards loans that are being used to finance projects retained, the principal and interest payments are being treated as capital contributions into the Group by the GORTT. (See Note 16).
- (b) Where the principal and interest payments are being made towards loans that are being used to finance projects being transferred on completion, the principal and interest payments are being set off against accounts receivable balances due from the GORTT in relation to these projects.

During the year principal and interest payments by the GORTT applied against receivable balances totalled \$38,213,006 (2007: \$46,561,757).

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7. Leasehold Properties

The Group has long-term leases for five properties which have lease terms ranging between 99-199 years. These properties have nominal rentals of \$1.00 per annum. The Group has accounted for these leasehold properties at fair value since management is of the opinion that they have the risks and rewards associated with the properties for the current lease term and that the GORTT may renew the leases on the same terms and conditions. These properties are carried in the consolidated financial statements at fair value based on valuations performed by qualified independent valuers.

When these properties were recognised as assets in the consolidated financial statements, the corresponding entry was made to a contributed capital account. (See Note 19).

	<u>2008</u>	<u>2007</u>
	\$	\$
The Group's leasehold properties include the following:		
Port Authority Lands, Wrightson Road	224,000,000	224,000,000
Richmond Street	160,000,000	160,000,000
Scarborough Tobago	102,000,000	102,000,000
North Coast Road, Las Cuevas	69,707,941	69,707,941
Chancery Lane, San Fernando	<u>29,500,000</u>	<u>29,500,000</u>
	<u>585,207,941</u>	<u>585,207,941</u>

The movement in the account balance over the year can be analysed as follows:

Opening net book amount	585,207,941	639,527,947
Additions	-	29,500,000
Disposals	-	(130,000,000)
Revaluation surplus	<u>-</u>	<u>46,179,994</u>
Closing net book amount	<u>585,207,941</u>	<u>585,207,941</u>

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8. Other Property, Plant and Equipment

	Construction In Progress	Land and Buildings	Fixtures and Fixtures	Computer Equipment	Office Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$	\$	\$
Year ended December 31, 2007							
Opening net book amount	2,398,879,441	106,136,697	1,324,016	553,489	271,920	2,079,613	2,509,245,176
Additions	1,918,574,159	3,017,072	217,672	517,578	255,187	1,193,225	1,923,774,893
Adjustment	580,412	-	-	-	-	-	580,412
Disposals	(348,532,837)	(20,674,108)	-	-	-	-	(369,206,945)
Depreciation charge	-	(6,298)	(175,202)	(321,658)	(126,1897)	(658,177)	(1,288,232)
Closing net book amount	<u>3,969,501,175</u>	<u>88,473,363</u>	<u>1,366,486</u>	<u>749,409</u>	<u>400,210</u>	<u>2,614,661</u>	<u>4,063,105,304</u>
At December 31, 2007							
Cost or valuation	3,969,501,175	88,511,153	1,958,662	1,738,845	866,040	3,689,856	4,066,265,731
Accumulated depreciation	-	(37,790)	(592,176)	(989,436)	(465,830)	(1,075,195)	(3,160,427)
Net book amount	<u>3,969,501,175</u>	<u>88,473,363</u>	<u>1,366,486</u>	<u>749,409</u>	<u>400,210</u>	<u>2,614,661</u>	<u>4,063,105,304</u>
Year ended December 31, 2008							
Opening net book amount	3,969,501,175	88,473,363	1,366,486	749,409	400,210	2,614,661	4,063,105,304
Additions	1,681,538,968	28,490,418	1,146,302	1,824,714	2,015,955	345,208	1,715,361,565
Adjustment	(772,142,104)	735,809,334	40,722,421	(936,916)	(6,001)	-	3,446,734
Depreciation charge	-	(37,212,468)	(4,352,108)	(930,914)	(378,412)	(739,541)	(43,619,443)
Closing net book amount	<u>4,878,898,039</u>	<u>815,560,647</u>	<u>38,883,101</u>	<u>706,293</u>	<u>2,031,752</u>	<u>2,220,328</u>	<u>5,738,300,160</u>
At December 31, 2008							
Cost or valuation	4,878,898,039	852,810,903	43,827,386	2,369,388	2,875,995	4,035,065	5,784,816,776
Accumulated depreciation	-	(37,250,256)	(4,944,285)	(1,663,095)	(844,243)	(1,814,737)	(46,516,616)
Net book amount	<u>4,878,898,039</u>	<u>815,560,647</u>	<u>38,883,101</u>	<u>706,293</u>	<u>2,031,752</u>	<u>2,220,328</u>	<u>5,738,300,160</u>

The total borrowing costs capitalised above for 2008 is \$276,625,212 (2007: \$267,386,681).

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	<u>2008</u>	<u>2007</u>
	\$	\$
9. Value Added Tax (VAT) Recoverable		
VAT recoverable on project being retained by the Group (i)	357,860,721	508,544,750
VAT recoverable on project management fees (ii)	<u>10,161,936</u>	<u>10,161,936</u>
	<u>368,022,657</u>	<u>518,706,686</u>

- (i) As a result of the reclassification of the Group's projects in the current year, a review of the treatment of VAT on projects being retained by the Group was conducted. Since the Group is VAT registered and will generate future taxable supplies in the form of lease rentals which will be subject to output VAT, the VAT previously capitalised in development work in progress was reclassified to VAT recoverable. The Group has initiated communication with the VAT authorities to commence the recovery process on this balance.
- (ii) This represents the VAT recoverable relating to output VAT on project management fees previously recognised on projects being retained by the Group. Since the Group has reversed the project management fees incorrectly recognised, the overpayment of output VAT is being reflected as a receivable. The Group has initiated communication with the VAT authorities to commence the recovery process on this balance.

10. Due from the Government of The Republic of Trinidad and Tobago

The due from the Government of The Republic of Trinidad and Tobago balance can be analysed as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
(i) Project expenditure on NHA Refurbishment Projects	50,798,932	50,798,932
(ii) Project expenditure on the Port of Spain Waterfront	57,315,415	-
(iii) Project expenditure on the Interchange Project	3,656,478	3,656,478
(iv) Interest receivable	36,216,244	36,216,244
(v) Loan repayment made by the GORTT	(49,000,010)	(24,000,000)
(vi) Other project costs	2,106,261	2,106,261
(vii) Impairment provision as a result of discounting due to future cash flows	<u>(8,126,423)</u>	<u>(8,126,423)</u>
	<u>92,966,897</u>	<u>60,651,492</u>

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10. Due from the Government of The Republic of Trinidad and Tobago (continued)

- (i) These project costs relate to expenditure incurred on the refurbishment of the National Housing Authority (NHA) apartments on behalf of the GORTT.
- (ii) These costs relate to the net receivable amount due from the GORTT in relation to the expenditure incurred by the Group on the Interchange project on behalf of the GORTT.
- (iii) The interest receivable balance represents interest capitalised which will be paid by the GORTT on behalf of the Group.
- (iv) The loan repayment made by the GORTT relates to principal repayments made on the Fixed Rate Bonds 2006-2018 by the GORTT on behalf of the Group which are being offset against project expenditure that was funded from this loan.
- (v) This relates to one-off costs incurred on small projects on behalf of the GORTT.
- (vi) The impairment provision included above represents the difference between the recoverable amount and the carrying value after discounting the future cash flow.

	<u>2008</u>	<u>2007</u>
	\$	\$
11. Prepaid Lease Payments		
Opening balance	8,157,544	14,493,298
Transfers from properties	20,858	-
Disposals	-	(6,222,121)
Less: Amortisation for the year	<u>(39,787)</u>	<u>(113,633)</u>
Closing balance	<u>8,138,615</u>	<u>8,157,544</u>

These amounts represent payments made on the acquisition of leasehold land. These prepaid lease payments are amortised over the lease term.

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	<u>2008</u>	<u>2007</u>
	\$	\$
12. Accounts Receivable and Prepayments		
Amounts due from GORTT for Contract works	184,800,205	98,072,248
Contract costs to be recovered via loan repayments (a)	6,045,473	10,347,158
Prepayments and other receivables	58,303,363	9,594,462
Advances to contractors (b)	280,305,680	339,488,496
Inventory – Hotel	1,088,057	-
Impairment loss as a result of discounting due to future cash flows	<u>(956,989)</u>	<u>(956,989)</u>
	<u>529,585,789</u>	<u>456,545,375</u>
Current portion	9,401,001	363,340,644
Non-current portion	<u>520,184,788</u>	<u>93,204,731</u>
	<u>529,585,789</u>	<u>456,545,375</u>

(a) These amounts represent contract costs that are recoverable from the GORTT for work performed. The GORTT is currently meeting the interest and principal payments associated with the loans that are funding these projects. The Group's accounting practice is to apply these payments made by the GORTT against the receivable balance due. However there is no formal agreement with the GORTT which supports this accounting treatment.

(b) These amounts represent payments made to contractors in advance of work being performed under the relevant construction contracts. The Group requires contractors to provide an advance payment bond issued by a reputable bonding agent for an amount equivalent to the amount of the advance being provided.

These amounts are reduced when advance payments are offset against progress billings from the contractor for construction work performed.

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	<u>2008</u>	<u>Restated 2007</u>
	\$	\$
13. Loan Receivable from the GORTT		
Balance at the start of the year	7,554,819	22,664,498
Less loan repayments made by the GORTT for the year	<u>(7,554,819)</u>	<u>(15,109,679)</u>
Balance at the end of the year	<u>-</u>	<u>7,554,819</u>
<i>Maturity of loan receivable</i>		
Current portion	<u>-</u>	<u>7,554,819</u>

The Group is responsible for executing projects on behalf of the GORTT. The Group's major source of funding for project development work is from debt financing. Some of the Group's debts are guaranteed by the GORTT with repayments being made by the Group or in some instances by the GORTT. For certain projects being undertaken, the GORTT has indicated that these assets should be retained by the Group in order to generate future income.

Government guaranteed loans which are being repaid by the GORTT and are being used to finance projects that will be kept by the Group are included under loans receivable in the consolidated financial statements. Since these loans are not required to be repaid by the Group to the GORTT, these amounts are deemed to be contributed capital. The balance on this account is reduced when the GORTT makes principal payments towards the loan balances.

	<u>2008</u>	<u>Restated 2007</u>
	\$	\$
14. Development Work in Progress		
Contract works not billed	156,169,444	114,322,186
Facilities work not billed	<u>84,200,395</u>	<u>55,295,728</u>
Balance at end of year	<u>240,369,839</u>	<u>169,617,914</u>

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	<u>2008</u>	<u>2007</u>
	\$	\$
15. Restricted Cash		
Restricted cash	<u>1,287,238</u>	<u>-</u>

This relates to the hotel operations of the Company and includes the cash account related to the fund for replacement of and additions to fixtures, furniture, furnishings and equipment and other qualifying expenditures. This restricted cash balance is not available for use in the hotel operations of the Company and has therefore been classified as a non-current asset.

16. Subsidiary Companies

	<u>% of Equity Capital Held</u>	<u>2007</u>
	2008	
(i) Rincon Development Limited	100	100
(ii) Port of Spain Waterfront Development Limited	100	100
(iii) Oropune Development Limited	100	100
(iv) San Fernando Development Limited	100	100
(v) International Waterfront Resources Limited	-	-

All subsidiary companies are incorporated in Trinidad and Tobago.

- (i) Rincon Development Limited was incorporated on 12 October 1999 with its principal activity being the development and sale of property.
- (ii) Port of Spain Waterfront Development Limited was incorporated on 12 October 1998 with its principal activity being the development of the Port of Spain Waterfront.
- (iii) Oropune Development Limited began its operations on 13 January 1995 with its principal activity being the development of a property into a housing development.
- (iv) San Fernando Development Limited was incorporated on 7 September 1998 with its principal activity being the development of the city of San Fernando. This Company is currently dormant.
- (v) International Waterfront Resources Limited was incorporated on 18 April 2007 with its principal activity being the management and operation of the Hyatt Regency Hotel.

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	<u>2008</u>	<u>2007</u>
	\$	\$
17. Intangible Assets		
<i>Computer Software</i>		
Additions	2,831,913	
Amortisation	<u>(223,470)</u>	-
Balance at 31 December	<u>2,608,443</u>	-

18. Share Capital

Authorised

1,000,000 ordinary shares of no par value

Issued and fully paid

999,602 ordinary shares of no par value

<u>999,602</u>	<u>999,602</u>
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19. Contributed Capital

Leasehold properties	585,207,941	585,207,941
Loan and interest payments made by the GORTT on behalf of the Group	<u>76,179,237</u>	<u>75,748,578</u>
	<u>661,387,178</u>	<u>660,956,519</u>

The movement in each category of contributed capital is as follows:

Leasehold properties

Balance at beginning of year	585,207,941	629,177,947
Additions	-	29,500,000
Disposals	-	(119,650,000)
Revaluations	<u>-</u>	<u>46,179,994</u>
Balance at end of year	<u>585,207,941</u>	<u>585,207,941</u>

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	<u>2008</u>	<u>2007</u>
	\$	\$
19. Contributed Capital (continued)		
<i>Loan repayments guaranteed by the GORTT</i>		
Balance at beginning of year	75,748,578	73,559,392
Add loan payments made by the GORTT for the year	<u>430,155</u>	<u>2,189,186</u>
Balance at end of year	<u>76,178,733</u>	<u>75,748,578</u>
20. Borrowings		
<i>Maturity of borrowing:</i>		
Not later than one year	196,304,255	201,439,732
More than one year	<u>6,364,234,842</u>	<u>4,809,610,526</u>
	<u>6,560,539,097</u>	<u>5,011,050,258</u>
a) RBTT Trust Limited - fixed rate bonds	152,000,000	168,513,935
b) Scotiabank Trinidad and Tobago Limited:		
- Series A floating rate bonds	-	4,174,794
- Series B fixed rate bonds	-	3,380,025
c) Republic Bank Limited - fixed rate bonds	18,000,000	27,000,000
d) The Home Mortgage Bank - fixed rate bonds	196,903,555	178,961,261
e) Republic Finance & Merchant Bank Limited - floating rate bond	1,896,486,917	1,594,200,573
f) Scotiabank Trinidad and Tobago Limited - floating rate demand loan	375,830,520	248,471,522
g) The Home Mortgage Bank - fixed rate bond	140,620,960	92,266,531
h) Citibank N.A - interim facility	458,883,183	294,758,590
i) First Citizens Bank – TTD facility	225,991,347	-
j) The Home Mortgage Bank	33,900,000	-
k) First Citizens Bank – USD facility	93,375,655	-
l) First Caribbean Int'l Bank Limited -	504,149,842	-
m) US Private Placement (Wells Fargo Bank) - fixed rate notes	<u>2,464,397,118</u>	<u>2,399,303,007</u>
	<u>6,560,539,097</u>	<u>5,011,050,258</u>

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20. Borrowings (continued)

	Loan Facility	Financial Institution	Original Facility Amount	Interest Rate	Tenure	Security of the Facility include the following:	Repayment Terms	Purpose
(a)	Fixed Rate Bonds 2006-2018	RBTT Trust Limited	TT\$192,000,000	7%	12 years	Guaranteed by the GORTT	24 equal semi-annual installments of principal and interest commencing July 18, 2006	To refinance previous bond to cover start-up costs for the Interchange project and the Housing Programme
(b)	Series A Floating Rate Bonds 2001-2008	Scotiabank Trinidad & Tobago Limited	TT\$24,100,000	Prime lending less 4.5%, with ceiling of 13% and floor of 11% (31/12/07: 11%)	7 years	Guaranteed by the GORTT	8 equal semi-annual installments of principal and interest commencing September 8, 2004. This loan was repaid during 2008.	To finance the Invaders Bay Development
	Series B Fixed Rate Bonds 2001-2008	Scotiabank Trinidad & Tobago Limited	TT\$18,992,039	12.25%	7 years	Guaranteed by the GORTT	8 equal semi-annual installments of principal and interest commencing September 8, 2004. This loan was repaid during 2008.	To finance the Invaders Bay Development
(c)	Fixed Rate Bonds 2002-2013	Republic Finance and Merchant Bank Limited	TT\$45,000,000	6.85%	11 years	Letter of comfort from the Ministry of Finance	10 equal semi-annual installments commencing June 22, 2006	To finance the Siparia Administrative Complex
(d)	Fixed Rate Bonds 2003-2010	Home Mortgage Bank	TT\$300,000,000	7.5% - 9.5%	7 years	Development Properties	By bullet at maturity.	To finance various development projects

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20. Borrowings (continued)

	Loan Facility	Financial Institution	Original Facility Amount	Interest Rate	Tenure	Security of the Facility include the following:	Repayment Terms	Purpose
(d) Cont'd	Fixed Rate Bond 2005-2010	Home Mortgage Bank	TT\$44,000,000	9.5%	5 years	Debt and Collateral Mortgage	By bullet at maturity	To finance the purchase of land
(e)	Floating Rate Bonds 2005 - 2013	Republic Finance & Merchant Bank Limited	TT\$1,650,000,000	1.45% above the yield issue on the most recent GORTT Treasury bill. This is reset every six months. 31/12/2008: 8.88% (31/12/2007: 9.0625%)	8 years	a) Agreement to sub lease between UDEcOTT and the GORTT. b) 1 st Mortgage over property situated at Queen, Edward and Richmond Streets stamped to cover TT\$1,650,000,000 c) Assignment of Contractors All Risk Insurance	To be repaid via the issue of final bonds.	To finance the construction and fit out of the Government Campus Plaza
(f)	Floating rate Demand Loan	Scotiabank Trinidad and Tobago Ltd	TT\$248,471,522	1% above the rate issue on the most recent GORTT 181 day. Treasury bill. This is reset every six months. (31/12/07:8.25%)	15 Years	a. Mortgage over Chancery Lane Administrative Complex stamped to cover \$500,000,000 b. Assignment of Performance Bond	To be repaid via the issue of final bonds.	To finance the construction and fit out of the Chancery Lane Administrative Complex

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20. Borrowings (continued)

Loan Facility	Financial Institution	Original Facility Amount	Interest Rate	Tenure	Security of the Facility include the following:	Repayment Terms
(g) Fixed Rate Bond 2006 - 2009	Home Mortgage Bank	TT\$170,000,000	8%	3 years	Mortgage over Property at Real Springs, Valsayn	By bullet payment at maturity.
(h) Interim Facility	Citibank N.A.	TT\$294,681,670	LIBOR plus 0.75% (31/12/07: 5.88%)	5 months	Letter of comfort from the Ministry of Finance	To be repaid via long term facility.
(i) Commercial Paper	First Citizens Bank Limited	TT\$374,000,000	9.61%	13 years	Guaranteed by the GORTT	
(j) Mortgage	Home Mortgage Bank	\$33,900,000	9.5%	10 years	Mortgage of land and buildings and assignment of sub-lease rentals	To finance the purchase of the Head Office building in Sackville Street, Port of Spain
(k) Commercial Paper	First Citizens Bank Limited	TT\$93,375,655	5.44%	13 years	Guaranteed by the GORTT	To finance various projects.
(l) Short Term Bridge Loan	First Caribbean International Banking and Financial Corporation	TT\$501,314,796	5.78%	3 years	Letter of Comfort	To finance the fit out of the Port of Spain Waterfront
(m) Fixed Rate Notes	US Private Placement (Wells Fargo Bank)	TT\$2,372,303,000	6.09%	15 years	Land and Buildings thereon and assignment of sublease rentals	To finance construction and fit out costs of the Port of Spain International Waterfront Project and repayment of the interim facility.

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20. Borrowings (continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<u>2008</u>	<u>2007</u>
	\$	\$
TT Dollar	3,039,733,299	2,316,988,661
US Dollar	<u>3,529,805,798</u>	<u>2,694,061,597</u>
	<u>6,560,539,097</u>	<u>5,011,050,258</u>

21. Deferred Liability

In accordance with Cabinet Minute No. 399 of 4 April 2001, the Subsidiary Company, Oropune, was required to acknowledge its indebtedness equivalent to the cost of construction of the houses incurred by the Ministry of Housing Settlement estimated at \$10.35 million as a condition of vesting of the property to the Oropune.

The Minute also stated that an arrangement should be made for the replacement of the loan. As at the year end, the Ministry of Finance has not yet communicated the terms and conditions of settlement.

22. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The movement on the deferred income tax account is as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
At beginning of year	135,805	158,383
Charge (credit) to income statement	<u>10,666,887</u>	<u>(22,578)</u>
At end of year	<u>10,802,692</u>	<u>135,805</u>

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22. Deferred Income Taxes (continued)

The movement in the deferred income tax account for 2008 is as follows:

	Balance at 1/1/08	Charge (credit) to Income Statement	Balance at 31/12/08
	\$	\$	\$
Deferred income tax liability			
Accelerated tax depreciation	135,805	(135,805)	-
Other property, plant, and equipment	-	10,802,692	10,802,692
	<u>135,805</u>	<u>10,666,887</u>	<u>10,802,692</u>

	2008	2007
	\$	\$

23. Accounts Payable and Accruals

Project payables	215,919,824	252,855,397
Retentions payable	142,125,208	114,183,906
Other payables	105,393,790	47,414,822
Accrued interest on loans	172,890,790	132,232,053
Taxation payable	<u>31,107,260</u>	<u>9,344,061</u>
	<u>667,436,687</u>	<u>556,030,239</u>

24. Reserve Development Fund

National Road Enhancement Programme	1,028,198	1,028,198
Other development projects	<u>105,776,941</u>	<u>4,533,989</u>
	<u>106,805,139</u>	<u>5,562,187</u>

These balances represent the unused portion of funds received by the Group from the GORTT for the development of specific projects which have been completed or suspended.

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	<u>2008</u>	<u>2007</u>
	\$	\$
25. Deposit on Account		
Balance as at start of year	1,038,009	192,853,673
Receipts for the year	289,868	223,248,384
Transfer to consolidated statement of comprehensive income	<u>-</u>	<u>(415,064,048)</u>
Balance as at end of year	<u>1,327,877</u>	<u>1,038,009</u>

These represent advance payments received from the Housing Development Corporation (HDC) as consideration for the purchase of certain housing projects. In 2007, the sales transaction was finalised and \$415.1 million of this balance was transferred to the consolidated statement of comprehensive income. The balance on this account at year end represents deposits for housing projects where the sale has not yet been finalised.

	<u>2008</u>	<u>2007</u>
	\$	\$
26. Other Income		
Rental income	-	912,210
Sale of tender documents	133,400	301,023
Miscellaneous income	<u>28,569,111</u>	<u>3,398,754</u>
	<u>28,702,511</u>	<u>4,611,987</u>

27. Gain on Disposal of Housing Projects

Realised gain on disposal	<u>-</u>	<u>29,133,300</u>
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In the prior year the Group disposed of a number of housing projects to the Housing Development Corporation. This gain represents the difference between the proceeds received and the carrying value of the assets.

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	<u>2008</u>	<u>2007</u>
	\$	\$
28. Other Losses		
Impairment loss recognised	-	776,635
Foreign exchange loss	-	6,186,093
	<u>-</u>	<u>6,962,728</u>
29. Administrative Expenses		
Employee benefit (Note 30)	20,799,744	15,906,257
Depreciation and amortisation	43,619,443	1,401,864
Office expenses	15,190,151	2,167,658
Rent and utilities	8,691,568	3,421,349
Advertising	1,354,345	2,006,770
Other expenses	50,482,684	18,807,933
	<u>140,137,937</u>	<u>43,711,831</u>
30. Employee Benefit Expense		
Wages and salaries	19,993,378	15,242,815
National Insurance costs	339,769	311,924
Retirement benefit cost	466,597	351,518
	<u>20,799,744</u>	<u>15,906,257</u>
Number of employees at year end 90 (2007: 334).		
31. Finance Income		
Investment income	3,029,993	52,730
Interest income – Government loans	12,680,299	-
Unwinding of discount	-	5,184,786
	<u>15,710,292</u>	<u>5,237,516</u>
32. Finance Costs		
Interest expense on bank borrowings	96,686,298	3,790,425
Foreign exchange loss on bank borrowings	12,860,800	12,716,298
Bank charges	1,445,293	11,048
	<u>110,992,391</u>	<u>16,517,771</u>

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	<u>2008</u>	<u>2007</u>
	\$	\$
33. Taxation		
Deferred tax	10,796,433	(22,578)
Corporation tax	-	15,867,879
Green Fund levy	165,666	-
Business levy	331,332	338
Overstatement of tax liability	<u>(8,526,942)</u>	<u>(130,142)</u>
Total taxation	<u>2,766,489</u>	<u>15,715,497</u>

The following is a reconciliation between tax and accounting profit multiplied by the applicable tax rate:

	<u>2008</u>	<u>2007</u>
	\$	\$
Profit (loss) before taxation	<u>15,428,725</u>	<u>(6,108,851)</u>
Tax calculated at 25%	3,857,181	(1,527,213)
Income not subject to tax	-	(366,914)
Expense deductible for tax purposes	(527,441)	-
Expenses not deductible for tax	578,945	4,463,085
Charge on fee income	-	8,799,485
Unrecognised tax losses carried forward	-	4,476,858
Adjustment in respect of prior years	-	(130,142)
Green Fund	165,666	-
Business levy	331,332	338
Tax effect of non-allowable items	<u>(1,639,194)</u>	<u>-</u>
	<u>2,766,489</u>	<u>15,715,497</u>

34. Related Party Balances

(a) Key management compensation

Directors' fees	387,900	251,300
Senior management remuneration	<u>7,740,599</u>	<u>4,470,162</u>

The Group is controlled by the GORTT, which owns 100% of the parent company's shares.

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34. Related Party Balances (continued)

(b) GORTT

The GORTT in its capacity as the sole shareholder of the Company has leased properties to the Group and is financing certain projects which the Group is retaining through the repayment of certain Government Guaranteed loans on behalf of the Group. The balances included in the consolidated financial statements in relation to these transactions are as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Leasehold properties	585,207,941	585,207,941
Loan receivable from the GORTT	-	7,554,819
Contributed capital	661,387,178	660,956,519
Loan interest paid by the GORTT on behalf of the Group	13,213,006	2,189,186
Loan repayments made by the GORTT on behalf of the Group	<u>25,000,000</u>	<u>15,109,679</u>

(c) Other transactions with the GORTT

In addition to the balances in (b) above, the Group in the ordinary course of its business carries out project development work solely for the GORTT and state agencies. Transactions and balances between the Group and these related parties are as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Contract revenue	376,951,655	715,635,051
Contract costs incurred	344,671,638	658,336,435
Amounts due from the GORTT	92,966,898	60,651,492
Accounts receivable for contract work	184,800,205	98,072,248
Reserve development fund	106,805,139	5,562,187
Liability due to GORTT for property transferred to the Group	10,350,000	10,350,000
Deposit on account	-	1,038,009
Gain on sale of housing project	-	29,133,300
Loan principal and interest payments made by the GORTT being set off against receivables	25,000,000	46,561,757
Development work in progress expenditure not yet billed to GORTT	<u>240,369,839</u>	<u>169,617,914</u>

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	<u>2008</u>	<u>2007</u>
	\$	\$
35. Financial Instruments by Category		
<i>(i) Loans and receivables</i>		
Contract costs to be recovered via loan repayments	6,045,473	10,347,158
Amounts due from GORTT	92,966,898	60,651,492
Receivables for contract work billed to GORTT	184,800,205	98,072,248
Advances to contractors	280,305,680	339,488,496
Cash and cash equivalent	283,775,676	181,130,168
Other receivables excluding prepayments	411,693,649	8,371,648
	<u>1,259,587,581</u>	<u>698,061,210</u>
<i>(ii) Financial liabilities carried at amortised cost</i>		
Borrowings	6,560,539,097	5,011,050,258
Accounts payables and accruals	663,229,068	545,686,178
Deposit on account	1,327,877	1,038,009
Reserve development fund	106,805,139	5,562,187
	<u>7,331,901,181</u>	<u>5,563,336,632</u>

36. Capital and Lease Commitments

Capital Commitments

The following represents the unpaid portion of contractual obligations undertaken by the Company in carrying out its business activities:

	<u>2008</u>	<u>2007</u>
	\$	\$
Contract sum	-	5,021,024,266
Amount paid	-	<u>(3,147,685,221)</u>
	-	<u>1,873,339,045</u>

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35. Capital and Lease Commitments (continued)

Lease Commitments

The Company has operating leases for the rental of its office space and is committed to the following minimum lease payments:

	<u>2008</u>	<u>2007</u>
	\$	\$
Not later than 1 year	-	1,294,933
1 to 5 years	-	<u>3,523,589</u>
	-	<u>4,818,522</u>

Management was unable to provide information for 2008 for the above due to a lack of documentation.

37. Contingent Liabilities

The Group companies are parties to various legal actions, the final outcome of which is uncertain. Based on appropriate legal advice, the directors have concluded that no significant unrecognised liability is expected to crystallise.

38. Subsequent Events

The following events were noted subsequent to the year-end:-

- a) In March 2009, the Company was granted an extension for the Home Mortgage Bank Fixed Rate Bonds 2003-2006 facility to December 30, 2009.
- b) In March 2009, the terms and conditions of the Home Mortgage Bank Fixed Rate Bond 2005-2008 facility were extended to January 31, 2010.
- c) In September 2009, the Company entered into a syndicated loan facility for the completion of the Brian Lara Cricket Stadium in the sum of \$497,342,684 for a ten year period with a fixed rate of 6.35%.
- d) The Company obtained an increase in the Republic Finance and Merchant Bank Limited Floating Rate Bond facility from \$1.65 billion to \$2.4 billion. An extension was also granted on this facility to December 10, 2010.

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38. Subsequent Events (continued)

- e) The Scotiabank of Trinidad and Tobago Limited floating rate demand loan facility was extended to December 31, 2009.
- f) The Company received an extension to the Citibank N.A. facility subsequent to the year-end. This facility was extended to December 31, 2009.
- g) The Company has entered into several contracts amounting to approximately \$600 million in the normal course of business.
- h) In May 2010, the Company entered into a short term loan facility in the sum of \$100 million to assist with the payment of the payables on several projects.
- i) Turner Alpha Ltd & Mid-East Construction Services Inc. commenced an action against the Company in respect to works done by virtue of various written agreements. The works were allegedly performed for the period August 2009 to September 2010. The action was settled for US\$6,471,445.38.
- j) Jaspal Bhogal Associates Limited issued a pre-action protocol letter to the Company relating to several projects for TT\$8,000,000.
- k) Carillion (Caribbean) Ltd commenced action against the Company in respect to works done on the Board of Inland Revenue (BIR) Tower, court fees and attorneys fixed costs on issue. The action was settled for TT\$34,804,354.26.
- l) The Environmental Management Authority served notice of violation dated 24 February 2010 against the Company in contravention of several sections of the Environmental Management Act. The violations were allegedly with respect to unauthorized works being carried out at the National Academy for the Performing Arts, South Campus site without a Certificate of Environment Clearance being issued. The estimated payout is TT\$1,613,891.36 should the action be successful.
- m) Communications Workers' Union- Kenneth Crichlow issued a pre-action protocol letter seeking damages for breach of contract due to dismissal.
- n) Banking Insurance and General Workers Union- Samantha Young engaged in action against the Company for wrongful dismissal for TT\$450,000. The Company settled this matter for TT\$110,000.

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38. Subsequent Events (continued)

- o) Genivar issued a pre-action protocol letter in respect of outstanding payments of TT\$937,074 related to the Scarborough Master Plan. This matter was settled by the Company for the outstanding payment amount.
- p) Sunway issued a pre-action protocol letter with respect of claim for damages for breach of contract for the schematic Design and Fit out of the Ministry of Legal Affairs office tower for TT\$55,006,143.
- q) Dipcon Engineering filed claim against the Company relating to the Oropune Housing Project for outstanding amounts.
- r) Hafeez Karamath Limited filed claim against the Company relating to the Real Spring Valsayn Housing Development for the sum of TT\$40,000,000.
- s) Hafeez Karamath Limited filed claim against the Company relating to the Brian Lara Cricket Academy for TT\$138,000,000.
- t) Atlas Engineering Ltd brought action against the Company relating to the Manzanilla, Matelot and Matura Police Stations. The expected claim settlement amount is TT\$6,237,148.

39. Segment Information

	Construction works	Hotel operation	Total
	\$	\$	\$
<u>December 31, 2008</u>			
Revenue	376,951,655	168,606,703	545,558,358
Operating profit (loss)	(8,248,030)	33,911,840	25,663,810
Assets	7,808,763,964	75,606,404	7,884,370,368
Liabilities	<u>7,327,415,190</u>	<u>26,193,557</u>	<u>7,353,608,747</u>

In 2007, the Company engaged in one main activity i.e. construction works, hence no segment information has been disclosed for the comparative period 2007.