

CARONI (1975) LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30TH JUNE 2016

MAHARAJ
MOHAMMED
& Co.
Chartered Accountants

CARONI (1975) LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

C O N T E N T S	Page
Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8 - 16
Schedules to the Statement of Comprehensive Income	17

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
CARONI (1975) LIMITED**

Report on the Financial Statements

We have audited the financial statements of Caroni (1975) Limited which comprises the statement of financial position as at 30th June 2016, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as stated on pages 4 to 16.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Included in the Statement of Financial Position are liabilities in the amount of \$32,167,475, relative to deposits received, prior to 2003, relative to the Lands Assignment and Distribution programme, during the closure of sugar manufacturing operations of Caroni (1975) Limited. These monies were used for development works on the assigned land lots. We were unable to substantiate a material portion of these transactions or obtain satisfactory documentary evidence or explanations for these said deposits. The records have since been transferred to Commissioner of State Lands Department – Ministry of Agriculture, Land and Fisheries.

We draw your attention to the Statement of Financial Position where Unrelieved Losses reflect a balance of \$(365,114,660) at year end 30th June 2016. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The assumption that the Company will continue as a going concern is based on its ability to continue to obtain financing from its primary shareholder, in the form of annual subventions per budgetary allocations of the Ministry of Finance and the Economy, Trinidad & Tobago.

Opinion

Except for the matters stated in the preceding paragraphs, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30th June 2016 and the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'Maharaj Mohammed & Co.' with a stylized flourish at the end.

Maharaj Mohammed & Co.
Chartered Accountants
Trinidad & Tobago

31st October 2016

CARONI (1975) LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2016

<u>ASSETS</u>	Notes	2016 \$	2015 \$
Current assets			
Cash and bank balances	3	8,832,510	15,210,094
Accounts receivable and prepayments	4	5,969,007	5,306,854
Amounts due from related parties	5	2,237,994	699,977
Taxation recoverable		<u>2,681,897</u>	<u>2,687,764</u>
Total current assets		<u>19,721,408</u>	<u>23,904,689</u>
Non-current assets			
Property, plant and equipment	6	659,976	539,852
Investments - available for sale	7	<u>187,700</u>	<u>187,700</u>
Total non-current assets		<u>847,676</u>	<u>727,552</u>
Total Assets		<u>20,569,084</u>	<u>24,632,241</u>
 <u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Stated capital	8	177,287,760	177,287,760
Investment reserve	7	137,500	137,500
Unrelieved losses		(365,114,660)	(432,864,998)
Total shareholders' deficiency		(187,689,400)	(255,439,738)
Current liabilities			
Accounts payable and accruals	9	41,456,177	47,060,128
Loan - current portion	11	66,236,379	66,236,379
Taxation payable		<u>1,178,582</u>	<u>1,178,505</u>
Total current liabilities		<u>108,871,138</u>	<u>114,475,012</u>
Non-current liabilities			
Loans - medium term	11	99,353,438	165,589,817
Deferred tax liability	10	<u>33,908</u>	<u>7,150</u>
Total non-current liabilities		<u>99,387,346</u>	<u>165,596,967</u>
Total Liabilities		<u>208,258,484</u>	<u>280,071,979</u>
Total Liabilities and Shareholders' Equity		<u>20,569,084</u>	<u>24,632,241</u>

The accompanying notes on pages 8 to 16 form an integral part of these financial statements.

_____ :Director

Sham Mohammad :Director

CARONI (1975) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016	2015
		\$	\$
Revenue			
Government subventions		94,875,372	199,255,106
Dividends and interest		31,067	95,779
Rent and other		92,408	48,265
Proceeds from disposal of Woodford Lodge Provident Fund		<u>-</u>	<u>4,750,718</u>
		<u>94,998,847</u>	<u>204,149,868</u>
Expenditure			
Administrative and other		14,932,175	23,636,285
Interest and bank charges		<u>12,288,465</u>	<u>19,648,392</u>
		<u>27,220,640</u>	<u>43,284,677</u>
Surplus before taxation		67,778,207	160,865,191
Taxation (charge)/benefit	13	<u>(27,869)</u>	<u>(41,934)</u>
Surplus for the year		<u>67,750,338</u>	<u>160,823,257</u>

The accompanying notes on pages 8 to 16 form an integral part of these financial statements.

CARONI (1975) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2016

	Stated Capital	Investment Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1st July 2014	177,287,760	137,500	(593,688,255)	(416,262,995)
Surplus for the year	-	-	160,823,257	160,823,257
Balance at 30th June 2015	<u>177,287,760</u>	<u>137,500</u>	<u>(432,864,998)</u>	<u>(255,439,738)</u>
Balance at 1st July 2015	177,287,760	137,500	(432,864,998)	(255,439,738)
Surplus for the year	-	-	67,750,338	67,750,338
Balance at 30th June 2016	<u>177,287,760</u>	<u>137,500</u>	<u>(365,114,660)</u>	<u>(187,689,400)</u>

The accompanying notes on pages 8 to 16 form an integral part of these financial statements.

CARONI (1975) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2016

	Note	2016	2015
Operating Activities		\$	\$
Operating income before taxation		67,778,207	160,865,191
Adjustments for:			
Depreciation of property, plant and equipment		<u>81,355</u>	<u>76,825</u>
		67,859,562	160,942,016
Movements in working capital			
Increase in accounts receivable and prepayments		(656,286)	(1,727,325)
Increase in amounts due by related parties		(1,538,017)	(563,457)
Decrease in accounts payable and accruals		<u>(5,603,951)</u>	<u>(54,151,431)</u>
Cash generated from operating activities		60,061,308	104,499,803
Taxation paid		<u>(1,034)</u>	<u>(210)</u>
Net cash generated from operating activities		<u>60,060,274</u>	<u>104,499,593</u>
Investing Activities			
Purchase of property, plant and equipment		(201,479)	(219,486)
Cash used in investing activities		<u>(201,479)</u>	<u>(219,486)</u>
Financing Activities			
Net movement on loans		<u>(66,236,379)</u>	<u>(166,819,154)</u>
Cash utilized in financing activities		<u>(66,236,379)</u>	<u>(166,819,154)</u>
Net decrease in cash and cash equivalents		<u>(6,377,584)</u>	<u>(62,539,047)</u>
Cash and cash equivalents			
- at the beginning of the year		15,210,094	77,749,141
- at the end of the year	3	<u>8,832,510</u>	<u>15,210,094</u>
		<u>(6,377,584)</u>	<u>(62,539,047)</u>

The accompanying notes on pages 8 to 16 form an integral part of these financial statements.

CARONI (1975) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

1. Incorporation and principal activities

Caroni (1975) Limited was incorporated in the Republic of Trinidad and Tobago on 26th March 1975 and continued on 7th April 1998. Its registered office is situated at Light Pole 11, Brechin Castle Couva. The shareholders of the company are the Minister of Finance and the Economy as Corporation Sole, with one share held by a nominee, on behalf of the Minister of Finance and the Economy as Corporation Sole.

In July 2003, the company was re-structured with its sugar production and refining operations being transferred to the Sugar Manufacturing Company Limited (SMCL), its rum production being transferred to the Rum Distillers Company of Trinidad and Tobago (RDTT) and other activities to the Ministry of Agriculture, Land and Marine Resources (MALMR) and other state-owned organisations.

On 1st June 2006, the Caroni and Orange Grove National Company Limited (Divestment) Act 2005 became effective. This Act provided for the operational undertakings of Caroni (1975) Limited be transferred to another company and the vesting of the real estate holdings of Caroni (1975) Limited to the Government of Trinidad & Tobago (GOTT) for the sum of one (\$1.00) dollar.

Presently the company remains a non-trading entity managing its current and long-term debts and fulfilling all outstanding obligations to its former employees, which involves the issuance of sub-leases for the beneficiaries of residential service lots on behalf of the State, and providing assistance with the agricultural land distribution and regularization programmes to former employees, cane farmers and other special delivery projects including existing squatters. In this regard, the GOTT is injecting funds on an annual basis for the company to meet these obligations.

The company's main initiatives at present are:

- managing land distribution and leases to beneficiaries of residential service and agricultural plots
- assistance to Commissioner of State Lands (COSL) and Estate Management Development Company Limited (EMBD)
- In October 2011, the GOTT designated Caroni (1975) Limited as interim executive agency for the Sugar Heritage Village and Museum Project
- attendance to matters pertinent to former employees, trade unions and other parties as well as obligations related to the Voluntary Separation of Employment Program (VSEP) and other past employment
- technical support to relevant government ministries and committees
- safeguarding of assets of the company and related entities stated above

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements are expressed in Trinidad and Tobago dollars and have been prepared under the historical cost convention in conformity with International Financial Reporting Standards.

(b) Use of estimates

The preparation of financial statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Foreign currency

Transactions in foreign currencies are translated into Trinidad and Tobago dollars at the exchange rates prevailing at the dates of the transactions. Current assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Profits and losses arising are dealt with in the statement of income.

(d) Revenue

Revenue is recognized on the receipt of government subventions throughout the financial year, on a cash receipts basis, per allocation from Ministry of Finance and the Economy. Interest, rent and other income are recognized on the accrual basis.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and overdrafts that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

(f) Accounts receivable

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. All collections from sales are expected in one year or less and are classified as current assets.

Accounts receivable are initially recognized at the transaction price. They are subsequently measured at cost less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the company will not be able to recover all amounts due according to the original terms of the receivables.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

(g) Property, plant and equipment

Property, plant and equipment are stated at cost/valuation and are being depreciated on the reducing balance basis, at varying rates which are sufficient to write-off the cost/valuation of the assets over their estimated useful lives as follows:

Furniture and fixtures	10%
Machinery and equipment	10%
Motor vehicles	25%
Computer equipment	25%

(h) Accounts payable

Accounts payable are obligations on the basis of normal credit terms and do not bear interest.

(i) Deferred taxation

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. Deferred tax assets and the liabilities measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on the enacted tax rate at the balance sheet date.

(j) Taxation

The company is subject to corporation tax based on the stipulated rate for the respective year of income, in addition to Green Fund Levy at the rate of 0.3% of gross revenue.

(k) Investments- Available for sale

Investments are initially recognized at cost, calculated to include transaction costs on acquisition of the new investment.

After initial recognition, the investments which are classified as 'Available for Sale' are measured at fair value, with unrealized gains or losses recorded in the Investment Reserve Account. Gains and losses arising from subsequent disposal or impairment of these investments are recognized in the statement of income.

For actively-traded investments, fair value is determined by reference to Stock Exchange quoted market prices at the balance sheet date, adjusted for transaction cost necessary to realize the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

CARONI (1975) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

3. Cash and bank balances	2016	2015
	\$	\$

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts.

Cash on hand	12,000	12,000
Bank balances	<u>8,820,510</u>	<u>15,198,094</u>
	<u>8,832,510</u>	<u>15,210,094</u>

4. Accounts receivable and prepayments	2016	2015
	\$	\$

Trade receivables	35,403	5,801
Prepayments	70,538	76,300
Value Added Tax and other	<u>5,863,066</u>	<u>5,224,753</u>
	<u>5,969,007</u>	<u>5,306,854</u>

5. Amounts due from related parties	2016	2015
	\$	\$

a) Amounts due from related parties	<u>2,237,994</u>	<u>699,977</u>
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The transactions conducted with related parties were carried out on commercial terms and conditions at market rates.

b) The company had related party transactions during the year as follows:

Sales to related parties	<u> -</u>	<u> -</u>
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CARONI (1975) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

6. Property, plant and equipment

	Furniture & Fixtures \$	Machinery Equipment \$	Motor Vehicles \$	Computer Equipment \$	Total \$
Cost/Valuation					
At beginning of year	127,846	425,232	-	328,776	881,854
Additions	-	170,607	-	30,872	201,479
Disposals	-	-	-	-	-
End of the year	127,846	595,839	-	359,648	1,083,333
Accumulated Depreciation					
At beginning of year	28,348	92,437	-	221,217	342,002
Charge for the year	9,950	38,071	-	33,334	81,355
Disposals	-	-	-	-	-
End of the year	38,298	130,508	-	254,551	423,357
Net Book Value 2015	99,498	332,795	-	107,559	539,852
Net Book Value 2016	89,548	465,331	-	105,097	659,976

7. Investments - available for sale

	Book Value		Market Value		Investment Reserve	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Opening balance	50,200	50,200	187,700	187,700	137,500	137,500
Revaluation of shares	-	-	-	-	-	-
Closing Balance	50,200	50,200	187,700	187,700	137,500	137,500

- (i) The value of 114,000 shares held in Trinidad Bagasse Products Limited has been written off to nil due to cessation of trading of the company.
- (ii) Shares held in Co-operative Citrus Growers Association have been maintained at book value in the absence of market value (fair value) information.
- (iii) Shares held in Southern Medical Clinic Limited have been revalued to market value to reflect fair value.

CARONI (1975) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

8. Stated capital	2016	2015
	\$	\$
Authorised		
300,000,000 ordinary shares		
Issued		
177,287,760 ordinary shares	<u>177,287,760</u>	<u>177,287,760</u>
9. Accounts payable and accruals	2016	2015
	\$	\$
Trade payables	1,056,558	1,060,354
Accruals	2,227,588	5,735,837
Deposits on land/residential properties	33,077,175	33,632,475
Interest payable and other	<u>5,094,856</u>	<u>6,631,462</u>
	<u>41,456,177</u>	<u>47,060,128</u>
10. Deferred taxation	2016	2015
	\$	\$
(i) Deferred Tax Asset		
Taxable losses	<u>6,095,928,437</u>	<u>6,068,780,713</u>
Deferred tax asset @ 25%	<u>1,523,982,109</u>	<u>1,517,195,178</u>
Note : Due to the cessation of trading in the foreseeable future, the deferred tax asset has not been recorded as it is deemed unrecoverable in the long term.		
(ii) Deferred Tax Asset/(Liability)		
Net book value per accounting records	659,976	539,852
Tax written down value	<u>524,345</u>	<u>511,251</u>
Temporary differences	135,631	28,601
Deferred tax liability @ 25%	<u>33,908</u>	<u>7,150</u>
Deferred tax benefit/(charge) (Note 13)	<u>(26,758)</u>	<u>(27,249)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

11. Loans

	2016		2015	
	Current Portion \$	Medium Term Portion \$	Current Portion \$	Medium Term Portion \$
Loan A	-	-	-	-
Loan B	32,903,046	49,353,438	32,903,046	82,256,484
Loan C	33,333,333	50,000,000	33,333,333	83,333,333
Loan D	-	-	-	-
Total	66,236,379	99,353,438	66,236,379	165,589,817

- Loan A represent a loan in the sum of TT\$518.5 million through the issue of secured fixed rate bonds for the purposes of restructuring and servicing its outstanding short-term debts. Repayment will take place via 14 semi-annual payments ending in March 2015, with interest charged at 7.125% per annum. Further guarantee is provided by a Letter of Comfort under the hand of the Minister of Finance and the Economy.
- Loan B represent a loan in the sum of TT\$489.3 million through the issue of guaranteed fixed rate bonds for the purposes of financing operating expenses. Repayment will take place via 30 semi-annual payments ending in 2018, with interest charged at 6.45% per annum. Further security is provided by a Guarantee under the hand of the Minister of Finance and the Economy.
- Loan C represent a loan in the sum of TT\$719 million through the issue of two series of Guaranteed Fixed Rate Callable bonds for the purposes of financing its enhanced Voluntary Separation of Employment Package (VSEP) for employees of the company.

Series I - Repayment will take place via 14 semi-annual payments ending in July 2013, with interest charged at 5.90% per annum.

Series II - Repayment will take place via 24 semi-annual payments ending in July 2018, with interest charged at 6.25% per annum.

The Government of the Republic of Trinidad & Tobago has issued an unconditional irrevocable guarantee in respect of the above obligation.

CARONI (1975) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

11. Loans (Continued)

- Loan D represent a loan in the sum of TT\$438.5 million through the issue of Guaranteed Fixed Rate Bonds and Guaranteed Floating Rate Bonds for the purposes of:
 - i) repayment of outstanding short term bank debts
 - ii) financing projects pertinent to Y2K compliance
 - iii) repayment of outstanding debt to National Insurance Board
 - iv) providing working capital

Repayment will take place via 24 semi-annual payments ending in August 2014, with interest charged between 11.0% and 13.5%, (12.60% at the first period). The Government of the Republic of Trinidad & Tobago has issued an unconditional irrevocable guarantee in respect of the above obligation.

12. Employees	2016	2015
The number of employees at year end	<u>61</u>	<u>63</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

13. Taxation	2016	2015
	\$	\$
<i>Reconciliation between accounting income and taxation charge</i>		
Accounting income	67,778,207	160,865,191
Items disallowed/(allowable)	<u>(94,925,931)</u>	<u>(199,224,049)</u>
Allowable losses for the year	(27,147,724)	(38,358,858)
Allowable losses brought forward	<u>(6,068,780,713)</u>	<u>(6,030,421,855)</u>
Allowable losses carried forward	<u>(6,095,928,437)</u>	<u>(6,068,780,713)</u>
<i>Taxation charge for the year</i>		
Business levy - current year	(741)	(9,790)
Green Fund levy - current year	(370)	(4,895)
Deferred tax (Note 10)	<u>(26,758)</u>	<u>(27,249)</u>
	<u>(27,869)</u>	<u>(41,934)</u>

14. Comparatives

Comparative balances have been re-stated to conform with changes in accounting standards and disclosure presentation in the current year.

15. Going concern

We draw your attention to the Statement of Financial Position where Unrelieved Losses reflect a balance of \$(365,114,660) at year end 30th June 2016. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The assumption that the Company will continue as a going concern is based on its ability to continue to obtain financing from its primary shareholder, in the form of annual subventions per budgetary allocations of the Ministry of Finance and the Economy, Trinidad & Tobago.

CARONI (1975) LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2016

Administrative and other	2016	2015
	\$	\$
Salaries and employee benefits	7,513,441	7,090,460
Severance	-	1,097,664
Utilities	1,573,788	1,723,373
Rental - motor vehicle and equipment	705,750	712,728
Security	481,145	525,087
Legal and professional fees	280,759	3,444,528
Repairs and maintenance	456,682	518,688
Directors' remuneration	162,000	162,000
Entertainment	57,884	186,723
Insurance	141,206	154,423
Donations	42,000	92,735
Office expenses	150,214	197,103
Transport	57,996	41,459
Audit fees	159,200	184,162
Depreciation	81,355	76,825
Health and safety	2,685	12,380
Penalties and fines	-	637
Residential lot development	1,776,323	1,952,747
Sugar Heritage Village and Museum expenses	1,107,950	994,922
Retroactive salaries - prior year	-	2,932,763
Retroactive salaries - current year	175,667	1,044,651
Compensation paid	6,130	-
Provision of bad debt	-	490,227
	<u>14,932,175</u>	<u>23,636,285</u>