



Chartered Accountants  
& Business Advisors

**EDUCATION FACILITIES COMPANY LIMITED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**



Chartered Accountants  
& Business Advisors

## EDUCATION FACILITIES COMPANY LIMITED

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## EDUCATION FACILITIES COMPANY LIMITED

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*Building our Children's Future*

### Statement of Management Responsibilities

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Education Facilities Company Limited, which comprise the statement of financial position as at 30 September 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

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

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

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

Ricardo Vasquez  
Chairman

18<sup>th</sup> December 2017

Denis Cox  
General Manager (Ag)

18<sup>th</sup> December 2017



Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITORS' REPORT

### **The Shareholder Education Facilities Company Limited**

We were engaged to audit the accompanying financial statements of Education Facilities Company Limited, which comprise the statement of financial position as at 30 September 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditors' Responsibility***

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

#### ***Basis for Disclaimer of Opinion***

The Company was unable to provide the required evidence to substantiate the existence, completeness, valuation, ownership and disclosure of cash in hand and at bank, accounts receivable and prepayments, government funding receivable, furniture, fixtures and equipment, retention payable, accounts payable and accruals balances as at 30 September 2015 and the related income and expenditure for the year ended. We were unable to confirm or verify by alternative means, the existence, completeness, valuation, ownership and disclosure of cash in hand and at bank, accounts receivable and prepayments, government funding receivable, furniture, fixtures and equipment, retention payable, accounts payable and accruals balances as at 30 September 2015 and the related income and expenditure for the year ended. As a result of these matters, we were unable to determine whether any adjustments might have been necessary in respect of these elements making up the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows.

#### ***Disclaimer of Opinion***

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

**Port-of-Spain  
18 December 2017**

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

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## EDUCATION FACILITIES COMPANY LIMITED

## STATEMENT OF FINANCIAL POSITION

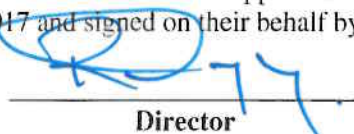
ASSETS

	<u>Notes</u>	<u>2015</u> \$	<u>2014</u> \$ Restated	<u>2013</u> \$ Restated
<b>Current Assets:</b>				
Cash in hand and at bank	5	37,779,321	45,366,240	56,475,984
Short-term investment	6	221,284,287	-	-
Accounts receivable and prepayments	7	399,308,520	130,222,061	120,529,904
Government funding receivable	8	791,999,821	964,186,571	706,202,886
Corporation tax refundable		-	39,735	66,778
Total Current Assets		<u>1,450,371,949</u>	<u>1,139,814,607</u>	<u>883,275,552</u>
<b>Non-Current Assets:</b>				
Bond receivable	9	4,171,881	4,171,881	54,570,127
Deferred taxation	10	273,876	2,438,459	5,667,637
Furniture, fixtures and equipment	11	<u>1,609,044</u>	<u>1,857,806</u>	<u>2,774,344</u>
Total Non-Current Assets		<u>6,054,801</u>	<u>8,468,146</u>	<u>63,012,108</u>
<b>Total Assets</b>		<u><b>1,456,426,750</b></u>	<u><b>1,148,282,753</b></u>	<u><b>946,287,660</b></u>

LIABILITIES AND SHAREHOLDER'S EQUITY

<b>Current Liabilities:</b>				
Retention payable		126,142,156	104,735,529	100,472,092
Accounts payable and accruals	12	606,242,370	633,708,737	445,308,924
Corporation tax payable		<u>5,468,007</u>	-	-
Total Current Liabilities		<u>737,852,533</u>	<u>738,444,266</u>	<u>545,781,016</u>
<b>Non-Current Liabilities:</b>				
Bond payable	9	400,000,000	400,000,000	400,000,000
Bank loan	13	<u>285,300,000</u>	-	-
Total Non-Current Liabilities		<u>685,300,000</u>	<u>400,000,000</u>	<u>400,000,000</u>
Total Liabilities		<u>1,423,152,533</u>	<u>1,138,444,266</u>	<u>945,781,016</u>
<b>Shareholder's Equity:</b>				
Stated Capital	14	10	10	10
Contributed capital		6,999,990	6,999,990	6,999,990
Accumulated surplus / (deficit)		<u>26,274,217</u>	<u>2,838,487</u>	<u>(6,493,356)</u>
Total Shareholder's Equity		<u>33,274,217</u>	<u>9,838,487</u>	<u>506,644</u>
<b>Total Liabilities</b>		<u><b>1,456,426,750</b></u>	<u><b>1,148,282,753</b></u>	<u><b>946,287,660</b></u>

These financial statements were approved by the Board of Directors and authorised for issue on 18 December 2017 and signed on their behalf by:

  
Director

  
Director

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

**EDUCATION FACILITIES COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**

		For the year ended 30 September	
	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		\$	\$
<b>Income:</b>			
Project management fees	15	60,585,933	51,334,889
Interest income		2,295,928	166
Other income	16	<u>1,183,558</u>	<u>375,069</u>
Total income		<u>64,065,419</u>	<u>51,710,124</u>
<b>Expenditure:</b>			
Personnel expenses	17	23,567,871	24,560,191
Administrative expenses	18	9,157,486	8,617,666
Project-related expenses	19	<u>78,323</u>	<u>5,867,826</u>
Total expenditure		<u>32,803,680</u>	<u>39,045,683</u>
Net surplus before taxation		31,261,739	12,664,441
Taxation	21	<u>(7,826,009)</u>	<u>(3,332,598)</u>
Net surplus for the year		<u>23,435,730</u>	<u>9,331,843</u>

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

**EDUCATION FACILITIES COMPANY LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 30 SEPTEMBER 2015**

	<u>Stated Capital</u> \$	<u>Contributed Capital</u> \$	<u>Accumulated (Deficit)/Surplus</u> \$	<u>Total</u> \$
Balance as at 1 October 2013	10	6,999,990	(6,493,356)	506,644
Net surplus for the year	<u>-</u>	<u>-</u>	<u>9,331,843</u>	<u>9,331,843</u>
Balance as at 1 October 2014	10	6,999,990	2,838,487	9,838,487
Net surplus for the year	<u>-</u>	<u>-</u>	<u>23,435,730</u>	<u>23,435,730</u>
Balance as at 30 September 2015	<u><u>10</u></u>	<u><u>6,999,990</u></u>	<u><u>26,274,217</u></u>	<u><u>33,274,217</u></u>

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

## EDUCATION FACILITIES COMPANY LIMITED

## STATEMENT OF CASH FLOWS

	For the year ended 30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
		Restated
<b>Operating Activities:</b>		
Net surplus before taxation	31,261,739	12,664,441
Adjustments for:		
Depreciation	769,166	1,198,096
(Gain)/Loss on disposal of fixed asset	<u>(1,476)</u>	<u>34,307</u>
Operating profit before working capital changes	32,029,429	13,896,844
Net change in accounts receivable and prepayments	(269,086,459)	(9,692,157)
Net change in accounts payable and accruals	(27,466,367)	188,399,813
Net change in retention payable	21,406,627	4,263,437
Net change in Government funding receivable	172,186,750	(257,983,685)
Taxation paid	<u>(153,684)</u>	<u>(76,377)</u>
Cash provided by operating activities	<u>(71,083,704)</u>	<u>(61,192,125)</u>
<b>Investing Activities:</b>		
Purchase of fixed assets	(528,370)	(323,162)
Proceeds from the disposal of fixed assets	-	1,894
Adjustments to fixed assets	<u>9,442</u>	<u>5,403</u>
Cash provided by investing activities	<u>(518,928)</u>	<u>(315,865)</u>
<b>Financing Activities:</b>		
Proceeds from bank loan	285,300,000	-
Net change in bond receivable	<u>-</u>	<u>50,398,246</u>
Cash provided by financing activities	<u>285,300,000</u>	<u>50,398,246</u>
Net change in cash resources	213,697,368	(11,109,744)
Cash resources, beginning of year	<u>45,366,240</u>	<u>56,475,984</u>
Cash resources, end of year	<u><u>259,063,608</u></u>	<u><u>45,366,240</u></u>
<b>Represented by:</b>		
Cash in hand and at bank	37,779,321	45,366,240
Short term Investment	<u>221,284,287</u>	<u>-</u>
	<u><u>259,063,608</u></u>	<u><u>45,366,240</u></u>

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



**EDUCATION FACILITIES COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2015****1. Incorporation and Principal Business Activity:**

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

**2. Summary of the Significant Accounting Policies:****(a) Basis of financial statements preparation -**

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

**(b) Use of estimates -**

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

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

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

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

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

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

- i) The Company has not applied the following standard that became effective during the current year, as it does not apply to the activities of the Company or have a material impact on its financial statements:

Effective for accounting periods beginning on or after 1 January 2015

IFRS 7 Financial Instruments: Disclosures - Mandatory effective date and transition disclosures

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

Effective for accounting periods beginning on or after 1 January 2016

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - Amendments regarding changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts and applicability to condense interim financial statements

IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture

IFRS 10 Consolidated Financial Statements - Amendments regarding the application of consolidation exception

IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation

IFRS 12 Disclosure of Interest in Other Entities - Amendments regarding the application of consolidation exception

IFRS 14 Regulatory Deferral Accounts

IAS 1 Presentation of Financial Statements - Amendments resulting from disclosure initiative

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

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

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

IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation
IAS 16	Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16
IAS 19	Employee Benefits: Disclosures - Amendments regarding discount rate: regional market issue
IAS 27	Separate Financial Statements - Amendments reinstalling the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements
IAS 28	Investment in Associates - Amendments regarding the sale or contribution of assets between investor and its associate or joint venture
IAS 28	Investment in Associates - Amendments regarding the application of consolidation exception
IAS 34	Interim Financial Reporting - Amendments regarding disclosure of information "elsewhere in the interim financial report"
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16

Effective for accounting periods beginning on or after 1 January 2017:

IFRS 15	Revenue from Contracts with Customers
IAS 7	Statement of Cash Flows - Amendments resulting from disclosure initiative
IAS 12	Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

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

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

Effective for accounting periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments

Effective for accounting periods beginning on or after 1 January 2019

IFRS 16 Leases

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Company's classification and presentation of financial instruments.

**(d) Fixed assets -**

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

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

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

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

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

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

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

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

## EDUCATION FACILITIES COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

2. Summary of the Significant Accounting Policies (Cont'd):(e) **Financial instruments -**

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

Cash and cash equivalents

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

Accounts receivable and prepayments

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

Accounts payable and accruals

Accounts payable and accruals are recognized at original invoice amount.

(f) **Leases -**

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

(g) **Taxation -**Current tax

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

**EDUCATION FACILITIES COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2015****2. Summary of the Significant Accounting Policies (Cont'd):****(g) Taxation (cont'd) -****Deferred tax**

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

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

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

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

**(h) Income recognition -**

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

**(i) Foreign currency -**

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

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

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

**(j) Provisions -**

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

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

**(k) Government grant -**

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

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

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

**(l) Restatement -**

The financial statements for the years ended 30 September 2013 and 2014 were restated to record draw downs from the proceeds of the \$400 million 5.35% Fixed Rate Bond issued by EFCL. The proceeds from the Bond are held by the Ministry of Education at the Central Bank of Trinidad and Tobago and were released in tranches on commencement of construction. The first tranches were released during financial year 2012 with further releases in 2013 and 2014.

These tranches were omitted in the financial statements of EFCL for the years ended 30 September 2013 and 2014 and this omission resulted in material overstatement of the Bond Receivable and understatement of the Government Funding balances. Errors were also noted in the balances for Accounts Receivable and Prepayments and Accounts Payable and Accruals.

The financial statements have been restated in accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The standard states that an entity must correct all material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery by restating the comparative amounts for the prior period(s) presented in which the error occurred.

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

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

**(I) Restatement (cont'd) -**

The effects of the restatement on the financial statements are as follows:

**Statement of Financial Position**

	As previously reported \$	Effect of adjustment \$	As restated \$
<b>30 September 2013</b>			
Accounts receivables and prepayments	120,359,311	170,593	120,529,904
Government funding receivable	361,164,919	345,037,967	706,202,886
Bond receivable	400,000,000	(345,429,873)	54,570,127
Accounts payable and accruals	445,530,237	(221,313)	445,308,924
<b>30 September 2014</b>			
Accounts receivables and prepayments	130,051,468	170,593	130,222,061
Government funding receivable	568,750,358	395,436,213	964,186,571
Bond receivable	400,000,000	(395,828,119)	4,171,881
Accounts payable and accruals	633,930,050	(221,313)	633,708,737

**3. Financial Risk Management:**

**Financial risk factors**

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

**(a) Interest rate risk -**

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

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



**EDUCATION FACILITIES COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2015****3. Financial Risk Management (Cont'd):****Financial risk factors (cont'd):****(b) Credit risk -**

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

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

Cash balances are held with Republic Bank Limited.

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

**(c) Liquidity risk -**

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

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

**(d) Currency risk -**

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

**(e) Operational risk -**

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

**EDUCATION FACILITIES COMPANY LIMITED****NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2015****3. Financial Risk Management (Cont'd):****Financial risk factors (cont'd)****(f) Compliance risk -**

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

**(g) Reputation risk -**

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

**4. Critical Accounting Estimates and Judgments:**

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

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

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

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

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

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

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

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

i) Impairment of assets

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

ii) Fixed assets

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

**5. Cash in Hand and at Bank:**

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Petty cash	20,000	30,000
Republic Bank Limited	26,882,958	44,640,552
First Citizens Bank Limited	<u>10,876,363</u>	<u>695,688</u>
	<u>37,779,321</u>	<u>45,366,240</u>

**6. Short Term Investment**

This balance represents the net proceeds of a loan from RBC Royal Bank (Trinidad and Tobago) Limited (see Note 13) held in an Abercrombie Fund account with First Citizens Bank Limited. The Fund is a TT Dollar denominated fixed income fund and returns are calculated daily and credited to the fund monthly.

## EDUCATION FACILITIES COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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7. Accounts Receivable and Prepayments:

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
		Restated
Receivable from Ministry of Education (MOE):		
Project management fees and other receivable	66,540,883	57,964,379
Bond interest on 5.35% EFCL Bond Issue	<u>10,729,315</u>	<u>8,970,411</u>
Total reimbursable from MOE	77,270,198	66,934,790
Mobilization/advances due from contractors	318,000,665	56,484,586
Prepayments	562,761	406,630
Value Added Tax	623,943	623,943
Other receivables	<u>2,850,953</u>	<u>5,772,112</u>
	<u><b>399,308,520</b></u>	<u><b>130,222,061</b></u>

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

8. Government Funding Receivable:

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
		Restated
Balance at beginning of year	964,186,571	706,202,886
Government funding received for the year	(841,661,379)	(702,033,179)
Funding utilised and accrued for the year	<u>669,474,629</u>	<u>960,016,864</u>
Balance at end of year	<u><b>791,999,821</b></u>	<u><b>964,186,571</b></u>

9. Bond Receivable/(Payable):

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

## EDUCATION FACILITIES COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

9. Bond Receivable/(Payable) (Cont'd):

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

The proceeds are currently held by the Ministry of Education at the Central Bank of Trinidad and Tobago to be released in tranches upon commencement of construction. The first sets of tranches were released during financial year 2012.

Tranche amounts received from the MOE are shown below:

	\$
Amount received as at 30 September 2013	345,429,873
Amount received during 2014	<u>50,398,246</u>
Amount received as at 30 September 2014	395,828,119
Amount received during 2015	<u>-</u>
Amount received as at 30 September 2015	<u>395,828,119</u>

As at 30 September 2015, \$4,171,881 remains outstanding from the Ministry of Education.

10. Deferred Taxation:

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Balance at beginning of year	2,438,459	5,667,637
Effect of Statement of Comprehensive Income	<u>(2,164,583)</u>	<u>(3,229,178)</u>
Balance at end of year	<u>273,876</u>	<u>2,438,459</u>
Deferred taxation is attributable to the following items:		
Excess of net book value over tax written-down value	273,876	230,073
Taxable losses	<u>-</u>	<u>2,208,386</u>
	<u>273,876</u>	<u>2,438,459</u>

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

## EDUCATION FACILITIES COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

**11. Furniture, Fixtures and Equipment:**

	Office Furniture and Library Materials \$	Office Equipment and Appliances \$	Computer Equipment \$	Motor Vehicles \$	Leasehold Improvements \$	Storage Equipment \$	Total \$
<b>Cost</b>							
Balance as at 1 October 2014	3,583,362	325,513	1,221,857	1,065,258	3,231,697	82,776	9,510,463
Additions	28,412	145,639	354,319	-	-	-	528,370
Adjustments	-	8	-	-	(862,711)	-	(862,703)
Disposals	-	(24,974)	(32,769)	-	-	-	(57,743)
Balance as at 30 September 2015	<u>3,611,774</u>	<u>446,186</u>	<u>1,543,407</u>	<u>1,065,258</u>	<u>2,368,986</u>	<u>82,776</u>	<u>9,118,387</u>
<b>Accumulated Depreciation</b>							
Balance as at 1 October 2014	2,415,938	210,824	978,030	932,108	3,093,339	22,418	7,652,657
Charge for the year	353,273	61,229	173,846	133,150	24,973	20,695	769,166
Adjustments	-	8,760	(8,760)	-	(862,703)	-	(862,703)
Disposals	-	(24,974)	(24,803)	-	-	-	(49,777)
Balance as at 30 September 2015	<u>2,771,211</u>	<u>255,839</u>	<u>1,118,313</u>	<u>1,065,258</u>	<u>2,255,609</u>	<u>43,113</u>	<u>7,509,343</u>
<b>Net Book Value</b>							
Balance as at 30 September 2015	<u>840,563</u>	<u>190,347</u>	<u>425,094</u>	<u>-</u>	<u>113,377</u>	<u>39,663</u>	<u>1,609,044</u>
Balance as at 30 September 2014	<u>1,167,424</u>	<u>114,689</u>	<u>243,827</u>	<u>133,150</u>	<u>138,358</u>	<u>60,358</u>	<u>1,857,806</u>

## EDUCATION FACILITIES COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

**12. Accounts Payable and Accruals:**

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$ Restated
Green Fund Levy	(55,559)	25,367
Statutory payable	474,657	515,543
Audit fees payable	445,000	245,000
Contractors payable	582,699,896	611,065,009
Miscellaneous accruals	9,412,791	11,883,959
Value Added Tax	1,676,166	143,344
Vacation leave payable	860,104	860,104
Interest on 5.35% Bond Issue	<u>10,729,315</u>	<u>8,970,411</u>
	<u><b>606,242,370</b></u>	<u><b>633,708,737</b></u>

**13. Bank Loan:**

This balance represents a one (1) year bridge loan facility arranged and underwritten by RBC Royal Bank (Trinidad and Tobago) Limited in the amount of **\$285.3m**. The purpose of the loan is to finance outstanding obligations in relation to the construction of Early Childhood Care and Education Centers, as well as primary and secondary schools. The bank was also awarded the mandate to arrange an eleven (11) year Fixed Rate Bond to take out the bridge facility.

The interest rate on the bridge loan is to float at the equivalent of:

- a. the yield of the 180-day Treasury Bill (O.M.O.) plus
- b. a spread of eighty (80) basis points with semi-annual resets.

The interest rate is subject to a floor rate of 1.09% per annum.

The principal on the loan facility is to be repaid by way of a bullet payment at maturity from the proceeds of the 11-year fixed rate bond, while interest is to be paid semi-annually in arrears.

This bridge loan facility is fully secured via a Letter of Guarantee from the Ministry of Finance and the Economy.



**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

**14. Stated Capital:**

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
10 ordinary shares of no par value	<u>10</u>	<u>10</u>

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

The entity's capital comprises stated capital and bonds.

**15. Project Management Fees:**

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
New Construction and Outfitting	46,122,191	22,971,203
Outfitting existing schools	1,844,519	1,933,556
Textbooks	1,003,606	3,312,286
Repairs and Temporary Classrooms	<u>11,615,617</u>	<u>23,117,844</u>
	<u>60,585,933</u>	<u>51,334,889</u>

**16. Other Income:**

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Tender fees	532,784	375,069
Recoverable contract expenses	<u>650,774</u>	<u>-</u>
	<u>1,183,558</u>	<u>375,069</u>

## EDUCATION FACILITIES COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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17. Personnel Expenses:

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Directors' fees	636,103	618,750
Gratuity	3,142,475	2,965,416
Group health expenses	24,603	27,186
National Insurance	919,058	916,253
Salaries and wages	18,339,278	19,718,183
Staff welfare	394,710	285,339
Training	105,838	28,386
Uniforms and protective gear	5,806	678
	<u>23,567,871</u>	<u>24,560,191</u>

18. Administrative Expenses:

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Advertising	1,204,068	379,816
Audit fees	200,000	245,000
Bank charges	67,273	47,905
Depreciation	769,166	1,198,096
Directors expenses	197,589	62,002
Equipment rental	217,661	413,288
Furniture, equipment and building maintenance	177,042	200,840
(Gain)/loss on disposal of fixed asset	(1,476)	34,307
Loss on foreign exchange	5,901	139,927
General insurance	240,053	185,312
Green Fund Levy	17,153	58,648
Legal and professional fees and expenses	934,818	1,058,283
Miscellaneous expenses	174,695	45,967
Penalty and interest	-	11,500
Public relations/donations	9,600	27,659
Rental of building	2,701,800	2,704,250
Security	145,710	8,820
Stationery/printing/office supplies	543,319	421,499
Travel	48,568	50,206
Utilities	1,035,095	974,345
Vehicle maintenance	173,701	114,496
Vehicle rental	296,250	235,500
	<u>9,157,486</u>	<u>8,617,666</u>

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

**19. Project Related Expenses:**

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Architectural plan	253	-
Rental of building	-	309,900
Supervision and technical services	-	4,586,830
Transport	15,102	82,581
Vehicle maintenance	8,968	99,237
Vehicle rental	<u>54,000</u>	<u>789,278</u>
	<u><u>78,323</u></u>	<u><u>5,867,826</u></u>

An analysis of financial assets which are either past due or impaired as at the end of the reporting period is provided in a separate document and is made available to users of the financial statements on the same terms and at the same time as the financial statements, in accordance with paragraph B6 of the application guidance for IFRS 7.

**20. Contingent Liabilities:**

As at 30 September 2015 the Company had contingent liabilities valued at \$19,359,320 (2014) \$13,971,056. This potential liability relates to litigation claims made by past employees and contractors against the Education Facilities Company Limited.

## EDUCATION FACILITIES COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

21. Taxation:

	30 September	
	<u>2015</u>	<u>2014</u>
	\$	\$
Business Levy/Corporation Tax	(5,661,426)	(103,420)
Deferred taxation	<u>(2,164,583)</u>	<u>(3,229,178)</u>
	<u><u>(7,826,009)</u></u>	<u><u>(3,332,598)</u></u>

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

Net surplus before taxation	<u>31,261,739</u>	<u>12,664,441</u>
Tax calculated at 25%	(7,815,435)	(3,166,110)
Business Levy	-	(103,420)
Expenses allowable for tax purposes	-	35,679
Expenses not deductible for tax purposes	<u>(10,574)</u>	<u>(98,747)</u>
	<u><u>(7,826,009)</u></u>	<u><u>(3,332,598)</u></u>

**EDUCATION FACILITIES COMPANY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 SEPTEMBER 2015**

**22. Related Party Transactions:**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making decisions.

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

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

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

	<b>30 September</b>	
	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Directors fees	636,103	618,750
<b>Key management compensation</b>		
Short-term benefits	4,884,393	4,665,624