

**Evolving TecKnologies and Enterprise  
Development Company Limited**

**Consolidated Financial Statements**

**30 September 2015**

(Expressed in Trinidad and Tobago Dollars)

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

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

We have audited the accompanying consolidated financial statements of Evolving Technologies and Enterprise Development Company Limited and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

**Auditors' Responsibility**

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

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



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

### **Basis for Qualified Opinion**

#### ***Non-compliance - investment properties***

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

#### ***Assessment of impairment***

The description of the Vanguard Hotel Limited's (the subsidiary) property, plant and equipment impairment assessment process is provided in Notes 2.3 and 4.1(e). While no impairment adjustment was effected in the December 31, 2015 financial statements, we were unable to satisfy ourselves by alternative means whether or not this was reasonable. The last valuation was done in 2009 and a more current valuation was not available. Given the lapse of time and events that have subsequently occurred since the valuation was conducted, we are unable to determine whether further adjustments might be necessary in respect of the impairment adjustment, profit for the year and reserves.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2015 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

K P M G

Chartered Accountants

March 10, 2017  
Port of Spain  
Trinidad and Tobago

# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Financial Position

	Notes	September 30	
		2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Investment Properties	5	1,598,939	1,743,169
Property, Plant and Equipment	6	301,537	147,807
Investments	7	-	-
Restricted Cash	8	90,867	-
		<u>1,991,343</u>	<u>1,890,976</u>
<b>Current Assets</b>			
Inventory	9	1,893	1,777
Other Receivables and Prepayments	10	7,931	2,878
Trade Receivables	11	6,439	21,972
Taxation Recoverable		15,947	15,379
Cash At Bank and In Hand	12	50,306	47,977
		<u>82,516</u>	<u>89,983</u>
<b>Total Assets</b>		<u><u>2,073,859</u></u>	<u><u>1,980,959</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital And Reserves</b>			
Share Capital	13	1	1
Capital Contributions	14	2,044,496	1,843,868
Accumulated Deficit		(734,661)	(663,028)
<b>Total Equity</b>		<u>1,309,836</u>	<u>1,180,841</u>
<b>Non-Current Liability</b>			
Deferred Income	15	80,530	60,570
<b>Current Liabilities</b>			
Bank Overdraft	12	946	965
Trade and Other Payables	16	62,969	54,710
Borrowings	17	619,578	683,873
		<u>683,493</u>	<u>739,548</u>
<b>Total Liabilities</b>		<u>764,023</u>	<u>800,118</u>
<b>Total Equity And Liabilities</b>		<u><u>2,073,859</u></u>	<u><u>1,980,959</u></u>

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

On 10<sup>th</sup> March, 2017, the Board of Directors authorised these financial statements for issue.

Muhammad Director

[Signature] Director

# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Comprehensive Income

	Notes	Year Ended September 30	
		2015 \$'000	2014 \$'000
Revenue	18	112,866	123,638
Net Gain from Fair Value Adjustment on Investment Properties	5	-	38,500
Other Operating Income		349	2,947
		<u>113,215</u>	<u>165,085</u>
<b>Expenses</b>			
Operating		(108,967)	(105,309)
Administrative		(50,095)	(44,286)
Marketing		(354)	(444)
	19	<u>(159,416)</u>	<u>(150,039)</u>
Operating (Loss) / Profit		(46,201)	15,046
Finance Costs	17	(25,110)	(27,313)
Interest Income		29	144
Loss Before Taxation		(71,282)	(12,123)
Taxation Charge	20	(351)	(381)
Loss for the Year		(71,633)	(12,504)
Other Comprehensive Income		--	--
<b>Total Comprehensive Loss For The Year</b>		<u>(71,633)</u>	<u>(12,504)</u>
<b>Attributable To:</b>			
Owners of the Parent		(71,633)	(12,504)
Non-Controlling Interests		--	--
		<u>(71,633)</u>	<u>(12,504)</u>

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Changes in Equity

	Note	Share Capital \$000	Capital Contributions \$000	Accumulated Deficit \$000	TOTAL \$000
<b>Year ended 30 September 2015</b>					
Balance at 1 October 2014		1	1,843,868	(663,028)	1,180,841
Total comprehensive loss for the year		-	-	(71,633)	(71,633)
Capital Contributions	14	-	200,628	-	200,628
<b>Balance as at 30 September 2015</b>		<b>1</b>	<b>2,044,496</b>	<b>(734,661)</b>	<b>1,309,836</b>
<b>Year ended 30 September 2014</b>					
Balance at 1 October 2013		1	1,745,622	(650,524)	1,095,099
Total comprehensive loss for the year		-	-	(12,504)	(12,504)
Capital Contributions	14	-	98,246	-	98,246
<b>Balance as at 30 September 2014</b>		<b>1</b>	<b>1,843,868</b>	<b>(663,028)</b>	<b>1,180,841</b>

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Consolidated Statement of Cash Flows

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		Year Ended September 30	
	Notes	2015 \$'000	2014 \$'000
<b>Net Cash Generated From / (Used In)</b>			
<b>Operating Activities</b>	21	21,887	(24,768)
<b>Investing Activities</b>			
Purchase of property, plant and equipment		(27,105)	(11,438)
Expenditure on investment properties		(13,694)	(38,853)
Placement of capital contribution in restricted bank account		(90,867)	-
<b>Net Cash Used In Investing Activities</b>		(131,666)	(50,291)
<b>Financing Activities</b>			
Capital contributions received		200,628	98,246
Repayment of borrowings		(88,501)	(90,602)
<b>Net Cash Generated From Financing Activities</b>		112,127	7,644
<b>Increase / (Decrease) In Cash And Cash Equivalents</b>		2,348	(67,415)
<b>Cash and Cash Equivalents at Beginning of Year</b>		47,012	114,427
<b>Cash and Cash Equivalents at End of Year</b>		49,360	47,012
<b>Represented by</b>			
Cash at bank and in hand		50,306	47,977
Bank overdraft		(946)	(965)
	12	49,360	47,012

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



# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements 30 September 2015

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### 1 Incorporation and Principal Business Activities

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

### 2 Summary of Significant Accounting Policies

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

#### 2.1 Basis of preparation

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

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

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

##### 2.1.1 Going Concern

The Group as at 30 September 2015 had an Accumulated Deficit of \$735m and a Total Comprehensive Loss of \$72m for the year then ended. Additionally, the Group's Current Liabilities exceed Current Assets by \$601m. Current Liabilities which total \$683m include Borrowings of \$620m. These Borrowings have been guaranteed by GORTT and are being serviced by GORTT through the Ministry of Finance and the Economy.

For fiscal 2016, GORTT's debt service, on behalf of the Group was \$89m. This debt service is accounted for as Capital Contributions (Refer to Note 2.12).

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements 30 September 2015

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

#### 2.1 Basis of preparation (Continued)

##### 2.1.1 Going Concern (Continued)

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

- By letter dated 15 May 2014, the Ministry of Finance and Economy (MOFE) informed that it is the convention of the Ministry to make annual GORTT subventions to eTeck to enable the Company to meet its operating and capital expenditures. The MOFE further confirmed that in the post balance sheet period, it has committed and disbursed GORTT funding to support eTeck in its expenditure as described below.
- eTeck's continued receipt of funds under the Public Sector Investment Programme (PSIP) in respect of ongoing initiatives and projects of \$102m in 2015.
- The allocation of \$96m and \$32m respectively in the 2015 and 2016 national budgets under PSIP
- eTeck's continuing ability to consistently and adequately meet its liabilities as they fall due.

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

#### ***New and amended standards***

The following standards have been issued and are effective for periods beginning on or after 1 October 2014 and do not have a material impact on the financial statements:

- Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities.
- Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets.
- Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'.

#### ***New standards and interpretations not yet adopted***

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 October 2015 and have not been applied in preparing the financial statements. None of these is expected to have a significant effect on the financial statements:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
- Amendment to IFRS 10, 'Consolidated financial statements', addresses exceptions to the requirement for parent entities to prepare consolidated financial statements.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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

#### 2.2 Investment Property

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

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

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

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

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

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

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

Changes in fair values are recognised in profit or loss.

#### 2.3 Property, Plant and Equipment

Apart from the parent company's administrative building and equipment and furniture, which are stated at historical cost less accumulated depreciation, all other property, plant and equipment which represents the property and chattel of Vanguard Hotel Limited, are stated at fair value, based on a directors' valuation, less subsequent depreciation. The first directors' valuation was effective as at 30 September 2012. Future valuations are expected to be performed with sufficient regularity to ensure that the fair value of a revalued assets do not differ materially from their carrying amount. Prior to this directors' valuation, property, plant and equipment was stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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

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

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

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

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

- Buildings (Hotel)	40 years
- Buildings (Administrative)	10 years
- Building improvements	7.5 years
- Furniture and fittings	10 years
- Machinery and equipment	10 years

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

Buildings	10%	Reducing Balance
Equipment and furniture	10% - 33⅓%	Reducing Balance
Hilton: Furniture, Fixtures & Fittings	25%	Straight Line
Leasehold Improvements	N/A	Depreciated Over Lease Term

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

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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

#### 2.4 Consolidation

##### a) *Subsidiaries*

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

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

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

##### b) *Associates*

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

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

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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

#### 2.5 Foreign Currencies

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

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

##### (b) *Transactions and balances*

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

#### 2.6 Revenue recognition

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

#### 2.7 Employee Benefits

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

#### 2.8 Trade Receivables

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

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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

#### 2.9 Cash At Bank and In Hand

Cash and cash equivalents include cash in hand, deposits held at call with bank and other bank balances with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at bank and in hand, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

#### 2.10 Provisions

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

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

#### 2.11 Trade Payables

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

Trade payables are recognised at fair value.

#### 2.12 Capital Contributions

Capital Contributions comprise:

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

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

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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

#### 2.13 Current and Deferred Income Taxes

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

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

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

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

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

#### 2.14 Borrowings

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

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

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



# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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

#### 2.15 Leases

(i) The Group is the Lessee

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

(ii) The Group is the Lessor

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

#### 2.16 Share Capital

Ordinary shares are classified as equity.

#### 2.17 Impairment of Assets

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

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

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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### 3 Financial Risk Management

#### 3.1 Financial risk factors

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

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

##### (a) Market risk

###### *Foreign exchange risk*

The Group has no significant foreign exchange risk.

##### (b) Credit risk

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

The Group has no significant concentration of credit risk.

##### (c) Liquidity risk

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

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

#### **Liquidity Risk Analysis**

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

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

<b>Financial Liabilities</b>	<b>Less than 1 year \$</b>	<b>Total Contractual cash flows \$</b>
<b>Year Ended 30 September 2015</b>		
Bank Overdraft	946	965
Trade and Other Payables	62,969	62,969
Borrowings	<u>642,897</u>	<u>619,578</u>
<b>Total</b>	<u><u>706,812</u></u>	<u><u>683,493</u></u>

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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### 3 Financial Risk Management (Continued)

#### 3.1 Financial risk factors (Continued)

##### Maturity Analysis of Financial Liabilities

Financial Liabilities	Less than 1 year \$	Total Contractual cash flows \$
<b>Year Ended 30 September 2014</b>		
Bank Overdraft	965	965
Trade and Other Payables	54,710	54,710
Borrowings	<u>709,309</u>	<u>683,873</u>
Total	<u>764,984</u>	<u>739,548</u>

#### 3.2 Capital Risk Management

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

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

	2015 \$	2014 \$
Total Borrowings	619,578	683,873
Less: Restricted Cash	(90,867)	--
Less: Cash and Cash Equivalents (net of bank overdraft)	<u>(49,360)</u>	<u>(47,012)</u>
Net Debt	479,351	636,861
Total Equity	<u>1,309,836</u>	<u>1,180,841</u>
Total Capital	<u>1,789,187</u>	<u>1,817,702</u>
Gearing Ratio	<u>27%</u>	<u>35%</u>

#### 3.3 Fair Value estimation

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

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

## **Notes to the Consolidated Financial Statements (Continued)** **30 September 2015**

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

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

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

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

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

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

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

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

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

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

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

Refer to Note 5.

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

The subsidiary's hotel property is carried at a Board of Directors' valuation which is based on the results of an external market position study conducted in 2009, less subsequent depreciation, as explained in Note 6.1. The valuation is impacted by various market, financial, operating and economic assumptions including occupancy rates, room rates, demand/supply expectations, the airlift to Tobago and the inclusion of amenities such as golf and spa facilities. Estimates of the assets useful lives are based on a combination of industry norms and the physical conditions present at the hotel premises.

An updated valuation has not been obtained. However, management is of the view that given the past experience of the parent and Government's commitment to the hotel and positive indicators of continued commitment, the carrying amount as reported in the financial statements is reasonable.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

### 5 Investment Properties

	2015 \$'000	2014 \$'000
Opening balance	1,743,169	1,666,091
Additions - subsequent expenditure on investment property	13,694	38,853
Transfers to property, plant & equipment	(157,924)	-
Increase in fair values	-	38,500
Adjustments	-	(275)
	<u>1,598,939</u>	<u>1,743,169</u>
Closing balance	<u>1,598,939</u>	<u>1,743,169</u>

The Group has 3 major investment properties:

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

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

	Buildings and Completed Works (at fair value) \$m	Land (at fair value) \$m	Work in Progress (at cost) \$m	Total \$m
<b>Year ended 30 September 2015</b>				
Industrial Estates	236	467	48	751
Trinidad Hilton Property	176	36	3	215
Tamana Intech Park	-	100	533	633
	<u>412</u>	<u>603</u>	<u>584</u>	<u>1,599</u>
Balance at 30 September 2014	<u>412</u>	<u>603</u>	<u>584</u>	<u>1,599</u>
<b>Year ended 30 September 2014</b>				
Industrial Estates	236	467	38	741
Trinidad Hilton Property	175	36	-	211
Tamana Intech Park	-	100	691	791
	<u>411</u>	<u>603</u>	<u>729</u>	<u>1,743</u>
Balance at 30 September 2014	<u>411</u>	<u>603</u>	<u>729</u>	<u>1,743</u>

Industrial Estates and the Trinidad Hilton property are stated at fair value. TIP is carried at a mixture of valuation and cost less impairment. In 2003 all industrial park assets as well as the Trinidad Hilton Property) were transferred from Tourism and Industrial Development Company of Trinidad and Tobago Limited (TIDCO) for a consideration of \$1. There were subsequent directors' and independent valuations of portions of the investment properties over the ensuing years. However, the fair values of all properties as at the ends of 2008 to 2014 were not determined and accordingly the net fair value movements attributable to each of the years in between and the cumulative effect on prior years cannot be determined, as described under 5 (a to c) below.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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### 5 Investment Properties (Continued)

The 2014 increase in fair values of \$38.5m relates to 22 acres of undeveloped lands at Frederick Settlement, Caroni, which were previously untenanted. By memorandum dated 5 September, 2014, the Commissioner of Valuations at the Ministry of Finance and The Economy, advised that the fair market value of the lands was \$38.5m

Refer to Note 6 regarding the transfer to Property, Plant and Equipment.

The following sets out the details of each investment property.

#### a) Industrial Estates

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

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

- i) **Direct Comparison Method**  
This method was used to determine the valuator's opinion on the value for the properties which were of vacant possession (having no lessee). This method was used to estimate the value of all vacant land sites.
- ii) **The Investment or Income Capitalisation Method**  
This method was used to determine the valuator's opinion on value for the properties which were tenanted. It was used to estimate the value of factory shells, and land sites that were leased to tenants.

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

Subsequent to the initial transfer of properties, the shareholder, Government of the Republic of Trinidad and Tobago, has advised the Company of its intention to vest several additional property assets in the name of the Company. As at year end, these properties were undeveloped and carried in these finance statements at nil value. In some instances vesting process is not yet complete.

A valuation exercise of the Company's Industrial Parks (exclusive of Tamana Intech Park) was conducted by BCQS International Limited. The Income Capitalisation Approach was used in determining the fair value of the Parks as at 21 November 2012. A fair value of \$161m was assessed. The Board of Directors and Management have considered the value assessed by BCQS International Limited and have declined to accept same. As a result, the carrying value of Industrials Parks in these financial statements comprises amounts brought forward prior to the valuation exercise and subsequent capital expenditure.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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### 5 Investment Properties (Continued)

#### b) Trinidad Hilton Property

This property, also known as the Trinidad Hilton and Conference Centre, comprises a four-star hotel occupying approximately 30 acres of land at Lady Young Road, St Ann's, Trinidad. As noted above the buildings were acquired from TIDCO for a nominal consideration. The land is leased from the State for a term of 30 years commencing 25 February 2003. This property is sublet to Hilton International Trinidad Limited as described in Note 16. The land together with the buildings are being carried in the financial statements at fair value on the basis that the Company is a wholly-owned state enterprise and the lease for the land is expected to be renewed for the foreseeable future when the lease expires. The Company is taking steps to obtain documentation to confirm this position.

An independent valuation, as at 30 September 2009 was obtained which reflected a fair value of this property of \$182m. Management obtained from the Valuator, a notional apportionment of the values attributable to land and buildings and site improvements, of approximately \$36m and \$146m respectively.

The professional valuator used the Investment or Income Capitalisation Method in determining the valuation.

An updated valuation at the end of the current year was not obtained since the 2009 valuation. The costs of subsequent capital improvement expenditure on the property have been added to the 2009 valuation. At the end of the current year, the brought forward carrying amount of \$211m was increased by \$3m to \$214m as a result of expenditure incurred on improvement works at the property.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

### 5 Investment Properties (Continued)

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

The movement in its carrying amount is as follows:

	Land (At Valuation)	Work In Progress (At Cost)	Total
	\$'000	\$'000	\$'000
<b>Year Ended 30 September 2015</b>			
Opening carrying amount	100,000	690,817	790,817
Additions	--	316	316
Transfers	<u>--</u>	<u>(157,924)</u>	<u>(157,924)</u>
Closing carrying amount	<u>100,000</u>	<u>533,209</u>	<u>633,209</u>
<b>Year Ended 30 September 2014</b>			
Opening carrying amount	100,000	658,047	758,047
Additions	<u>--</u>	<u>32,770</u>	<u>32,770</u>
Closing carrying amount	<u>100,000</u>	<u>690,817</u>	<u>790,817</u>

Tamana Intech Park is a technology park under construction which is located at Wallerfield in Trinidad. Development works commenced in 2006. The land component of the park is stated at a valuation of \$100m. The land valuation was carried out in 2005, prior to the park's development and does not consider the development works.

Development work on the park was reduced considerably in 2010. Works resumed subsequently with a phased approach to development of the park and certain changes from the original plans and conceptual framework. The current status is that the flagship building and 21 fully serviced lots have been completed and there is a medium-term plan in place regarding the development of certain lots for occupation by potential tenants. In addition, the Board of Directors are satisfied that the GORTT will provide the required funding and support for the completion of the development of the park.

The Board of Directors commissioned a valuation by Deloitte & Touché that was carried out and completed with a report dated 21 May 2013. Two valuations were provided giving consideration to the current stage of development works - "As Is" - and the expected value once these works were completed - "As If". The "As Is" was then valued at \$534m, while the "As If" valuation was \$959m.

The Board of Directors and Management hold the view that the current cost-based valuation will be maintained in the current year.



# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 30 2015

### 6 Property, Plant and Equipment

	Land	Buildings	Furnishings And Equipment	Machinery And Equipment	Information Systems	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
<b>Year ended 30 September 2015</b>						
Opening net book amount	15,750	57,434	44,653	29,651	319	147,807
Additions	-	15,783	10,857	-	465	27,105
Transfer from Investment Properties	-	157,924	-	-	-	157,924
Disposals and adjustments	-	(1)	(9)	(182)	-	(192)
Depreciation	-	(19,290)	(7,696)	(3,960)	(161)	(31,107)
Closing net book amount	15,750	211,850	47,805	25,509	623	301,537
<b>As at 30 September 2015</b>						
Cost	18,737	469,712	169,209	39,619	895	698,172
Accumulated depreciation and impairment	(2,987)	(257,862)	(121,404)	(14,110)	(272)	(396,635)
Net book amount	15,750	211,850	47,805	25,509	623	301,537
<b>Year ended 30 September 2014</b>						
Opening net book amount	15,750	69,474	47,155	31,239	35	163,653
Additions	-	3,965	4,800	2,314	359	11,438
Disposals	-	-	(546)	-	-	(546)
Depreciation	-	(16,005)	(6,756)	(3,902)	(75)	(26,738)
Closing net book amount	15,750	57,434	44,653	29,651	319	147,807
<b>As at 30 September 2014</b>						
Cost	18,737	296,006	158,361	39,801	430	513,335
Accumulated depreciation and impairment	(2,987)	(238,572)	(113,708)	(10,150)	(111)	(365,528)
Net book amount	15,750	57,434	44,653	29,651	319	147,807

In August 2015, the Parent Company's offices moved to Tamana Intech Park at Wallerfield, where the Flagship Building was occupied. Accordingly, building costs of approximately \$158m were transferred from Investment Properties to Property, Plant and Equipment (Refer to Note 5).

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

### 7 Investments

	2015 \$'000	2014 \$'000
Cost	10,110	10,110
Less provision for impairment	<u>(10,110)</u>	<u>(10,110)</u>
	<u>—</u>	<u>—</u>

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

### 8 Restricted Cash

	2015 \$'000	2014 \$'000
Cash held for restricted use	<u>90,867</u>	<u>—</u>

By correspondence dated 15 October 2014 from the Ministry of Trade, Industry, Investment and Communications, eTeck obtained the sum of \$90,867,307 from GORTT. The correspondence indicated that the amount is to be strictly used by eTeck to meet the funding requirements of an infrastructure development project for the Endeavour Business and Commercial Park. The amount represents fifteen percent (15%) funding for the project and is to be used strictly to meet the 15% payment to be met by GORTT once its loan application to the China Export-Import Bank for concessional financing for the project is approved. The funds are not to be co-mingled with any other sources of funding by eTeck. In addition, prior approval from the Ministry's Permanent Secretary for utilisation of any portion of the funds must be obtained before incurring any expenditure. The correspondence does not indicate the terms of repayment of the amounts received and whether the balance attracts interest. Management's understanding is that the amount is non-interest bearing.

Subsequent to receipt of the funds, there was a change of government and Management understands that the use of the funds is under consideration by the new government administration. The funds are accounted for as a non-current asset with a corresponding increase in Capital Contributions (Refer to Note 14). The funds are held in a bank account at First Citizens Bank Limited.

### 9 Inventories

Food and beverage	905	1,075
Golf supplies	519	385
Operating supplies	377	218
Guest supplies	<u>92</u>	<u>99</u>
	<u>1,893</u>	<u>1,777</u>

All inventories relate to the subsidiary, VHL.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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10 Other Receivables and Prepayments	2015 \$000's	2014 \$000's
Value Added Tax (VAT) refundable	177,278	177,278
Less: impairment provision	<u>(177,278)</u>	<u>(177,278)</u>
Net VAT refundable	--	--
Other receivables and prepayments	<u>7,931</u>	<u>2,878</u>
	<u>7,931</u>	<u>2,878</u>

The balance reflects the effect of a full provision against Value Added Tax (VAT) refunds of approximately \$177m (2014- \$177 million). Most of this VAT balance relates to the parent company \$173m (2014 - \$173 million) and the remainder of \$4m (2014 - \$4m) relates to VHL.

For financial statement reporting purposes, The Board of Directors and Management consider it is prudent to establish and maintain a provision against these refunds.

The refunds are due from the VAT Administration Centre, which is a State agency. In respect of the parent company balance, the Board of Directors and Management, after obtaining professional advice, still maintain the view that the refunds are properly due to eTeck under the provisions of the legislation which govern VAT. Refer to Note 27, Contingent Assets and Liabilities.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

11 Trade Receivables	2015 \$'000	2014 \$'000
Trade Receivables	34,981	53,581
Less: Provision for Doubtful Debts	<u>(28,542)</u>	<u>(31,609)</u>
Net trade receivables	<u>6,439</u>	<u>21,972</u>
<b>11.1 Ageing analysis</b>		
The analysis of these balances is as follows:		
0 – 90 days	558	10,456
Over 90 days	<u>34,423</u>	<u>43,125</u>
	<u>34,981</u>	<u>53,581</u>
<b>11.2 Movement in provision for impairment</b>		
Opening balance	31,609	35,089
Decrease in Provision	<u>(3,067)</u>	<u>(3,480)</u>
Closing balance	<u>28,542</u>	<u>31,609</u>
<b>12 Cash and Cash Equivalents</b>		
Cash at bank and in hand	49,403	47,083
Fixed deposits and money market instruments	<u>903</u>	<u>894</u>
Subtotal	50,306	47,977
Bank overdraft	<u>(946)</u>	<u>(965)</u>
	<u>49,360</u>	<u>47,012</u>
Interest Income on short-term bank deposits	<u>29</u>	<u>144</u>
<b>13 Share Capital</b>		
Authorised		
20,000,000 ordinary shares of no par value		
Issued and fully paid		
2 ordinary shares of no par value	<u>1</u>	<u>1</u>
<b>14 Capital Contributions</b>	<u>2,044,496</u>	<u>1,843,868</u>

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

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

15 Deferred Income	2015 \$'000	2014 \$'000
Leases of Industrial Estates (15a)	69,122	49,234
Deferred Revenue pertaining to Land Rent (15b)	4,693	4,621
Deferred revenue pertaining to project with Government Bodies (15c)	<u>6,715</u>	<u>6,715</u>
Deferred income as at year end	<u>80,530</u>	<u>60,570</u>

*a) Leases of industrial estates*

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

Total unamortized premiums received in prior years	49,234	49,791
Total premiums invoiced during the financial year	20,528	--
Premium income recognised during the financial year	<u>(640)</u>	<u>(557)</u>
Deferred income as at year end	<u>69,122</u>	<u>49,234</u>

*b) Deferred Revenue pertaining to Land Rent*

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

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

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

16 Trade And Other Payables	2015 \$'000	2014 \$'000
Trade payables	25,749	21,190
Accruals and other payables	<u>37,220</u>	<u>33,520</u>
	<u>62,969</u>	<u>54,710</u>

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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### 17 Borrowings

As at 30 September 2015, eTeck had three (3) loan facilities that have been guaranteed by the Government of the Republic of Trinidad and Tobago. They are as follows.

	2015 \$'000	2014 \$'000
First Citizens Bank Limited	160,000	160,000
Scotiast and Merchant Bank Limited	90,508	105,594
ANSA Merchant Bank Limited	369,070	418,279
	<u>619,578</u>	<u>683,873</u>
<b>Finance Costs</b>		
Interest on Bank Borrowings	24,206	26,310
Other Bank Charges	904	1,003
	<u>25,110</u>	<u>27,313</u>

#### a) First Citizens Bank Limited - \$160m

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

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

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

#### b) Scotiast and Merchant Bank Limited - \$148m

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

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

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

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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### 17 Borrowings (Continued)

#### c) ANSA Merchant Bank Limited - \$488m

The Group entered into a ten (10) year, fixed rate loan agreement with ANSA Merchant Bank Limited on 19 December 2012. The proceeds of this facility were used to settle an existing short term facility with First Caribbean International Bank (FCIB), the balance of which was approximately \$485m.

The indicative terms and conditions are as follows:

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

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

Cabinet, by Minute dated 26 June 2014, agreed that GORTT through the Ministry of Finance and the Economy meet the outstanding payments under this loan, effective from the third loan instalment which was due on 19 June 2014.

18 Revenue	2015 \$'000	2014 \$'000
Income from Trinidad Hilton (Note 18a)	33,337	27,484
Income from Industrial Estates	21,450	27,621
Services and rental outlet income	2,012	1,274
Project fee income	--	1,102
Income from VHL (trading as Magdalena Grand Beach & Golf Resort)	<u>56,067</u>	<u>66,157</u>
	<u>112,866</u>	<u>123,638</u>

18a. The Group has sub-let the Trinidad Hilton Property (Note 5b) to Hilton International Trinidad Limited under the terms of a deed of lease for a period of 20 years from 1 October 2003.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

### 19 Expenses By Nature

	2015 \$'000	2014 \$'000
<b><u>Parent Company</u></b>		
Staff costs (Note 19.1)	23,180	22,062
Repairs and maintenance - Investment Properties	17,892	13,165
Other expenses	10,929	5,323
Movement in provision for bad debts	(2,916)	(3,373)
Depreciation	5,129	1,780
Asset operating cost	3,996	4,478
Movement in provision for VAT refundable amounts	2,214	8,219
Trinidad Hilton - Head Lease Rent	2,175	2,198
Professional fees	2,402	1,798
Office rent	1,760	2,047
Penalties /Disputes	1,675	292
Insurance	1,367	1,156
Board of directors expenses	1,135	1,064
Corporate events	276	1,090
Investment promotions	36	469
	<u>71,250</u>	<u>61,768</u>
<b><u>Subsidiary - VHL</u></b>		
Hotel Operations	26,552	25,320
Salaries and wages (Note 19.1)	21,708	22,598
Depeciation	25,985	24,958
Marketing and promotions	4,073	4,831
Management fees	3,448	3,475
Utilities	2,568	3,377
Insurance	2,655	2,870
Common service charge	1,177	842
	<u>88,166</u>	<u>88,271</u>
<b>Total Expenses</b>	<u>159,416</u>	<u>150,039</u>
<b>19.1 Staff Costs</b>		
Parent	23,180	22,062
Subsidiary	21,708	22,598
	<u>44,888</u>	<u>44,660</u>
Salaries	40,828	40,953
Retirement benefit costs	1,670	1,404
National Insurance	2,390	2,303
	<u>44,888</u>	<u>44,660</u>



# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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20 Taxation	2015 \$'000	2014 \$'000
Current	<u>351</u>	<u>381</u>
The Group's effective tax rate varies from the statutory rates as a result of the differences shown below:		
Loss before taxation	<u>(71,282)</u>	<u>(12,123)</u>
Tax calculated at a rate of 25%	(17,821)	(3,031)
Deferred tax assets not recognised	17,821	12,656
Non-taxable item	--	(9,625)
Business Levy and Green Fund Levy	<u>351</u>	<u>381</u>
Tax Charge	<u>351</u>	<u>381</u>

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

The Group has no corporation tax liabilities due to significant accumulated tax losses in the individual group entities. The parent company had taxation losses of approximately \$501m (2014 - \$473m). The operating subsidiary, Vanguard Hotel Limited had significant accumulated tax losses, the amount of which could not be reliably estimated due to issues related to its corporation tax returns, which its management are taking steps to address.

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

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

### 21 Net Cash Used In Operating Activities

	2015 \$'000	2014 \$'000
<b>Operating Activities</b>		
Loss before taxation	(71,282)	(12,123)
<b>Adjustments for:</b>		
Depreciation	31,107	26,738
Increase in fair value of investment properties	-	(38,500)
Disposals and adjustments to property plant and equipment	192	546
Non cash adjustments to investment properties	-	275
Interest expense	24,206	26,308
Impairment provision for VAT refunds	-	8,000
	<u>(15,777)</u>	<u>11,244</u>
<b>Changes in Working Capital:</b>		
Inventory	(116)	(240)
Trade receivables	15,533	(9,444)
Other receivables and prepayments - Current	(5,053)	(8,320)
Adjustment to taxation recoverable	(568)	-
Deferred income	19,960	(572)
Trade and other payables	<u>8,259</u>	<u>(16,798)</u>
	22,238	(24,130)
Taxation paid	<u>(351)</u>	<u>(638)</u>
<b>Net Cash Generated From / (Used In) Operating Activities</b>	<u><u>21,887</u></u>	<u><u>(24,768)</u></u>

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

### 22 Subsidiary And Associate

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

Interfix Ventures, LLC is not operational.

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

*Carrying amounts on acquisition:*

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

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

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

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

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

- b) VHL's year end is 31 December. Since its acquisition and up to 30 September 2011 there were unaudited management accounts of VHL, mainly due to its very low level /dormancy of business activities. For consolidation purposes up to 2011, there were concerns by Group Management regarding the accuracy of the unaudited management accounts and the approach was adopted where all of VHL's assets except for certain costs relating to its hotel property and cash balances were impaired and all liabilities were consolidated. In 2012, VHL became operational and its financial statements were updated so that Group Management had greater confidence in their accuracy. As a result, VHL's financial statements for the year ended 31 December 2012 were consolidated for the first time by the Group in 2012 and subsequent consolidations continued for 2013, 2014 and 2015.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

### 23 Financial Instruments By Category

	2015 \$'000	2014 \$'000
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The accounting policies for financial instruments have been applied to the line items below:

#### Assets as per Consolidated Statement of Financial Position

Restricted cash	90,867	--
Trade Receivables	6,439	21,972
Cash and Cash Equivalents	<u>50,306</u>	<u>47,977</u>
	<u><u>147,612</u></u>	<u><u>69,949</u></u>

The only category of financial assets held by the Group is loans and receivables. There are no assets held at fair value through profit or loss, derivatives used for hedging and available-for-sale financial instruments.

#### Liabilities as per Consolidated Statement of Financial Position

Bank overdraft	946	965
Trade and other payables	62,969	54,710
Borrowings	<u>619,578</u>	<u>683,873</u>
	<u><u>683,493</u></u>	<u><u>739,548</u></u>

The only category of financial liabilities held by the Group is liabilities at amortised cost. There are no liabilities held at fair value through profit or loss and derivatives used for hedging.

### 24 Credit quality of Financial Assets

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

Counterparties without external credit rating:

Group 1	<u>6,439</u>	<u>21,972</u>
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Group 1 – Customers with no history of default

#### Cash and Cash Equivalents

Group A	<u>49,601</u>	<u>46,848</u>
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The rest of the statement of financial position items "Cash At Bank and In Hand" and "Bank Overdraft" is cash in hand.

Group A – Trinidad and Tobago based banking institutions.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued) 30 September 2015

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### 25 Commitments

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

	2015 \$'000	2014 \$'000
<b>Investment Properties</b>	<u>62,702</u>	<u>79,369</u>

- b) Cabinet, by Minutes dated 26 September 2013 and 12 December 2013, has agreed to the development of Seven Economic Zones (SEZ) through two projects. These SEZs will be developed through and managed by eTeck.

- Project 1 (estimated development cost of US\$151m) encompasses the development of infrastructural works for the Connector Road, Dow Village, Factory Road, Frederick Settlement, Preysal and Reform Parks.
- Project 2 (estimated development cost of US\$94m) encompasses the development of infrastructural works for the Endeavour Business Park and the construction of one building (10,000 sq. meters) to be used for business process outsourcing.

Financing for these projects will be done through concessional loans provided by the Export-Import (EXIM) Bank of the People's Republic of China and TT\$90m from GORTT (Refer to Note 8).

Proposals, inclusive of preliminary designs and drawings were received from contractors for both Projects 1 and 2.

The Board of Directors accepted the proposals submitted for the development of the Seven Economic Zones (SEZ). Further developmental works were put on hold/suspended, due to funding availability.

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

Less than 1 year	2,175	2,175
Greater than 1 and not later than 5 years	8,700	8,700
Later than 5 years	<u>26,100</u>	<u>28,275</u>
	<u>36,975</u>	<u>39,150</u>

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued)

30 September 2015

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### 26 Forensic Investigation

In 2010, the Attorney General of Trinidad and Tobago advised eTeck of a forensic investigation of certain aspects of its operations. Based on the reported findings of the forensic audit, the Attorney General recommended that legal action be taken against the then Board of Directors of eTeck regarding an investment of US\$5m in a foreign entity, which was subsequently impaired. Legal action was initiated by eTeck's Board of Directors in 2011 and the matter is currently before the High Court of Trinidad and Tobago. The effect of this matter, if any, on the operations and/or financial statements cannot be determined.

### 27 Related Party Transactions

- (i) The Group receives funding from the state which is accounted for as Capital Contributions as described in accounting policy Note 2.12 and Note 14.
- (ii) Key management includes directors (executive and non-executive) and members of the Board of Directors. The compensation paid or payable to key management for employee services amounted to approximately \$4.2m (2014 - \$3.6m).

### 28 Contingent Assets and Liabilities

#### a) Litigation and claims

At the Consolidated Statement of Financial Position date, the Group had contingent assets and contingent liabilities in respect of litigation and claims arising in the ordinary course of business. Some of these claims are for material amounts. Management has carefully considered these claims and have obtained external professional advice as considered necessary. Amounts in respect of some have been recognised and or disclosed in the financial statements where appropriate. The outcome of these matters is however uncertain.

#### b) VAT audits

- (i) The parent company received proposed adjustments from the VAT Administration Centre for material amounts in respect of several VAT return periods. The parent has responded to the proposed adjustments and is awaiting a reply from the VAT Administration Centre. A provision was established in the current year for all VAT refunds due to the parent. Refer to Note 9.
- (ii) The subsidiary received an assessment from the VAT Administration Centre for principal, penalties and interest in respect of several VAT return periods. A provision of \$2.9m was established in respect of the assessment. To date no amounts have been settled.

# Evolving TecKnologies and Enterprise Development Company Limited

## Notes to the Consolidated Financial Statements (Continued)

30 September 2015

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### 29 Subsequent Events

- a) The Group has received claims for material amounts arising in the ordinary course of business. Management has considered the claims and obtained external professional advice as considered necessary. Amounts have been recognised and/or disclosed in the financial statements where appropriate. The final outcome of the claims is uncertain and there may be additional liabilities to the company.
- b) In letter dated 1<sup>st</sup> April 2016 from Ministry of Trade and Industry, eTeCK was informed of Cabinet's decision / agreement in respect of the subsidiary, VHL, which trades as MGGBR:
- (i) Offer a new contract to the existing Management Operator of the Magdalena Grand Golf and Beach Resort (MGGBR) for a period of three (3) years (2016 to 2019) with the option for eTeCK to terminate the said contract on the conditions of giving six (6) months' notice and at no additional cost to eTeCK.
  - (ii) The efforts to secure a reputable, internationally recognized brand manager or partner to handle the management and operational issues of the MGGBR be taken over by the Ministry of Finance, the Ministry of Tourism and the Tobago House of Assembly.
- c) In letter dated 7<sup>th</sup> April 2016 from the Ministry of Trade and Industry, eTeCK was informed that Cabinet agreed to the following in respect of the subsidiary, VHL, which trades as MGGBR:
- (i) The design and construction of beach and coastal protection works, including a breakwater at the MGGBR.
  - (ii) That eTeCK engage the services of a suitably qualified firm to undertake the design and detailed costing of the project at an estimated cost of \$1.5m
  - (iii) That the estimated sum of \$1.5m be met from the internal resources of eTeCK.
- d) In the 2017 National Budget Statement of The Republic of Trinidad and Tobago, presented by the Minister of Finance on 30 September 2016, the following was announced:
- “...that an offer for sale through competitive processes for 50 percent of the industrial estates now under the remit of Evolving Technologies and Enterprise Development Company Limited (eTeCK). This measure is expected to generate \$500 million.”

The specific details regarding this announcement have not yet been determined by GORTT or the Board of Directors.