

**Evolving TecKnologies and Enterprise
Development Company Limited**

Consolidated Financial Statements

30 September 2016

(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, 2016, 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, 2016 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, 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

Chartered Accountants

Port of Spain
Trinidad and Tobago
May 29, 2017

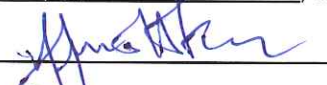
Evolving TecKnologies and Enterprise Development Company Limited

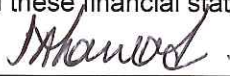
Consolidated Statement of Financial Position

	Notes	September 30	
		2016 \$'000	2015 \$'000
ASSETS			
Non-Current Assets			
Investment Properties	5	1,624,016	1,598,939
Property, Plant and Equipment	6	258,037	301,537
Investments	7	--	--
Restricted Cash	8	90,867	90,867
		<u>1,972,920</u>	<u>1,991,343</u>
Current Assets			
Inventory	9	2,177	1,893
Other Receivables and Prepayments	10	2,005	7,931
Trade Receivables	11	8,423	6,439
Taxation Recoverable		--	15,947
Cash At Bank and In Hand	12	81,445	50,306
		<u>94,050</u>	<u>82,516</u>
Total Assets		<u>2,066,970</u>	<u>2,073,859</u>
EQUITY AND LIABILITIES			
Capital And Reserves			
Share Capital	13	1	1
Capital Contributions	14	2,173,937	2,044,496
Accumulated Deficit		(797,875)	(734,661)
Total Equity		<u>1,376,063</u>	<u>1,309,836</u>
Non-Current Liability			
Borrowings - Long Term Portion	17	487,600	--
Deferred Income	15	86,332	80,531
		<u>573,932</u>	<u>80,531</u>
Current Liabilities			
Bank Overdraft	12	356	946
Trade and Other Payables	16	48,935	62,968
Borrowings - Short Term Portion	17	67,684	619,578
		<u>116,975</u>	<u>683,492</u>
Total Liabilities		<u>690,907</u>	<u>764,023</u>
Total Equity And Liabilities		<u>2,066,970</u>	<u>2,073,859</u>

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

On 29 May, 2017, the Board of Directors authorised these financial statements for issue.


 _____ Director


 _____ Director

Evolving TecKnologies and Enterprise Development Company Limited

Consolidated Statement of Comprehensive Income

	Notes	Year Ended September 30	
		2016 \$'000	2015 \$'000
Revenue	18	104,091	112,866
Other Operating Income		<u>481</u>	<u>349</u>
		<u>104,572</u>	<u>113,215</u>
Expenses			
Operating		(90,558)	(108,967)
Administrative		(53,120)	(50,095)
Marketing		<u>(292)</u>	<u>(354)</u>
	19	<u>(143,970)</u>	<u>(159,416)</u>
Operating Loss		(39,398)	(46,201)
Finance Costs	17	(22,992)	(25,110)
Interest Income		<u>35</u>	<u>29</u>
Loss Before Taxation		(62,355)	(71,282)
Taxation Charge	20	<u>(859)</u>	<u>(351)</u>
Total Comprehensive Loss For The Year		<u><u>(63,214)</u></u>	<u><u>(71,633)</u></u>
Attributable To:			
Owners of the Parent		(63,214)	(71,633)
Non-Controlling Interests		<u>--</u>	<u>--</u>
		<u><u>(63,214)</u></u>	<u><u>(71,633)</u></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
Year ended 30 September 2016					
Balance at 1 October 2015		1	2,044,496	(734,661)	1,309,836
Total comprehensive loss for the year		--	--	(63,214)	(63,214)
Capital Contributions	14	--	129,441	--	129,441
Balance as at 30 September 2016		1	2,173,937	(797,875)	1,376,063
Year ended 30 September 2015					
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
Balance as at 30 September 2015		1	2,044,496	(734,661)	1,309,836

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

Evolving TecKnologies and Enterprise Development Company Limited

Consolidated Statement of Cash Flows

		Year Ended September 30	
	Notes	2016 \$'000	2015 \$'000
Net Cash Generated From Operating Activities	21	15,701	21,887
Investing Activities			
Purchase of property, plant and equipment		(1,909)	(27,105)
Expenditure on investment properties		(25,077)	(13,694)
Proceeds on disposal of plant and equipment		4	--
Placement of capital contribution in restricted bank account		--	(90,867)
Net Cash Used In Investing Activities		(26,982)	(131,666)
Financing Activities			
Capital contributions received		129,441	200,628
Repayment of borrowings		(86,431)	(88,501)
Net Cash Generated From Financing Activities		43,010	112,127
Increase In Cash And Cash Equivalents		31,729	2,348
Cash and Cash Equivalents at Beginning of Year		49,360	47,012
Cash and Cash Equivalents at End of Year		81,089	49,360
Represented by			
Cash at bank and in hand		81,445	50,306
Bank overdraft		(356)	(946)
	12	81,089	49,360

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 2016

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 #9-15 eTecK Blvd. Tamana InTech Park, Wallerfield. 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 2016 had an Accumulated Deficit of \$798m and a Total Comprehensive Loss of \$63m for the year then ended. Additionally, the Group's Current Liabilities exceed Current Assets by \$23m. Current Liabilities which total \$117m include the current portion of borrowings of \$68m. There is a guarantee by the Government of the Republic of Trinidad and Tobago (GORTT) for the total borrowings of \$555m and these are serviced in full by GORTT through the Ministry of Finance and the Economy.

For fiscal 2016, GORTT's debt service, on behalf of the Group was \$86.4m. This debt service is accounted for as Capital Contributions (Refer to Note 2.13).

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 2016

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 (MOF) 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 \$32m in 2016.
- 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.

2.1.2 New standards and interpretations

New and amended standards

The following standards have been issued and are effective for periods beginning on or after 1 October 2015 and do not have a material impact on the financial statements:

- Amendments to IAS 28, 'Investments in Associates and Joint Ventures' clarifying certain fair values measurements.
- Amendments to IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' resulting from September 2014 Annual Improvements to IFRSs.

New standards and interpretations not yet adopted

At the date of authorization of the financial statements, there were new standards, amendments to standards and interpretations which were in issue but not yet effective for the year ended 30 September 2016 and have not been applied in preparing these financial statements. None of these is expected to have a material effect on the financial statements:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 will become effective for us on October 1, 2018.
- 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. IFRS 15 will become effective for us on October 1, 2017.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements 30 September 2016

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and interpretations (Continued)

New standards and interpretations not yet adopted

- IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. IFRS 16 will become effective for us on October 1, 2019.

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.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

2 Summary of Significant Accounting Policies (Continued)

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.

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% - 33 $\frac{1}{3}$ %	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 2016

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 2016

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. With respect to VHL, the hotel recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for the Company's activities.

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.

2.9 Inventories

Inventories are stated at the lower of cost and net realizable value. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell; the impairment loss is recognized immediately in the statement of comprehensive income.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued)

30 September 2016

2 Summary of Significant Accounting Policies (Continued)

2.10 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.

2.11 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.

2.12 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.

2.13 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 2016

2 Summary of Significant Accounting Policies (Continued)

2.14 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.

2.15 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 for amounts due within 12 months and non-current liabilities for amounts due after 12 months.

Any breach of loan covenants will result in total Borrowings being classified as current liabilities unless the Company 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 2016

2 Summary Of Significant Accounting Policies (Continued)

2.16 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.

2.17 Share Capital

Ordinary shares are classified as equity.

2.18 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 2016

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

Financial Liabilities	Carrying Amount \$000	Contractual Cashflows	
		Less than one year \$000	More than one year \$000
Year ended 30 September 2016			
Bank Overdraft	356	356	--
Trade and Other Payables	48,935	48,935	--
Borrowings	555,284	84,296	551,590
Total	604,575	133,587	551,590
		Less than	Contractual

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

3 Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

Maturity Analysis of Financial Liabilities

Financial Liabilities	Carrying Amount \$000	Contactual Cashflows	
		Less than one year \$000	More than one year \$000
Year ended 30 September 2015			
Bank Overdraft	946	946	--
Trade and Other Payables	62,968	62,968	--
Borrowings	619,578	86,431	635,886
Total	683,492	150,345	635,886

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.

	2016 \$000	2015 \$000
Total Borrowings	555,284	619,578
Less Restricted Cash	(90,867)	(90,867)
Less Cash and Cash Equivalents (net of overdraft)	(81,089)	(49,360)
Net Debt	383,328	479,351
Total Equity	1,376,063	1,309,836
Total Capital	1,759,391	1,789,187
Gearing Ratio	22%	27%

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 2016

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 2016

5 Investment Properties

	2016 \$'000	2015 \$'000
Opening Balance	1,598,939	1,743,169
Additions - subsequent expenditure on Investment Property	25,077	13,694
Transfer to Property, Plant & Equipment	<u> --</u>	<u> (157,924)</u>
Closing Balance	<u> 1,624,016</u>	<u> 1,598,939</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
Year ended 30 September 2016				
Industrial Estates	236	467	53	756
Trinidad Hilton Property	176	36	4	216
Tamana Intech Park	<u> --</u>	<u> 100</u>	<u> 552</u>	<u> 652</u>
Balance at 30 September 2016	<u> 412</u>	<u> 603</u>	<u> 609</u>	<u> 1,624</u>
Year ended 30 September 2015				
Industrial Estates	236	467	48	751
Trinidad Hilton Property	176	36	3	215
Tamana Intech Park	<u> --</u>	<u> 100</u>	<u> 533</u>	<u> 633</u>
Balance at 30 September 2015	<u> 412</u>	<u> 603</u>	<u> 584</u>	<u> 1,599</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 2016 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.

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

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

5 Investment Properties (Continued)

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 2016

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. 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 \$215m was increased by \$1m to \$216m 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 2016

5 Investment Properties (Continued)

c) Tamana Intech Park (TIP)

The movement in its carrying amount is as follows:

	Land (at fair value) \$'000	Work in Progress (at cost) \$'000	Total \$'000
Year ended 30 September 2016			
Balance at 1 October 2015	100,000	533,209	633,209
Additions	--	19,369	19,369
	<u>100,000</u>	<u>552,578</u>	<u>652,578</u>
Balance at 30 September 2016	<u>100,000</u>	<u>552,578</u>	<u>652,578</u>
Year ended 30 September 2015			
Balance at 1 October 2014	100,000	690,817	790,817
Additions	--	316	316
Transfers	--	(157,924)	(157,924)
	<u>100,000</u>	<u>533,209</u>	<u>633,209</u>
Balance at 30 September 2015	<u>100,000</u>	<u>533,209</u>	<u>633,209</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 2016

6 Property, Plant and Equipment

	Land	Buildings	Furnishings And Equipment	Machinery And Equipment	Information Systems	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Year ended 30 September 2016						
Opening net book amount	15,750	211,850	47,805	25,509	623	301,537
Additions	--	1,537	123	30	219	1,909
Disposals	--	-	(81)	--	--	(81)
Adjustments	--	(250)	227	--	--	(23)
Depreciation	--	(33,384)	(7,649)	(3,962)	(310)	(45,305)
Closing net book amount	15,750	179,753	40,425	21,577	532	258,037
As at 30 September 2016						
Cost	18,737	471,176	166,613	39,649	1,114	697,289
Accumulated depreciation and impairment	(2,987)	(291,423)	(126,188)	(18,072)	(582)	(439,252)
Net book amount	15,750	179,753	40,425	21,577	532	258,037
Year ended 30 September 2015						
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	--	--	--	--	--	--
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
As at 30 September 2015						
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

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). The additions for the year relate to the additional building costs incurred to make the building fit for occupation and office equipment and furniture for the administrative offices.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

7 Investments

	Unibio \$'000	Medical Transcription \$'000	Bamboo Networks \$'000	TOTAL \$'000
Year ended 30 September 2016				
Cost as at 1 October 2015	10,110	45,639	31,500	87,249
Transfers/re-classifications	–	(19,683)	–	(19,683)
De-recognition of investments	–	(25,956)	–	(25,956)
Provision for impairment	(10,110)	–	(31,500)	(41,610)
Carrying Value as at 30 September 2016	–	–	–	–

	Unibio \$'000	Medical Transcription \$'000	Bamboo Networks \$'000	TOTAL \$'000
Year ended 30 September 2015				
Cost as at 1 October 2014	10,110	45,639	31,500	87,249
Provision for impairment	(10,110)	(45,639)	(31,500)	(87,249)
Carrying Value as at 30 September 2015	–	–	–	–

Investment	Cost
UniBio	\$10m

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 \$10m was provided by the University of Trinidad and Tobago (UTT) on behalf of the Group. This amount was subsequently offset against payments made by eTeck, in respect of the training of medical transcriptionists at MDCL, on behalf of UTT. Full provision has been made against this investment due to uncertainty over its viability.

Investment	Cost
Medical transcription	De-recognised

This project was undertaken several years ago and was discontinued (before the beginning of the earliest period presented) due to its non-viability. The board of directors met to review and approve the dissolution agreement in 2010. The de-recognition of this asset has now been actioned in this year.

Upon de-recognition, it was made aware that an amount of \$19.7M was included incorrectly in the carrying amount for Medical Transcription. This amount actually comprised contributions made to the VHL subsidiary. As at year end, this amount was transferred to the carrying amount of VHL and eliminated on consolidation.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

7 Investments (Continued)

Investment	Cost
Bamboo Networks Limited	\$32m

On the 1 July 2005, eTeck invested US\$5,000,000 representing a 5% interest, in Bamboo Networks Limited, a company incorporated in the Cayman Islands. A total of 8,333,333 shares were purchased at a share price of US\$0.60 each. The gross cost incurred of \$32m was fully impaired several years ago. Refer to note 26.

8 Restricted Cash

	2016 \$'000	2015 \$'000
Cash held for restricted use	<u>90,867</u>	<u>90,867</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

	2016 \$'000	2015 \$'000
Food and beverage	771	905
Linen	526	--
Golf supplies	465	519
Operating supplies	384	377
Guest supplies	31	92
	<u>2,177</u>	<u>1,893</u>

All inventories relate to the subsidiary, VHL.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

10 Other Receivables and Prepayments

	2016 \$'000	2015 \$'000
Value Added Tax (VAT) refundable	180,204	179,395
Less: impairment provision	<u>(180,204)</u>	<u>(179,395)</u>
Net VAT refundable	–	–
Other receivables and prepayments	<u>2,005</u>	<u>7,931</u>
	<u>2,005</u>	<u>7,931</u>

The balance reflects the effect of a full provision against Value Added Tax (VAT) refunds of approximately \$180m (2015 - \$179 million). Most of this VAT balance relates to the parent company \$176m (2015 - \$175 million) and the remainder of \$4m (2015 - \$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.

11 Trade Receivables

	2016 \$'000	2015 \$'000
Trade Receivables	33,323	34,981
Less: Provision for Doubtful Debts	<u>(24,900)</u>	<u>(28,542)</u>
Net Trade Receivables	<u>8,423</u>	<u>6,439</u>

11.1 Ageing analysis

The analysis of these balances is as follows:

0 - 90 Days	8,667	558
Over 90 Days	<u>24,656</u>	<u>34,423</u>
	<u>33,323</u>	<u>34,981</u>

11.2 Movement in provision for doubtful debts

Opening Balance	28,542	31,609
Decrease in Provision	<u>(3,642)</u>	<u>(3,067)</u>
Closing Balance	<u>24,900</u>	<u>28,542</u>

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued)

30 September 2016

12 Cash and Cash Equivalents

	2016 \$'000	2015 \$'000
Cash at bank and in hand	80,534	49,403
Fixed deposits and money market instruments	<u>911</u>	<u>903</u>
Subtotal	81,445	50,306
Bank overdraft	<u>(356)</u>	<u>(946)</u>
	<u>81,089</u>	<u>49,360</u>
Interest Income on short-term bank deposits	<u>35</u>	<u>29</u>

13 Share Capital

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>
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14 Capital Contributions

<u>2,173,937</u>	<u>2,044,496</u>
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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 2016

15 Deferred Income

	2016 \$'000	2015 \$'000
Lease Premiums from Industrial Estates (15a)	74,555	69,122
Deferred Revenue pertaining to Land Rent (15b)	5,062	4,694
Deferred Revenue pertaining to projects with Government bodies (15c)	6,715	6,714
	<u>6,715</u>	<u>6,714</u>
Deferred Income as at year end	<u><u>86,332</u></u>	<u><u>80,530</u></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 unamortised premiums received in prior years	69,122	49,234
Total premiums invoiced during the financial year	5,515	20,528
Premium income recognised during the financial year	(82)	(640)
	<u>(82)</u>	<u>(640)</u>
Deferred Income as at year end	<u><u>74,555</u></u>	<u><u>69,122</u></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

	2016 \$'000	2015 \$'000
Trade payables	19,237	25,749
Accruals and other payables	29,698	37,220
	<u>29,698</u>	<u>37,220</u>
	<u><u>48,935</u></u>	<u><u>62,969</u></u>

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued)

30 September 2016

17 Borrowings

As at 30 September 2016, eTeck had three (3) loan facilities that have been guaranteed by the Government of the Republic of Trinidad and Tobago. They are as follows.

	2016 \$'000	2015 \$'000
Amount Due within 12 Months		
First Citizens Bank Limited	--	160,000
Scotiabank and Merchant Bank Limited	16,224	90,508
ANSA Merchant Bank Limited	51,460	369,070
	<u>67,684</u>	<u>619,578</u>
Amount Due in Over 1 Year		
First Citizens Bank Limited	160,000	--
Scotiabank and Merchant Bank Limited	59,200	--
ANSA Merchant Bank Limited	268,400	--
	<u>487,600</u>	<u>--</u>
Finance Costs		
Interest on Bank Borrowings	22,137	24,206
Other Bank Charges	828	904
Loan Administration Fee	27	--
	<u>22,992</u>	<u>25,110</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.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

17 Borrowings (Continued)

b) Scotiatrust 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. This loan facility is managed by First Citizens Trustee Services Limited at a fee of \$9k per year. During the year an amount of \$27k representing First Citizens Trustee Services Administration fees was paid covering the periods 2014 - 2016

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

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 due date of the third loan instalment on 19 June 2014.

18 Revenue

	2016	2015
	\$'000	\$'000
Income from Trinidad Hilton (Note 18a)	27,803	33,337
Income from Industrial Estates	23,529	21,450
Services and rental outlet income	4,584	2,012
Income from VHL (trading as Magdalena Grang Beach & Golf Resort)	48,175	56,067
	<u>104,091</u>	<u>112,866</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 2016

19 Expenses By Nature

	2016 \$'000	2015 \$'000
<u>Parent Company</u>		
Staff Cost	21,857	23,180
Depreciation	19,032	5,129
Other expenses	8,066	10,957
Asset Operating Cost	6,139	3,996
Repairs and maintenance - Investment Properties	4,593	17,892
Trinidad Hilton - Head Lease Rent	2,175	2,175
Insurance	1,302	1,367
Professional Fees	1,076	2,402
Movement in provision for VAT refundable amounts	809	2,214
Board of directors expenses	749	1,135
Corporate Events	234	276
Investment Promotions	292	36
Other operational expenses	163	122
Reduction in provision for bad debts	(3,690)	(3,066)
Office Rent	--	1,760
Penalties/Disputes	--	1,675
	<u>62,797</u>	<u>71,250</u>
<u>Subsidiary - VHL</u>		
Expenditure – hotel operations	22,975	26,552
Salaries and wages	21,490	21,708
Depreciation	26,273	25,985
Marketing and promotions	2,227	4,073
Management Fees	2,587	3,448
Utilities	2,387	2,568
Insurance	2,057	2,655
Common Service Charge	1,177	1,177
	<u>81,173</u>	<u>88,166</u>
Total expenses	<u>143,970</u>	<u>159,416</u>
19.1 Staff Costs		
Parent	21,857	23,180
Subsidiary	21,490	21,708
	<u>43,347</u>	<u>44,888</u>
Salaries	39,308	40,828
Retirement benefit costs	1,702	1,670
National Insurance	2,337	2,390
	<u>43,347</u>	<u>44,888</u>

Notes to the Consolidated Financial Statements (Continued)
30 September 2016

20 Taxation

	2016	2015
	\$'000	\$'000
Current	<u>859</u>	<u>351</u>
<p>The Company's effective tax rate varies from the statutory rate as a result of the differences shown below:</p>		
Loss Before Taxation	<u>(62,355)</u>	<u>(71,282)</u>
Tax calculated at a rate of 25%	(15,589)	(17,821)
Deferred tax asset not recognised	15,589	17,821
Business levy and green fund levy	<u>859</u>	<u>351</u>
Tax charge	<u>859</u>	<u>351</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 \$514m (2015 - \$507m). 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 2016

21 Net Cash Used In Operating Activities

	2016	2015
	\$'000	\$'000
Operating Activities		
Loss before taxation	(62,355)	(71,282)
Adjustments for:		
Depreciation (Note 6)	45,305	31,107
Disposals of property plant and equipment	77	192
Interest capitalised (Note 17)	22,137	24,206
Tax adjustment	(34)	(568)
	<u>5,130</u>	<u>(16,345)</u>
Changes in Working Capital:		
Inventory	(284)	(116)
Trade receivables	(1,984)	15,533
Other receivables and prepayments	5,926	(5,053)
Deferred income	5,801	19,960
Trade and other payables	(13,981)	8,259
	<u>608</u>	<u>22,238</u>
Taxation paid	(854)	(351)
Tax refund received	15,947	--
	<u>15,701</u>	<u>21,887</u>
Net Cash Generated From Operating Activities	<u><u>15,701</u></u>	<u><u>21,887</u></u>

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

22 Subsidiary And Associate

Entity	Interest (%)	Country of Incorporation
Vanguard Hotel Limited	98.28	Trinidad and Tobago

- 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>
TOTAL	<u>177,065</u>

Details of net assets acquired and goodwill are as follows:

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

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>
Impairment provision	<u>148,261</u>

- 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 from 2013 onwards.
- c) By a Settlement and Release Agreement, effective 23 March 2010, it was agreed 'inter alia' that eTeck shall surrender its rights and interest in Interfix Ventures LLC. As at the current year end, eTeck's association with Interfix Ventures LLC was derecognised.

Evolving TecKnologies and Enterprise Development Company Limited

Notes to the Consolidated Financial Statements (Continued) 30 September 2016

23 Financial Instruments By Category

	2016 \$'000	2015 \$'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	90,867
Trade receivables	8,423	6,439
Cash and cash equivalents	81,445	50,306
	180,735	147,612

The only category of financial assets held by the Group is cash 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	356	946
Trade and other payables	48,935	62,969
Borrowings	555,284	619,578
	604,575	683,493

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	8,423	6,439
Group 1 – Customers with no history of default		

Cash and Cash Equivalents

Group A	80,965	49,189
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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 2016

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:

	2016	2015
	\$'000	\$'000
Investment Properties	<u>45,825</u>	<u>62,702</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.

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:

	2016	2015
	\$'000	\$'000
Less than 1 year	3,352	2,456
Greater than 1 year and not later than 5 years	8,700	8,700
Later than 5 years	<u>23,925</u>	<u>26,100</u>
	<u>35,977</u>	<u>37,256</u>

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Notes to the Consolidated Financial Statements (Continued)

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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 \$6m (2015 - \$6.2m).

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.

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Notes to the Consolidated Financial Statements (Continued)

30 September 2016

29 Subsequent Events

- a) Via letter dated January 11 2017, from the Commissioner of Valuations to the President of eTeck, a Market Value of Two Hundred and Fifty Million Dollars (TT\$250M) was indicated for the Trinidad Hilton and Conference Centre Property.
- b) 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.

- c) The parent company, e Teck, has engaged the executive services of a consultant for the sourcing of a long term operator for Magdalena Grand Beach and Golf Resort. These services began in January 2017 and will occur throughout a six (6) month period.