



**REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE PUBLIC TRANSPORT SERVICE CORPORATION FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**ADVERSE OPINION**

The financial statements of the Public Transport Service Corporation (the Corporation) for the year ended 30<sup>th</sup> September 2018 have been audited. The statements as set out on pages 1 to 32 as seen in the Financial Statements comprise a Statement of Financial Position as at 30<sup>th</sup> September 2018, and the Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year then ended, and Notes to the Financial Statements numbered 1 to 21, including a summary of significant accounting policies.

2. In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of this report, the accompanying financial statements do not present fairly, the financial position of the Corporation as at 30<sup>th</sup> September 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**BASIS FOR ADVERSE OPINION**

**STATEMENT OF FINANCIAL POSITION**

**CAPITAL AND RESERVES – ACCUMULATED DEFICIT BALANCE OF \$314,968,101**

**NON-CURRENT LIABILITIES - GOVERNMENT GRANTS (NOTE 23) \$449,902,066**

3. The Corporation's treatment of Government Grants differed over several years. Because of the cumulative effect of different treatment of Government Grants recognized in the Statement of Comprehensive Income, and the lack of supporting documents, I was unable to verify the Accumulated Deficit balance of \$314,968,101 and the Non-Current Liabilities – Government Grant balance of \$449,902,066.

4. The audit was conducted in accordance with the principles and concepts of International Standards of Supreme Audit Institutions (ISSAIs). The Auditor General's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. The Auditor General is independent of the Corporation in accordance with the ethical requirements that are relevant to the audit of the financial statements and other ethical responsibilities have been fulfilled in accordance with these requirements. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the above adverse opinion.

## **RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

5. Management of the Corporation is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
6. In preparing the financial statements, management is responsible for assessing the ability of the Corporation to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.
7. Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

8. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit and to report thereon in accordance with section 116 of the Constitution of the Republic of Trinidad and Tobago and Section 28 (2) of the Public Transport Service Act, Chapter 48:02.
9. The Auditor General's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes his opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the principles and concepts of ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

10. As part of an audit in accordance with the principles and concepts of ISSAIs, the Auditor General exercises professional judgment and maintains professional skepticism throughout the audit. The Auditor General also:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for an opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit 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 internal control of the Corporation for the year ended 30th September, 2018
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Corporation to continue as a going concern. If the Auditor General concludes that a material uncertainty exists, the Auditor General is required to draw attention in his audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify his opinion. The Auditor General's conclusions are based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

11. The Auditor General communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that were identified during the audit.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

12. A Pension Scheme has not been established by the Corporation as required by section 18 of the Act which states that:

“The Corporation shall within a period of three years of its establishment, by rules confirmed by the Minister, provide for the establishment and maintenance of a Pension Scheme or Provident Fund for the benefit of the officers and employees of the Corporation”.

## **SUBMISSION OF REPORT**

13. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

**16<sup>th</sup> MARCH 2022  
PORT OF SPAIN**



  
**LORELLY PUJADAS  
AUDITOR GENERAL**



# PUBLIC TRANSPORT SERVICE CORPORATION



## Financial Statements

FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2018



PUBLIC TRANSPORT SERVICE CORPORATION  
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FOR THE YEAR ENDED 30TH SEPTEMBER, 2018

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**PUBLIC TRANSPORT SERVICE CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30TH SEPTEMBER, 2018**

		AS AT 30th SEPT 2018	AS AT 30th SEPT 2017
<b>ASSETS</b>	<b>NOTES</b>		
<b>NON-CURRENT ASSETS</b>		<b>\$</b>	<b>\$</b>
PROPERTY PLANT AND EQUIPMENT	12	108,765,615	93,913,342
INTANGIBLE ASSETS	13	<u>214,233</u>	<u>86,333</u>
		<u>108,979,848</u>	<u>93,999,675</u>
<b>CURRENT ASSETS</b>			
INVENTORIES	14	50,599,918	52,830,427
DEBTORS AND PREPAYMENTS	15	27,818,827	50,287,654
SHORT TERM INVESTMENT	16	5,945,398	5,882,812
CASH AND CASH EQUIVALENTS	17	<u>28,634,134</u>	<u>15,827,235</u>
		<u>112,998,277</u>	<u>124,828,128</u>
<b>TOTAL ASSETS</b>		<u><b>221,978,125</b></u>	<u><b>218,827,803</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
REVALUATION RESERVE	18	7,181,390	7,181,390
ACCUMULATED DEFICIT		<u>(314,968,101)</u>	<u>(315,035,284)</u>
		(307,786,711)	(307,853,894)
<b>NON-CURRENT LIABILITIES</b>			
LOANS & BONDS - LONG TERM	20	10,463,176	25,146,511
GOVERNMENT GRANTS	23	<u>449,902,066</u>	<u>432,893,008</u>
		<u>460,365,242</u>	<u>458,039,519</u>
<b>CURRENT LIABILITIES</b>			
CREDITORS AND ACCRUALS	19	54,716,260	53,958,844
LOANS AND BONDS - CURRENT	20	<u>14,683,334</u>	<u>14,683,334</u>
		<u>69,399,594</u>	<u>68,642,178</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>221,978,125</b></u>	<u><b>218,827,803</b></u>

  
 VICE CHAIRMAN

  
 CHAIRMAN



  
 GENERAL MANAGER (Ag)

14th October 2018  
 DATE

" the accompanying Notes attached on pages 7 to 32 form an integral part of the financial statements"

**PUBLIC TRANSPORT SERVICE CORPORATION  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2018**

	Notes	For the Year Ended 30th SEPT 2018 \$	For the Year Ended 30th SEPT 2017 \$
OPERATING INCOME	5	76,298,841	85,225,555
COST OF OPERATIONS	6	(223,072,576)	(236,616,499)
GROSS PROFIT/(LOSS) ON OPERATIONS		<u>(146,773,734)</u>	<u>(151,390,944)</u>
OTHER COMPREHENSIVE INCOME	9	4,348,020	3,323,287
DISTRIBUTION EXPENSES	7	(1,284,708)	(1,254,646)
ADMINISTRATIVE EXPENSES	10	(125,920,282)	(118,358,832)
FINANCE COST	11	<u>(1,710,835)</u>	<u>(2,688,071)</u>
OPERATING NET LOSS BEFORE GOVERNMENT GRANT		<b>(271,341,539)</b>	<b>(270,369,205)</b>
GOVERNMENT GRANTS	8, 22	<u>271,408,722</u>	<u>317,775,640</u>
<b>SURPLUS / (DEFICIT) AFTER GOVERNMENT GRANT</b>		<b><u>67,183</u></b>	<b><u>47,406,435</u></b>

" the accompanying Notes attached on pages 7 to 32 form an integral part of the financial statements"



**PUBLIC TRANSPORT SERVICE CORPORATION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

	CAPITAL RESERVE	ACCUMULATED DEFICIT	CAPITAL AND RESERVES
	\$'000	\$'000	\$'000
<b>FOR THE YEAR ENDED 30TH SEPTEMBER , 2018</b>			
BALANCE AS AT 1ST OCTOBER, 2017	7,181,390	(315,035,283)	(307,853,893)
SURPLUS FOR THE YEAR		67,183	67,183
<b>BALANCE AS AT 30TH SEPTEMBER , 2018</b>	<u><u>7,181,390</u></u>	<u><u>(314,968,102)</u></u>	<u><u>(307,786,712)</u></u>
<b>FOR THE YEAR ENDED 30TH SEPTEMBER , 2017</b>			
BALANCE AS AT 1ST OCTOBER, 2016	7,181,390	(362,441,718)	(355,260,328)
SURPLUS FOR THE YEAR		47,406,435	47,406,435
<b>BALANCE AS AT 30TH SEPTEMBER , 2017</b>	<u><u>7,181,390</u></u>	<u><u>(315,035,283)</u></u>	<u><u>(307,853,893)</u></u>

" the accompanying Notes attached on pages 7 to 32 form an integral part of the financial statements"

**PUBLIC TRANSPORT SERVICE CORPORATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30th SEPTEMBER, 2018**

	For the Year Ended 30th SEPT 2018 \$	For the Year Ended 30th SEPT 2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
NET SURPLUS/(DEFICIT) FOR THE YEAR	67,183	47,406,435
ADJUSTMENTS FOR :		
DEPRECIATION	21,496,472	20,633,713
LOSS ON DISPOSALS		
INTEREST EXPENSE		
	<u>21,563,654</u>	<u>68,040,147</u>
<b>CHANGES IN WORKING CAPITAL</b>		
NET CHANGE IN INVENTORIES	2,230,509	(504,762)
NET CHANGE IN DEBTORS AND PREPAYMENTS	22,468,827	(23,727,330)
NET CHANGE IN SHORT TERM INVESTMENTS	(62,587)	(60,672)
NET CHANGE IN CREDITORS AND ACCURALS	757,417	(22,886,020)
NET CHANGE IN GOVERNMENT GRANTS	17,009,058	6,640,461
TRANSFER OF LOAN FROM ACCURALS- Note 24(3)	<u>-</u>	<u>-</u>
NET CASH FROM OPERATING ACTIVITIES	<u>63,966,878</u>	<u>27,501,824</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
PURCHASE OF PROPERTY ,PLANT AND EQUIPMENT	(36,476,647)	(5,427,917)
NET CASH USED IN INVESTING ACTIVITIES	<u>(36,476,647)</u>	<u>(5,427,917)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
PAYMENTS OF LOANS AND BONDS	(14,683,335)	(14,683,334)
NET CASH USED IN FINANCING ACTIVITIES	<u>(14,683,335)</u>	<u>(14,683,334)</u>
NET INCREASE / ( DECREASE) IN CASH AND CASH EQUIVALENTS	12,806,896	7,390,573
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF THE YEAR	15,827,235	8,436,662
CASH AND CASH EQUIVALENTS AS AT END OF THE YEAR	<u>28,634,134</u>	<u>15,827,235</u>
<b>REPRESENTED BY</b>		
CASH IN HAND AND AT BANK	28,634,134	15,827,235
	<u>28,634,134</u>	<u>15,827,235</u>

" the accompanying Notes attached on pages 7 to 32 form an integral part of the financial statements"

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### 1. Incorporation and Principal Activities

The Public Transport Service Corporation (PTSC) was incorporated by an Act of Parliament No. 11 of 1965 to operate public service vehicles so as to ensure the provision of a safe, adequate, economic and efficient public transport system.

### 2. Significant Accounting Policies

#### (a) **Basis of financial statements preparation**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars. These financial statements have been prepared under the historical cost convention using the accruals basis and no adjustment has been taken into account for the effects of inflation.

#### (b) **Property, Plant and Equipment**

Lands and Buildings owned by the Corporation on the 31st December, 1973 are shown at their valuation as at that date. Subsequent additions to lands and building and other fixed assets are valued at cost.

Renewals, improvements and major repairs that materially extend the life of property, plant and equipment are capitalized, while major maintenance, repairs and improvements are charged to income as incurred.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### **2. Significant Accounting Policies :( Cont'd)**

Depreciation is provided for on a straight line basis designed to write - off the assets' costs over their estimated useful Economic lives . Depreciation is prorated by the month the asset is placed in service, with the remainder of the depreciation in the final year. Assets are depreciated at the following rates:

Buildings	5%
Furniture and fittings	15%
Plant, machinery and equipment	15%
Air condition equipment	15%
Revenue vehicles	12.50%
Computer equipment	33.33%
Non-revenue vehicles	25%
Computer software	33.33%

#### **(c) Inventories**

Inventories are valued at the lower of cost and net realizable value . The inventory items are valued using first in first out basis. (FIFO)

#### **(d) Foreign currency transactions**

Foreign currency transactions are translated into the measurement currency using the exchange rate prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the Statement of Comprehensive Income.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### 2. Significant Accounting Policies :( Cont'd)

#### (e) Cash and Cash Equivalents

Cash and Cash equivalents are carried in the Statement of Financial Position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise balances held as cash on hand and at bank. Cash resources also consist of highly liquid investments that are carried at cost, which approximates market value.

#### (f) Financial Instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

All regular way purchases and sales of financial assets are recognised or derecognized on the trade date that is the date on which the Corporation commits itself to purchase or sell an asset.

A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned. When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognized when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### 2. Significant Accounting Policies :( Cont'd)

#### (g) Impairment of Financial Assets

The Corporation assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "Loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

- i. Significant financial difficulty of the issuer or obligor.
- ii. A breach of contract, such as default or delinquency in interest or principal payments.
- iii. It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- iv. The disappearance of an active market for that financial asset because of financial difficulties.
- v. Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Corporation or national or economic conditions that correlate with defaults on assets in the Corporation.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### 2. Significant Accounting Policies :( Cont'd)

#### (g) Impairment of Financial Assets Cont'd

The Corporation first assesses whether the objective evidence of impairment exists individually for financial assets are individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment losses continues to be recognized are not included in a collective assessment of impairment.

#### (h) Financial Assets measured at Cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognized in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as improvement in the debtor's credit rating), the previously recognized loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortized cost would have been had the impairment not been recognized at the date that the impairment is reversed. The amount of the reversal is recognized in the Statement of Comprehensive Income.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### 2. Significant Accounting Policies :( Cont'd)

#### (h) Financial Assets measured at Cost Cont'd

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognized in the Statement of Comprehensive Income. These losses are not reversed.

#### (i) Financial Liabilities

When financial liabilities are recognized initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are derecognized when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognized in the Statement of Comprehensive Income.

#### (j) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned in the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.



# **PUBLIC TRANSPORT SERVICE CORPORATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

### **2. Significant Accounting Policies :( Cont'd)**

#### **(j) Borrowing Costs cont'd**

All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

#### **(k) Government Grants**

Government grants are recognized as income over the periods necessary to match them with related costs which they are intended to compensate, on a systematic basis.

Government grants related to assets and capital expenditure are presented as deferred income on the Statement of Financial Position and are transferred to the Statement of Comprehensive Income when the related expenditure is recognized.

Government grants related to recurrent expenditure are presented as government grants on the Statement of Comprehensive Income when the related expenditure is recognized.

#### **(l) Bonds**

These are stated at principal outstanding. Interest is accrued on the outstanding balance.

#### **(m) Revenue Recognition**

Revenue from the provision of services, goods and disposal of other assets is recognized when the Corporation has contractually provided the services, goods or other assets to the customer. Such revenue is recognized and reported in the period to which it relates. Income is recognized at the point of ticket sales.

# **PUBLIC TRANSPORT SERVICE CORPORATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

### **2. Significant Accounting Policies :( Cont'd)**

#### **(n) Taxation**

Taxation has not been provided for the financial statements. Section 45 of the Public Transport Service Act states that "The President may by order exempt the Corporation in the whole or in part from payment of any tax imposed by or under any written law".

Section 3A sub section (2) d of the Finance Act of 1998 states that the Public Transport Service Corporation is exempted from the payment of Business Levy. The Corporation is registered for Value Added Tax (VAT) and generally receives V AT refunds as bus travel is treated as a zero rated service. Pursuant to the exemption of tax stated above the Corporation is not required to provide deferred tax.

#### **(o) Provisions**

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

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

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### 2. Significant Accounting Policies :( Cont'd)

#### (p) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in presentation in the current year.

### 3. Financial Risk Management:

#### Financial risk factors

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

#### a) Interest Rate Risk-

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

The Corporation is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

#### i) Bonds

The Corporation is liable to long term bonds consisting of both floating rate and fixed rate instruments. The market values of the fixed rate bonds are not very sensitive to changes in interest rates. The market values of the floating rate bonds are sensitive to changes in interest rates. The longer the maturity of the bonds, the greater is the sensitivity to changes in interest rates. These are funded solely by government grants.

#### ii) Loans

The Corporation is liable to fixed rate loans which are solely funded by government grants.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### 3. Financial Risk Management (Cont'd)

#### b) **Credit Risk-**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date.

Cash balances are held with high credit quality financial institutions and the Corporation has policies to limit the amount of exposure to any single financial institution.

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

#### c) **Liquidity Risk-**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Corporation has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities. The Corporation is able to make daily calls on its available cash resources to settle financial and other liabilities.

#### **Risk Management**

The matching and controlling mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Corporation. The Corporation employs various asset/liability techniques to manage liquidity gaps.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### **3. Financial Risk Management (Cont'd)**

Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Corporation's assets as well as generating sufficient cash from government grants.

To manage and reduce liquidity risk the Corporation's management actively seeks to match cash inflows with liability requirements.

#### **d) Currency Risk-**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risks arise when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation is not exposed to foreign exchange risk arising from various currency exposures.

#### **e) Operational Risk-**

Operational risk is the risk derived from deficiencies relating to the Corporation's information technology and control systems, as well as the risk of human error and natural disasters. The Corporation's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimize human error. Additionally, staff is often rotated and trained on an on-going basis.

#### **f) Compliance Risk-**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Attorney General, as well as by the monitoring controls applied by the Corporation. The Corporation has an Internal Audit Department which does routine reviews on compliance.

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### **3. Financial Risk Management (Cont'd)**

#### **g) Reputation Risk-**

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

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

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Corporation's accounting policies.

See Note 2(b).

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

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

# PUBLIC TRANSPORT SERVICE CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH SEPTEMBER 2018

### (4) Critical Accounting Estimates and Judgments:cont'd

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

- i) Whether leases are classified as operating leases or finance leases.
- ii) Which depreciation method for plant and equipment is used.

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

#### i) Impairment of assets

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

#### ii) Plant and Equipment

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

**PUBLIC TRANSPORT SERVICE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 30th SEPTEMBER, 2018**

**5. OPERATING INCOME**

	For the Year Ended 30th SEPT 2018 \$	For the Year Ended 30th SEPT 2017 \$
KNOW YOUR COUNTRY TOURS - TRINIDAD	696,420	900,302
MAXI TAXI INSPECTION FEES - PORT OF SPAIN	40,619	42,160
MAXI TAXI INSPECTION FEES -TOBAGO	4,380	5,080
MAXI TAXI FEES - TRINIDAD	42,594,975	50,839,459
MAXI TAXI FEES - TOBAGO	6,354,123	5,997,730
MIN. OF SOCIAL DEVELOPMENT - PENSIONERS	5,130,000	5,130,000
MONTHLY/WEEKLY TRAVEL	44,375	46,086
SALE OF TICKETS - POINT FORTIN	315,343	314,773
SALE OF TICKETS - PORT OF SPAIN	2,645,265	2,897,444
SALE OF TICKETS - SAN FERNANDO	616,015	655,489
SALE OF TICKETS - TOBAGO	535,593	325,180
SPEC EVENTS/TOURS - PORT OF SPAIN	6,885,995	7,654,096
SPEC EVENTS/TOURS - SAN FERNANDO	34,275	34,490
SPEC EVENTS/TOURS/CHARTERS - TOBAGO	36,610	27,250
TICKET SALE - IN HOUSE -CHAGUANAS	71,176	76,094
TICKET SALE - IN HOUSE -POINT FORTIN	6,007	7,054
TICKET SALE - IN HOUSE -SANGRE GRANDE	482,222	444,154
TICKET SALE - IN HOUSE- PORT OF SPAIN	6,410,931	6,702,419
TICKET SALE - IN HOUSE CUREPE	105,890	115,111
TICKET SALE - IN HOUSE -SAN FERNANDO	3,288,630	3,011,185
	<u>76,298,841</u>	<u>85,225,555</u>
TOTAL OPERATING INCOME		



PUBLIC TRANSPORT SERVICE CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED 30th SEPTEMBER, 2018

**6.COST OF OPERATIONS**

	For the Year Ended 30th SEPT 2018	For the Year Ended 30th SEPT 2017
	\$	\$
DEPRECIATION REVENUE VEHICLES	16,312,576	14,936,759
FUEL AND OIL	13,461,364	10,885,983
INSURANCE - REVENUE VEHICLES	864,447	3,142,115
MAXI TAXI DIRECT	43,791,872	48,713,130
REPAIR /MAINTENANCE - REVENUE VEHICLE	21,222,936	27,424,658
KNOW YOUR COUNTRY	55,040	93,600
WAGES	116,851,000	120,724,086
NIS	10,081,076	10,384,442
TICKETS	263,265	160,216
UNIFORMS	168,999	151,510
	<u>223,072,576</u>	<u>236,616,499</u>

**7. DISTRIBUTION EXPENSES**

	\$	\$
ADVERTISING	447,889	614,806
MOTOR VEHICLE	48,723	30,438
BAD DEBTS		(64,000)
DONATIONS	6,883	11,700
TRAVEL	781,212	661,702
	<u>1,284,708</u>	<u>1,254,646</u>

PUBLIC TRANSPORT SERVICE CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED 30th SEPTEMBER, 2018

	For the Year Ended 30th SEPT 2018 \$	For the Year Ended 30th SEPT 2017 \$
<b>8. GOVERNMENT GRANT</b>	271,408,722	317,775,640
<b>TOTAL</b>	<u><u>271,408,722</u></u>	<u><u>317,775,640</u></u>
<b>9. OTHER INCOME</b>		
BANK INTEREST	65,659	59,521
BAD DEBT RECOVERED	-	-
BILLBOARD AND WALL ADVERTISEMENTS	607,523	106,767
COMMERCIAL SERVICES - PORT OF SPAIN	127,231	107,991
COMMERCIAL SERVICES- TOBAGO		80
CONCESSIONAIRE BOOTHS	2,525,919	1,851,047
INSURANCE CLAIMS		-
OTHER MISC INC- PORT OF SPAIN	1,217	46,809
OTHER MISC INC -SAN FERNANDO	540	4,040
OTHER MISC INC - TOBAGO		-
PUB SERV VEH LICENSE FEE	217,500	160,500
GAIN OR LOSS ON DISPOSAL		-
SALE OF ASSETS	41,275	38,510
SHORT TERM RENTAL	22,094	56,978
TENANCY CONTRACTS	118,461	240,745
RENT TRANSIT MALL- SAN JUAN	345,764	303,270
RENT TRANSIT MALL- CUREPE	173,262	170,482
RENT TRANSIT MALL- ARIMA	62,609	93,913
RENT TRANSIT MALL- TUNAPUNA	30,939	75,590
RENT TRANSIT MALL- SAN FERNANDO	7,044	7,044
TRAINING SERVICES	984	-
<b>TOTAL</b>	<u><u>4,348,020</u></u>	<u><u>3,323,287</u></u>

**PUBLIC TRANSPORT SERVICE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30th SEPTEMBER, 2018**

<u>10.ADMINISTRATIVE EXPENSES</u>	For the Year Ended 30th SEPT 2018	For the Year Ended 30th SEPT 2017
	\$	\$
SALARIES	28,695,649.03	29,135,157
WAGES	13,243,210.12	13,928,086
CONTRACT SALARIES	6,607,814.18	7,767,524
CONTRACT WAGES	2,632.32	2,567
COLA	1,193,214.73	1,243,802
SHIFT BONUS	192,551.70	205,161
OVERTIME	883,294.35	643,468
NIS	4,104,153.73	4,248,748
PENSION	8,690,597.32	8,878,096
GRATURITY	3,433,770.71	6,309,791
EX-GRATIA PAYMENT		659,161
MEDICAL EXPENSES	107,399.63	235,357
GROUP LIFE	2,301,814.47	2,321,866
OTHER ALLOWANCE	127,759.43	81,743
TRAINING	150,713.09	415,383
DIRECTORS EXPENSES	573,415.66	682,068
UNRECOVERABLE INPUT TAX	13,379,987.32	
LEGAL FEES	1,210,791.63	1,085,356
CONSULTING FEES	898,354.58	1,913,445
MEMBERSHIP FEES	20,253.09	84,318
CELLULAR CHARGES	248,865.02	360,379
ELECTRICITY	2,155,653.91	2,019,135
TELEPHONE	481,730.80	493,955
WATER RATES	130,160.82	151,543
INTERNET	525,386.11	510,691
CABLE	38,671.75	40,183
INSURANCE	795,545.71	1,168,324
RENT	3,043,460.50	2,935,102
REPAIRS & MAINTENANCE	6,313,754.06	3,909,179
SECURITY	19,430,436.96	18,397,039
BOOKS/NEWSPAPERS/PERIODICALS	15,521.51	13,469
POSTAGE	4,825.13	4,180
STATIONERY	268,895.24	504,905
COURIER	1,934.78	5,738
COMPUTER PARTS & ACCESSORIES	468,392.14	681,550
SAFETY ATTIRE EQUIPMENT	227,177.37	163,492
OTHER OFFICE EXPENSES	98,865.05	171,249
DEPRECIATION	5,184,009.00	5,696,953
ENTERTAINMENT	212,279.18	434,219
FREIGHT	409,058.06	813,655
COMMERCIAL REPAIRS	23,647.35	17,097
DISPOSAL OF TYRES	24,634.90	25,700
	<hr/>	<hr/>
TOTAL	<u>125,920,282</u>	<u>118,358,832</u>

PUBLIC TRANSPORT SERVICE CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED 30th SEPTEMBER, 2018

<u>11. FINANCE COST</u>	For the Year Ended 30th SEPT 2018	For the Year Ended 30th SEPT 2017
	\$	\$
LOAN INTEREST - BANK	455,194	657,564
CITICORP \$130.1M BOND INTEREST	341,520	707,475
FCB \$93.6M BOND INTEREST	881,061	1,252,520
OVERDRAFT INTEREST - REPUBLIC	702	-
OVERDRAFT INTEREST - FCB	7,243	1,848
	<hr/>	<hr/>
LOAN & BOND INTEREST	1,685,719	2,619,407
	<hr/>	<hr/>
BANK CHARGES	25,116	68,664
	<hr/>	<hr/>
BANK CHARGES	25,116	68,664
	<hr/>	<hr/>
TOTAL	<u>1,710,835</u>	<u>2,688,071</u>

PUBLIC TRANSPORT SERVICE CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED 30TH SEPTEMBER 2018  
 (continued)

12. PROPERTY, PLANT AND EQUIPMENT

ORIGINAL COST	LAND	BUILDINGS	PLANT & EQUIPMENT	REVENUE VEHICLES	NON-REVENUE VEHICLES	FURNITURE & FITTINGS	CAPITAL WORK IN PROGRESS	TOTAL
COST AT 30/9/2017	\$ 23,617,393	\$ 112,444,007	\$ 41,760,195	\$ 486,236,444	\$ 3,247,582	\$ 12,650,329	\$ 1,597,807	\$ 681,553,757
ADDITIONS	\$ -	\$ -	\$ 1,401,777	\$ 34,403,582	\$ -	\$ 171,875	\$ 234,238	\$ 36,211,473
DISPOSALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
COST AT 30/9/2018	\$ 23,617,393	\$ 112,444,007	\$ 43,161,973	\$ 520,640,026	\$ 3,247,582	\$ 12,822,204	\$ 1,832,045	\$ 717,765,230
ACCUMULATED DEPRECIATION		5%	15%	12.5%	25%	15%		
BALANCE B/F 30/9/2017	\$ -	\$ (86,257,130)	\$ (34,678,769)	\$ (452,012,599)	\$ (3,247,582)	\$ (11,444,334)	\$ -	\$ (587,640,415)
CHARGE FOR THE PERIOD	\$ -	\$ (1,917,726)	\$ (2,713,028)	\$ (16,312,576)	\$ -	\$ (415,867)	\$ -	\$ (21,359,197)
DISPOSALS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BALANCE C/F 30/9/2018	\$ -	\$ (88,174,856)	\$ (37,391,797)	\$ (468,325,175)	\$ (3,247,582)	\$ (11,860,201)	\$ -	\$ (608,999,611)
NET BOOK VALUE								
AS AT 30/09/2018	\$ 23,617,393	\$ 24,269,150	\$ 5,770,175	\$ 52,314,852	\$ 0	\$ 962,003	\$ 1,832,045	\$ 108,765,615
AS AT 30/9/2017	\$ 23,617,393	\$ 26,186,877	\$ 7,081,426	\$ 34,223,845	\$ (0)	\$ 1,205,994	\$ 1,597,807	\$ 93,913,342

**PUBLIC TRANSPORT SERVICE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

**13. INTANGIBLE ASSETS**

<b>ORIGINAL COST</b>	<b>COMPUTER SOFTWARE</b>
COST AT 30/09/2017	\$ 2,917,056
ADDITIONS	\$ 265,175
DISPOSALS	<u>\$ -</u>
COST AT 30/09/2018	<u>\$ 3,182,231</u>
<b>ACCUMULATED AMORTISATION</b>	33.33%
BALANCE C/F 30/09/2017	\$ (2,830,723)
CHARGE FOR THE PERIOD DISPOSALS	<u>\$ (137,275)</u>
BALANCE C/F 30/09/2018	<u>\$ (2,967,998)</u>
<b>NET BOOK VALUE</b>	
AS AT 30/09/2018	<u><u>\$ 214,233</u></u>
AS AT 30/09/2017	<u><u>\$ 86,333</u></u>

PUBLIC TRANSPORT SERVICE CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED 30TH SEPTEMBER 2018

	For the Year Ended 30th SEPT 2018 \$	For the Year Ended 30th SEPT 2017 \$
<b>14. INVENTORIES</b>		
OIL STOCK	331,016	236,340
FUEL STOCK	189,182	228,927
TRADERS TICKETS	217,405	305,671
TIRES	1,217,581	728,841
SPARES	48,073,899	50,144,117
STATIONERY	197,465	167,194
MATERIALS	257,119	1,019,337
UNIFORMS	116,250	
	<u>50,599,918</u>	<u>52,830,427</u>
<b>15. DEBTORS &amp; PREPAYMENTS</b>		
DEBTORS	17,744,871	22,826,704
PROVISION FOR DOUBTFUL DEBTS	(7,080,125)	(7,080,125)
LOANS TO OFFICERS	45,309	19,521
SALARY ADVANCE	153,583	274,739
VACATION ADVANCE	332,899	323,530
INTEREST RECEIVABLE	-	-
VAT RECEIVABLE	(40,582)	8,025,953
ACCRUED INCOME	3,825,638	
PREPAID INSURANCE	1,256,017	1,207,492
PREPAID EXPENSES (OTHER)	2,290,713	2,290,713
INSURANCE CLAIM RECEIVABLE	154,589	118,551
PREPAID EXPENSES	9,135,916	22,280,576
	<u>27,818,827</u>	<u>50,287,654</u>
<b>16. SHORT TERM INVESTMENTS</b>		
FIXED DEPOSIT- TRUSTEE POOL	4,444,964	4,400,874
UTC NO 2214864-2	1,500,434	1,481,938
	<u>5,945,398</u>	<u>5,882,812</u>

**PUBLIC TRANSPORT SERVICE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

	For the Year Ended 30th SEPT 2018	For the Year Ended 30th SEPT 2017
<b>17. CASH AND CASH EQUIVALENTS</b>	\$	\$
FACILITY ADMIN CASHIER	6,230	6,230
PETTY CASH ENGINEERING	5,000	6,145
PETTY CASH POINT FORTIN	2,500	2,500
PETTY CASH GRANDE	4,000	4,000
PETTY CASH HEAD OFFICE	10,000	10,000
PETTY CASH SAN FERNADO	18,000	18,000
PETTY CASH TOBAGO	13,000	13,000
REPUBLIC NO 150244235101	65,988	194,481
REPUBLIC NO 150244234301	3,321,464	736,015
REPUBLIC NO 150244241601	-	-
REPUBLIC NO 150244240801	-	-
FCB LINX 2008733	806,983	731,475
FCB USD ACCOUNT-2453589	2,379,611	-
FCB NO 1112882	22,001,358	14,105,389
	<u>28,634,134</u>	<u>15,827,235</u>
<b>18. REVALUATION RESERVE</b>		
REVALUATION RESERVE	<u>7,181,390</u>	<u>7,181,390</u>
<b>19. CREDITORS AND ACCURALS</b>		
CREDITORS	18,254,709	18,060,436
ACCRUALS	14,336,665	14,416,412
SPECIAL PROJECTS	2,771,476	1,385,738
SALARIES / WAGES PAYABLE	6,394,387	6,573,393
UNCLAIMED BENEFITS TO DECEASED	346,638	348,083
PENSIONS PAYABLE	444,657	497,249
SEVERANCE PAYABLE	1,027,905	2,094,724
GRATUTITY PAYABLE	451,505	573,244
OTHER DEDUCTIONS PAYABLE	38,894	25,985
MAXI TAXI TDAD PAYABLE	5,125,495	3,989,046
MAXI TAXI TGO PAYABLE	559,220	591,133
PAYE PAYABLE	1,650,019	1,637,258
NIS PAYABLE	1,686,013	1,689,612
HEALTH SURCHARGE PAYABLE	55,687	55,291
UNION DUES PAYABLE	771	1,389
CREDIT UNION DEDUCTION - PAYABLE	159,088	320,619
MORTGAGE DEDUCTIONS PAYABLE	-	6,420
TAX GARNISHEE	-	7,143
INSURANCE PAYABLE	72,874	77,283
COURT MAINTENANCE	(1,350)	13,415
ACCRUED INTEREST	399,096	691,636
STALE DATED CHEQUES PAYABLE	585,668	588,723
REFUNDABLE DEPOSITS	356,842	314,611
	<u>54,716,260</u>	<u>53,958,844</u>



PUBLIC TRANSPORT SERVICE CORPORATION  
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED 30TH SEPTEMBER 2018

	For the Year Ended 30th SEPT 2018	For the Year Ended 30th SEPT 2017
<b>20. LOANS /BONDS -LONG TERM</b>		
CITICORP \$130.1M BOND	2,155,157	6,465,473
FCB \$93.6M BOND	6,243,019	12,486,038
UTC TT \$41.3 M LOAN	2,065,000	6,195,000
	<u>10,463,176</u>	<u>25,146,511</u>
<b>20. LOANS/BONDS-CURRENT PORTION</b>		
CITICORP \$130.1M BOND	4,310,315	4,310,315
FCB \$93.6M BOND	6,243,019	6,243,019
UTC TT \$41.3 M LOAN	4,130,000	4,130,000
	<u>14,683,334</u>	<u>14,683,334</u>
<b>21. GOVERNMENT GRANTS RECEIVED</b>		
ACQUISITION OF BUSES	12,597,267	17,500,000
ACQUISITION OF STANDBY GENERATOR		2,255,202
PSIP- CONSTRUCTION PROJECTS	989,176	688,752
FLEET MAINTENANCE	36,124,117	39,038,513
IT DEVELOPMENT PROJECT	-	-
LOANS AND BONDS - CITICORP 130.1M 06/21	4,766,334	4,993,985
LOANS AND BONDS - 41.3M LOAN	4,585,194	4,787,564
LOANS AND BONDS - FCB 93.645 M BOND	7,264,787	7,636,247
PENSIONS	9,750,000	11,343,000
SALARIES & WAGES, COLA AND NIS CONTRIBUTION	179,659,900	197,547,487
SECURITY	25,652,000	21,541,250
SEVERANCE	2,029,000	10,930,000
INSURANCE	5,000,000	6,154,102
TOTAL	<u>288,417,775</u>	<u>324,416,102</u>

**PUBLIC TRANSPORT SERVICE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 30TH SEPTEMBER 2018**

	For the Year Ended 30th SEPT 2018	For the Year Ended 30th SEPT 2017
<b>22 GOVERNMENT GRANTS RECOGNIZED AS INCOME</b>		
OPERATIONAL EXPENSES FUNDED BY GOVERNMENT GRANTS:		
	\$	\$
PSIP- CONSTRUCTION PROJECTS		-
CONTRACT EMPLOYMENT		-
FLEET MAINTENANCE	36,124,117	39,038,513
MAXI TAXI SUPPORT		-
PENSIONS	8,690,597	11,343,000
SALARIES & WAGES, COLA AND NIS CONTRIBUTION	179,659,900	197,547,487
SECURITY	21,859,242	21,541,250
SEVERANCE AND GRATUITY	2,029,000	10,930,000
INSURANCE	1,659,992	4,946,610
<b>TOTAL</b>	<b><u>250,022,848</u></b>	<b><u>285,346,860</u></b>
<b>GRANT TO OFFSET COST OF ASSET</b>		
DEPRECIATION ON ASSETS	19,452,894	15,010,984
PRINCIPAL ON \$41.3M LOAN	-	4,130,000
LOAN INTEREST	455,194	657,564
BOND INTEREST	1,477,786	2,076,212
BONDS CAPITAL PORTION	-	10,554,020
<b>TOTAL</b>	<b><u>21,385,874</u></b>	<b><u>32,428,780</u></b>
<b>TOTAL GOVERNMENT GRANTS RECOGNIZED AS INCOME</b>	<b><u>271,408,722</u></b>	<b><u>317,775,640</u></b>
<b>GOVERNMENT GRANT RECEIVED</b>		
RECURRENT EXPENDITURE	260,147,997	293,418,128
CAPITAL LOAN REPAYMENT	14,683,335	10,554,020
FORTNIGHTLY BACK PAY EXPENSED IN PRIOR YEAR		-
PSIP PROJECTS	13,586,443	20,443,954
<b>TOTAL GOVERNMENT GRANT RECEIVED</b>	<b><u>288,417,775</u></b>	<b><u>324,416,102</u></b>
<b>RECONCILIATION OF GOVERNMENT GRANT RECEIVED TO GRANT</b>		
<b>CREDITED TO INCOME STATEMENT</b>		
GRANT RECEIVED	288,417,775	324,416,102
FORTNIGHTLY BACK PAY EXPENSED IN PRIOR YEAR		-
PURCHASE OF BUSES/GENERATOR AND OTHER PSIP	(13,586,443)	(20,443,954)
PRINCIPAL PORTION OF LOANS PAID	(14,683,335)	-
UNEXPIRED INSURANCE OCTOBER -DECEMBER	(3,340,008)	(1,207,492)
UNEXPIRED GRANT RECEIVED	(4,852,161)	-
<b>TRANSFERRED FROM DEFERRED GOVERNMENT GRANT ACCOUNT:</b>		
DEPRECIATION ON ASSETS	16,312,576	15,010,984
PREVIOUS YEAR PSIP PROJECTS AMORTISED	3,140,318	-
DIFFERENCE IN INTEREST ON SEMI ANNUAL INSTALLMENT	-	-
<b>GOVERNMENT GRANTS RECOGNIZED AS INCOME</b>	<b><u>271,408,722</u></b>	<b><u>317,775,640</u></b>
<b>23 GOVERNMENT GRANTS</b>		
BALANCE BROUGHT FORWARD	434,659,008	428,018,547
ADD AMOUNTS RECEIVED	288,417,775	324,416,102
LESS AMOUNTS TRANSFERRED TO INCOME	(271,408,722)	(317,775,640)
LESS AMOUNTS TRANSFERRED TO RETAINED EARNINGS	(1,765,994)	-
<b>BALANCE CARRIED FORWARD</b>	<b><u>449,902,066</u></b>	<b><u>434,659,008</u></b>

**PUBLIC TRANSPORT SERVICE CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER, 2018**

**19. LOANS AND BONDS**

- 1) The PTSC borrowed TT \$130.1 million under government guarantee from Citicorp Merchant Bank Limited. The arrangement involved the issue and sale of floating and fixed rate bonds 1994 - 2019. The full amount of this loan has been drawn down and the issue date was December 21st 1994. During the first three years of issue, interest was accrued and added to the principal in June 1998 the principal and capitalized interest would be repaid. Interest payments are semi-annual , due in June and December each year. The principal is payable in forty-four semi-annual payments of \$2,155,158 from June 1998. This bond was taken to finance the VESP package offered to staff in 1994.
  
- 2) The PTSC borrowed TT\$93.6 million under government guarantee from First Citizens Bank Limited. The arrangement involved the issue and sale of fixed rate bonds 2005 - 2020. The full amount of this bond has been drawn down and the issue date was April 29th 2005. Interest payments are semi-annual , due in April and October each year. The principal is payable in thirty semi-annual payments of \$3,121,509 from October 2005. The annual interest rate is 5.95%. This bond was taken to refinance the fixed portion of the \$130M bond and to pay outstanding creditors.
  
- 3) In December 2009, 85 Chinese manufactured Yutong buses were acquired at a cost of \$66.3M of which the government provided \$25M and the balance of \$41.3M funded by the Unit Trust Corporation to VMCOTT being the agency responsible for the acquisition of these buses. By Cabinet Note No. 496 dated August 12, 2010 the ownership of these buses was transferred to PTSC..

**20. CONTINGENT LIABILITIES**

At year end, the Corporation had contingent liabilities of \$2.5m arising in the ordinary course of business.

PUBLIC TRANSPORT SERVICE CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>th</sup> SEPTEMBER, 2018

21. INVENTORY

IAS 2 Inventories, requires inventories to be measured at the lower of cost and net realizable value (NRV). PTSC does not hold inventory for resale, however has in store items of spare parts and consumable for the maintenance and efficient running of its service fleet that can be considered material and should be valued as per Standard stated above. It was reported in the year ending 30<sup>th</sup> September, 2017 that there may have existed a \$12.2M accounting error between inventory count and the General ledger. The Corporation in fiscal 2018, implemented the following to verify and mitigate the future occurrence of this variance:

- A Procurement Manager was hired in March 2018 and new job description was revised for the hiring of an Inventory Manager
- Implementation of the Maximo Asset Management System as a mechanism to control the use and reporting of inventory brought and used. Integral to this process was the revision of current procedures and controls for the receiving and issuing of inventory and the mapping of these in Process Maps.
- A dedicated team from the Finance Department is now assigned full time to inventory, with the aim of strengthen the monitoring, reporting and reconciliation of physical inventory counts to the General Ledger.
- 100% inventory count was performed at mid-year, followed by another physical count at year-end.