



## **REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TOBAGO REGIONAL HEALTH AUTHORITY FOR THE YEAR ENDED SEPTEMBER 30, 2013**

The accompanying financial statements of the Tobago Regional Health Authority (the Authority) for the year ended September 30, 2013 have been audited. The financial statements as set out on pages 1 to 24 comprise a Statement of Financial Position as September 30, 2013, and the Statement of Comprehensive Income, a Statement of Changes in Equity and a Statement of Cash Flows for the year ended September 30, 2013 and Notes to the financial statements A to R including a summary of significant accounting policies.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

3. The Auditor General's responsibility is to express an opinion on these financial statements based on the audit. The audit was carried out in accordance with the section of 116 of the Constitution of the Republic of Trinidad and Tobago and section 25 (2) of the Regional Health Authorities Act, Chapter 29:05. The audit was conducted in accordance with the principles and concepts of International Standards of Supreme Audit Institutions which require that ethical requirements be complied with and that the audit be planned and performed to obtain reasonable assurance about the whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain evidence about the amounts and disclosure in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 financial statements.

5. It is my view that the audit evidence obtained is sufficient and appropriate to provide a basis for the qualified audit opinion.

## **BASIS FOR QUALIFIED OPINION**

### **PRESENTATION OF FINANCIAL STATEMENTS**

6. International Accounting Standard (IAS) 1 states that a complete set of financial statements comprises the various statements and notes, comprising significant accounting policies and other explanatory information. In addition IAS 1 requires supporting information for significant items presented on the face of the statements. There were no disclosures in the notes for Value Added Tax Recoverable of \$6,554,104.00 and Other Liabilities of \$1,823,438.00 shown in the Statement of Financial Position.

### **TANGIBLE NON-CURRENT ASSETS    \$88,769,983.00**

7.1 International Accounting Standard 16 Property, Plant and Equipment, requires that the revaluation of an item of property, plant and equipment whose fair value can be measured reliably, shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. A valuation was not done on 18 parcels of land which were vested in the Authority in 1994. These lands remain at their 1994 values amounting to \$1,960,000.00 and are included in the net book value of land and buildings of \$24,064,712.00 shown at Note "F" to the financial statements.

7.2 The effects of the above on the figure of \$88,769,983.00 for Property, Plant and Equipment have not been ascertained in the absence of valuation reports.

### **GRANT INCOME            \$364,682,605.00**

8. International Accounting Standard 20 states that grants related to depreciable assets are usually recognized in profit or loss over the periods and in the proportions in which depreciation expense on those assets is recognized. Grant Income in the sum of \$2,024,384.00 relating to tangible non-current assets was recognized in the Statement of Comprehensive Income on an average percentage rate for all assets over a useful life of eight years (12.5%) and not in accordance with the depreciation rates stated at note B (ii) to the financial statements. Computations received from the Authority using the rates of depreciation for each class of asset showed that the amount that should have been recognized in income was \$6,390,267.43 instead of \$2,024,384.00 which is a difference of \$4,365,883.43.

## **QUALIFIED OPINION**

9. In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion at paragraphs six to eight above, the financial statements present fairly, in all material respects, the financial position of the Tobago Regional Health Authority as at September 30, 2013 and its financial performance and cash flows for the year ended September 30, 2013 in accordance with International Financial Reporting Standards.

**SUBMISSION OF REPORT**

10. 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 provisions of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.



**14<sup>th</sup> February, 2023**  
**PORT OF SPAIN**

  
**LORELLY PUJADAS**  
**AUDITOR GENERAL**



# **TOBAGO REGIONAL HEALTH AUTHORITY**



## **FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2013**



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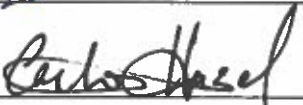
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**Tobago Regional Health Authority**  
**Statement of Financial Position**  
**Year Ended September 30, 2013**

	<u>Notes</u>	<u>2013</u> TT\$	<u>2012</u> TT\$
<b>ASSETS</b>			
<b>Non- Current Assets</b>			
Tangible Non-Current Assets	F	88,769,983	82,071,561
<b>Total Non-Current Assets</b>		<b>88,769,983</b>	<b>82,071,561</b>
<b>Current Assets</b>			
Cash In Hand and Bank	C	32,160,148	1,409,842
Accounts Receivable	D	1,673,298	1,508,534
Value Added Tax Recoverable		6,554,104	4,576,744
Investments Available for Sale	G	74,084	73,617
Inventory	E	18,481,609	11,980,389
<b>Total Current Assets</b>		<b>58,943,243</b>	<b>19,549,126</b>
<b>Total Assets</b>		<b>147,713,226</b>	<b>101,620,687</b>
<b>LIABILITIES &amp; ACCUMULATED FUNDS</b>			
<b>Current Liabilities</b>			
Accounts Payable	H	4,314,675	8,492,733
Payroll Liabilities	I	13,474,673	9,698,584
Retirement Benefit obligation	J	22,400,000	18,500,000
Other Liabilities		1,823,438	1,511,250
<b>Total Current Liabilities</b>		<b>42,012,786</b>	<b>38,202,567</b>
Grants Deferred	K	83,559,574	74,743,958
<b>Total Liabilities</b>		<b>125,572,360</b>	<b>112,946,525</b>
<b>Financed By:</b>			
Originating Capital Fund	L	49,709	49,709
General Fund	M	11,351,258	11,351,258
Accumulated Surplus		10,739,899	(22,726,806)
<b>Total Funds</b>		<b>22,140,866</b>	<b>(11,325,839)</b>
<b>Total Liabilities &amp; Accumulated Funds</b>		<b>147,713,226</b>	<b>101,620,686</b>



Chairman: 

Director: 

**Tobago Regional Health Authority  
Statement of Comprehensive Income  
Year Ended September 30, 2013**

	<u>Notes</u>	<u>2013</u> TT\$	<u>2012</u> TT\$
<b>INCOME</b>			
Grant Income		364,682,605	283,953,330
Other Income	N	2,766,284	339,165
<b>Total Income</b>		<u>367,448,889</u>	<u>284,292,495</u>
<b>EXPENDITURE</b>			
Staff Costs	O	229,798,592	197,601,225
Administrative Expenses	P	12,790,523	11,289,762
Directors Expenses	Q	1,046,146	1,929,653
Operating Expenses	R	89,546,922	84,503,804
<b>Total Expenditure</b>		<u>333,182,183</u>	<u>295,324,444</u>
<b>Net (Deficit)/Surplus for the Year</b>		<b>34,266,706</b>	<b>(11,031,949)</b>
<b>Other comprehensive income</b>			
Re-measurement of retirement benefit	J	(800,000)	(9,800,000)
<b>Total Comprehensive Income for the year</b>		<u>33,466,706</u>	<u>(20,831,949)</u>
<b>Accumulated (Deficit)/Surplus b/f</b>		(22,726,805)	(1,894,856)
<b>Accumulated (Deficit)/Surplus c/f</b>		10,739,901	(22,726,805)

The notes on pages 5 to 24 form an integral part of these financial statements



**Tobago Regional Health Authority  
Statement of Changes in Equity  
Year Ended September 30, 2013**

	<b>Originating Capital Fund TTS</b>	<b>General Fund TTS</b>	<b>Accumulated Surplus TTS</b>	<b>Total TTS</b>
<b>Balance at October 1, 2012</b>	49,709	11,351,258	(22,726,805)	(11,325,838)
<b>Deficit /Surplus for the year</b>	-	-	33,466,706	33,466,706
<b>Balance at September 30, 2013</b>	<u>49,709</u>	<u>11,351,258</u>	<u>10,739,901</u>	<u>22,140,868</u>

**Comparative - Year Ended September 30, 2012**

	<b>Originating Capital Fund TTS</b>	<b>General Fund TTS</b>	<b>Accumulated Surplus TTS</b>	<b>Total TTS</b>
<b>Balance at October 1, 2011</b>	49,709	11,351,258	(1,894,856)	9,506,111
<b>Surplus for the year</b>	-	-	(20,831,949)	(20,831,949)
<b>Balance at September 30, 2012</b>	<u>49,709</u>	<u>11,351,258</u>	<u>(22,726,805)</u>	<u>(11,325,838)</u>

The notes on pages 5 to 24 form an integral part of these financial statements

**Tobago Regional Health Authority**  
**Statement of Cash Flows**  
**Year Ended September 30, 2013**

	<u>2013</u>	<u>2012</u>
	TT\$	TT\$
<b>Cash Flows Generated From Operating Activities</b>		
<b>Net (Deficit)/Surplus For The Year</b>	<b>34,266,706</b>	<b>(11,031,949)</b>
<b>Adjustments For Non-Cash Items:</b>		
Depreciation	5,563,191	6,059,589
Net Increase in retirement benefit obligation excluding actuarial losses	10,609,780	2,300,000
Disposal of Non-current Assets	8,063	-
Deferred Grant Income Released	(2,024,384)	(5,881,228)
<b>Operating (Deficit)/Surplus</b>	<b>48,423,356</b>	<b>(8,553,588)</b>
<b>Adjustments to Reconcile Operating Surplus/(Deficit)</b>		
<b>To Net Cash Flow from Operations</b>		
(Increase) In Accounts Receivable	(164,764)	1,871,725
Decrease/(Increase) In Inventory	(6,501,220)	(860,116)
(Increase)/Decrease in Value Added Tax refundable	(1,977,360)	(1,466,294)
Increase/(Decrease) In Accounts Payable	(4,178,058)	(6,254,046)
(Decrease)/Increase In Payroll Liabilities	(3,776,089)	2,821,313
(Decrease)/Increase in Other Liabilities	312,188	1,005,534
<b>Net Cash Flow (Used by)/Generated from Operations</b>	<b>(16,285,303)</b>	<b>(2,881,884)</b>
<b>Cash Flows From Investing Activities</b>		
Net (Purchase)/Sale of Available for Sale Investments	(467)	1,643,634
Purchase of Tangible Non-Current Assets	(12,270,279)	(19,806,123)
Sale of Tangible Non-Current Assets	43,000	-
<b>Net Cash Flow (Used In) /Generated from Investing Activities</b>	<b>(12,227,746)</b>	<b>(18,162,489)</b>
<b>Net Cash (Out-Flow)/Inflow Before Financing Activities</b>	<b>19,910,307</b>	<b>(29,597,961)</b>
<b>Cash Flows Generated By Financing Activities</b>		
Development Grants Received	10,840,000	8,680,000
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>30,750,307</b>	<b>(20,917,961)</b>
Cash and Cash Equivalents, at beginning of year	1,409,842	22,327,803
<b>Cash and Cash Equivalents, at end of year</b>	<b>32,160,149</b>	<b>1,409,842</b>
<b>Represented By:</b>		
Cash in Hand and Bank	32,160,149	1,409,842
Bank Overdraft	-	-
<b>Cash and Cash Equivalents</b>	<b>32,160,149</b>	<b>1,409,842</b>

**Tobago Regional Health Authority**  
**Notes to the Financial Statements**  
**September 30, 2013**

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**NOTE A - INCORPORATION AND PRINCIPAL ACTIVITY**

Tobago Regional Health Authority (the Authority) was incorporated under the Regional Health Authorities Act, Chapter 29:05 of 1994.

The Authority was established to provide efficient systems for the delivery of health care in Tobago, in addition to collaborating with recognized medical and related services institutions in education and training.

Other services include research in medicine, nursing, dentistry, pharmacy, bio-medical and health sciences, as well as any related ancillary and support fields.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**(i) Basis of Preparation**

These financial statements have been prepared in accordance with the International Financial Reporting Standards. The financial statements are prepared on the historical cost basis and presented in Trinidad and Tobago dollars.

The preparation of financial statements in conformity with International Financial Reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies.

*New and amended standards adopted by the authority*

No new or amended standards have been adopted by the Authority.

*New and amended standards effective but not early adoption.*

No standards have been early adopted by the Authority.

**IFRS 7 Financial Instruments: Disclosures**

The amended standard requires disclosure to include information that will enable users of the financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and financial liabilities. The amendment is effective for periods commencing on or after January 1, 2013.

**Tobago Regional Health Authority**  
**Notes to the Financial Statements**  
**September 30, 2013**

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**NOTE B - SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

*New and amended standards effective but not early adoption – (Continued)*

IAS 19 Employee benefits has been significantly revised and the following changes have been made:

- ‘Actuarial gains and losses’ are renamed ‘re-measurements’ and are now required to be recognized in other comprehensive income. The options to recognize actuarial gains and losses in profit and loss or to use the corridor approach to defer actuarial gains and losses have been removed. Re-measurements will not be recycled through profits and losses.
- Past-service cost will be recognized in the period of a plan amendment while unvested benefits will no longer be spread over a future-service period.
- A curtailment now occurs only when an entity significantly reduces the number of employee. Curtailment gains or losses are accounted for as past-services cost.
- Costs for a funded benefit plan will include net interest income or expenditure, calculated by applying the discount rate to the net benefit assets or liability. This will replace finance charge and expected return on plan assets. There will be less flexibility in income statement presentation, where benefit cost should be split between:
  1. The cost of benefits accrued in the current period and benefit changes; and
  2. Finance expense or income.
- Taxes related to benefit plans should be included either in the return on assets or the calculation of the benefit obligation, depending on their nature.
- Investment management cost should be recognized as part of the return on assets: other cost of running a benefit plan should be recognized as period cost when incurred.
- Under the new standards any benefit that has a future-service obligation is not a termination benefit. A liability for a termination benefit is recognized when the entity can no longer withdraw the offer of the termination benefit or recognizes any related restructuring cost.

The amendments are effective for the periods beginning on or after January 1, 2013. The Authority choose to early adopt this standard, for the Financial year ended 2013.

**Tobago Regional Health Authority**  
**Notes to the Financial Statements**  
**September 30, 2013**

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**IAS 32 Financial Instruments: presentation**

The application guidance to IAS 32 has been amended to clarify some of the requirements for offsetting Financial Assets and Financial Liabilities. The revised standard is effective for the annual periods beginning on or after January 1, 2014.

**IFRS 9 Financial Instruments**

The new standard requires all financial assets within the scope of IAS39 to be stated at amortised cost or fair value where the intention is to hold such instruments to collect the contractual cash flows which are repayments of capital and interest. All other investments are stated at fair value of financial liabilities, and presented in the profit and loss. If the change in fair value can be attributed to changes in credit risk, those changes are recognized in other comprehensive income. The only exception would be when such treatment would give rise to, or enlarge an accounting mismatch in profit and loss. The standard is effective for years commencing on or after January 1, 2018, with earlier adoption permitted.

**IFRS 13 Fair value**

The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. It applies to both financial instruments items and non-financial instrument items, where other standards (IFRS) require or permit fair value measurements and disclosure about fair value measurements. IFRS13 is effective for annual periods beginning on or after January 1, 2013 with earlier application.

*New and revised standards effective with no material impact on the financial statement.*

The following new and revised IFRSs issued and applicable to the reporting period were considered and assessed as not relevant or not material to the financial statements.

**IAS 1 Presentation of financial statements**

The revised standard requires entities to group items in other comprehensive income as items which may be subsequently recycled to profit and loss, or those that will not. The disclosure of the tax effect of these items should follow accordingly. The revised IAS 1 is effective for the years beginning on/ after July 1<sup>st</sup> 2012 the revaluation model. The group's required to choose a policy for each category of property, plant and equipment and then to apply that same policy to each asset within that category.

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**NOTE B - SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

New and revised standards effective with no material impact on the financial statements  
– (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine Clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The Interpretation is effective for annual periods beginning on or after January 1, 2013.

IFRS 10 Consolidated Financial Statements Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard revises the definition of control and provides additional guidance to assist in the determination of control where this is difficult to assess. The basic principle that a consolidated entity includes a parent and its subsidiaries as if they were a single entity and consolidation procedures remains unchanged.

IFRS 11 Joint venture - An entity is required to determine the type of joint arrangement in which it is a party by assessing its rights and obligations. These should then be accounted for in accordance with that type of joint arrangement. The standard defines joint operations and joint ventures and requires the following treatment thereof:

- A joint operation is a joint arrangement where the parties have joint control of the arrangement (joint operators) and have rights to the assets and obligations for the liabilities of the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation. A joint venture is a joint arrangement where the parties have joint control of the arrangement (joint ventures) and have rights to the net assets of the arrangement. Joint ventures should account for such investments on the equity method.

IFRS 12 Disclosure of Interests in Other Entities IFRS 12 sets out requirements for disclosure of information of the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial statements.

IAS 27 Separate Financial Statements; IAS 28 Investments in Associates and Joint Ventures (Not yet EU endorsed) these two existing standards have been amended in order to align them with the newly released standards. The revised IAS 27 now deals with the requirements for the preparation of separate financial statements only. The previous standard also dealt with consolidated financial statements, which requirements are now included in IFRS10

**Tobago Regional Health Authority**  
**Notes to the Financial Statements**  
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Consolidated Financial Statements. The standard now requires that Investments in subsidiaries, associates and jointly controlled entities be carried, either at cost or in accordance with IFRS 9.

The effective date of IFRS 10, 11 & 12 and amended IAS 27 & 28 is January 1, 2013, which early adoption is permitted. It must be noted that these should be adopted as a package of standards and none of them may be individually adopted.

IFRS 7 Financial Instruments: Disclosures The amended standard requires detailed disclosures about transfer transactions of financial assets, and specifically when a disproportionate number of transfer transactions are undertaken near the end of an accounting period. The amendments are effective for years commencing on or after January 1, 2013.

(ii) Non-Current Tangible Assets - Non-current tangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the reducing balance method.

The following annual rates are used for the depreciation of fixed assets and investment properties.

Office furniture and fixtures	-	25%
Motor vehicles	-	25%
Machinery and equipment	-	12.5%
Furniture and fixtures	-	12.5%
Computer equipment	-	25%
Biomedical equipment	-	12.5%
Buildings	-	2%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

(iii) Use of Estimates - The preparation of Financial Statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(iv) Income and Expenditure - Income and expenditure transactions are accounted for on the accruals basis.

**Tobago Regional Health Authority**  
**Notes to the Financial Statements**  
**September 30, 2013**

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(v) Statement of Cash Flows - The statement of cash flows includes the movement of cash through the operating bank overdraft. Accordingly, the term cash and cash equivalents is used to include cash balances and bank overdraft balances.

(vi) Grant Income - The Authority is in receipt of grants to meet recurrent expenditure from the Government of the Republic of Trinidad and Tobago (the Government) through the Tobago House of Assembly (THA) - Division of Health and Social Services. These grants are recognized in the Statement of Comprehensive Income in the period where the cost is incurred and the grant is intended to compensate.

The Authority also benefits from grants provided by the Government and the THA for developmental purposes and for the acquisition of tangible non-current assets. Such grants are credited to Grants Deferred and released to the Statement of Comprehensive Income at a rate of 12.5% over the useful life of the acquired assets.

(vii) Employee Retirement Benefit Costs - The Authority's eligible employees are members of the Regional Health Authority Pension Plan. This plan defines an amount of pension that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The funds of the plan are administered by fund managers appointed by the trustees of the plan. The pension plan is generally funded by payments from employees and the Authority, taking account of the recommendation of independent qualified actuaries. The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plan at least every three years. The liability recognized in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligations at the statement of financial position date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the Statement of Comprehensive Income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period. The total assets of the plan attributable to the Tobago Regional Health Authority is purely an accounting exercise as there are no specific assets allocated to the Tobago Regional



**Tobago Regional Health Authority**  
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**September 30, 2013**

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Health Authority.

(viii) Investments - Investments are classified into the following categories: trading, held-to-maturity and available-for-sale. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as Trading Investments and included in Current Assets; investments with fixed maturities that the management has the intent and ability to hold to maturity are classified as Held-to-Maturity and are included in Non-Current Assets. During the year, the Authority did not hold any investments in the above two categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for short-term liquidity or changes in interest rates, are classified as Available-for-Sale Investments. These are included in Non-Current Assets unless management has the express intention of holding the investment for less than twelve months from the date of the Statement of Financial Position or unless some of these investments may need to be sold to raise operating capital, in which case they are included in current assets. Purchase and sale of investments are recognized on the date the Authority commits to purchase or sell the asset. Cost of purchase includes transaction costs. Trading and Available-for-Sale Investments are subsequently carried at fair values. Realized and unrealized gains and losses arising from changes in fair values are included in the Statement of Comprehensive Income in the period in which they arise. Held-to-Maturity Investments are carried at amortized cost.

(ix) Taxation - In accordance with Section 22 of the Regional Health Authorities Act the Authority is exempt from taxation.

(x) Inventory - Inventory is valued at the lower of cost and net realizable value. Cost is determined using the First in First out (FIFO) method of valuation. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling, marketing and distribution expenses, necessary to make the sale.

(xi) Leases - Leases of assets under which the risks and rewards of ownership are effectively retained by the lessors are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease. The Authority is not subject to any finance leases.

(xii) Comparatives - Where necessary, comparative figures are adjusted to conform with changes, in presentation, in the current year.

**Tobago Regional Health Authority**  
**Notes to the Financial Statements**  
**September 30, 2013**

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(xiii) Financial Instruments - The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are recognized initially at fair value plus transactions costs that are directly attributable to the acquisition or issue of the financial instrument, except for financial assets at fair value through profit or loss, which are initially measured at fair value, excluding transaction costs.

Financial instruments are derecognized on trade date when the company is no longer a party to the contractual provisions of the instrument.

Financial assets at fair value through profit and loss comprise derivative financial instruments, namely interest rate swaps and forward exchange contracts. Subsequent to initial recognition financial assets at fair value through profit and loss are stated at fair value. Movements in fair values are recognized in profit or loss, unless they relate to derivatives designated and effective as hedging instruments, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The group designates certain derivatives as hedging instruments in fair value hedges of recognized assets and liabilities and firm commitments, and in cash flow hedges of highly probable forecast transactions and foreign currency risks relating to firm commitments.

The effective portion of fluctuations in the fair value of interest rate swaps used to hedge interest rate risk and that qualify as fair value hedges are recognized together with finance costs. The ineffective portion of the gain or loss is recognized in other expenses or other income.

(xiii) Financial Instruments - (Continued) Fluctuations in the fair value of forward exchange contracts used to hedge currency risk of future cash flows, and the fair value of foreign currency monetary items on the statement of financial position, are recognized directly in other expenses or other income. This policy has been adopted as the relationship between the forward exchange contracts and the item being hedged does not meet certain conditions in order to qualify as a hedging relationship.

Trade Receivables - Trade receivables are stated at their original invoiced value, as the interest that would be recognized from discounting future cash receipts over the short credit period is not considered to be material. Trade receivables are reduced by appropriate allowances for

**Tobago Regional Health Authority**  
**Notes to the Financial Statements**  
**September 30, 2013**

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estimated irrecoverable amounts. Interest on overdue trade receivables is recognized as it accrues.

**Cash and Cash Equivalents** - Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. An investment with a maturity of three months or less is normally classified as being short-term.

Trade payables are stated at their original invoiced value, as the interest that would be recognized from discounting future cash payments over the short payment period is not considered to be material.

**Impairment of financial assets** - All financial assets, except for those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date.

**Tobago Regional Health Authority  
Notes to the Financial Statements  
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**Note F - Tangible Non-Current Assets**

Particulars	Freehold Land & Buildings	Computer & Office Equipment	Furniture & Fixtures	Machinery & Biomedical Equipment	Motor Vehicles	Capital Work in Progress	Total
Cost:	\$	\$	\$	\$	\$	\$	\$
Opening Balance	27,191,088	12,262,674	3,753,763	45,114,139	6,009,680	26,256,436	120,587,781
Additions	-	593,920	471,042	1,357,068	484,079	9,364,170	12,270,279
Disposals	-	-	-	-	(174,030)	-	(174,030)
<b>Closing Balance</b>	<b><u>27,191,088</u></b>	<b><u>12,856,594</u></b>	<b><u>4,224,805</u></b>	<b><u>46,471,207</u></b>	<b><u>6,319,729</u></b>	<b><u>35,620,606</u></b>	<b>132,684,029</b>
<b>Depreciation:</b>							
Opening Balance	(2,689,545)	(8,221,216)	(2,252,471)	(21,290,325)	(4,063,265)	-	(38,516,823)
Charge for the year	(436,831)	(1,126,600)	(842,299)	(2,551,853)	(605,608)	-	(5,563,191)
Dep. On Disposal	-	-	-	-	165,967	-	165,967
<b>Closing Balance</b>	<b>(3,126,376)</b>	<b>(9,347,816)</b>	<b>(3,094,771)</b>	<b>(23,842,177)</b>	<b>(4,502,906)</b>	<b>-</b>	<b>(43,914,046)</b>
<b>Net Book Value</b>							
30-Sep-13	24,064,712	3,508,778	1,130,035	22,629,030	1,816,823	35,620,606	88,769,983
30-Sep-12	<u>24,502,143</u>	<u>4,041,458</u>	<u>1,501,292</u>	<u>23,823,816</u>	<u>1,946,416</u>	<u>26,256,436</u>	<u>82,071,561</u>

The opening balances for the categories Furniture & Fixtures and Machinery & Biomedical Equipment differ of the 2012 Financial Statements due the reclassification of these assets by. It is the intent of the TRHA to maintain the assets from the closing balances in the classifications as stated above since all clinical equipment are considered to be Biomedical Equipment for the purpose of classification.

It should also be noted that the categories are depreciated at the same rate of 12.5% and dos not affect the, Depreciation and by extension the Net Book Value in any way.

**Tobago Regional Health Authority  
Notes to the Financial Statements  
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**Note C - Cash in Hand and Bank**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Cash in Hand	16,800	24,500
Republic Bank Limited - Goods & Services	13,446,748	122,711
Republic Bank Limited - Wages	2,237,256	19,898
Republic Bank Limited - Salary	13,032,863	424,820
Scotia Bank Current Account	3,367,404	650,218
Scotia Bank US\$ Account	49,710	167,695
Inter a/c Transfer	9,365	-
	<b><u>32,160,147</u></b>	<b><u>1,409,842</u></b>

**Note D - Accounts Receivables**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Trade Receivables	20,370	11,233
Other receivables	750	(15)
Other Prepayments	1,484,012	1,484,012
Advances to Employees	168,166	13,304
	<b><u>1,673,298</u></b>	<b><u>1,508,534</u></b>

**Note E - Inventory**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Pharmacy Stores	12,691,931.00	8,030,667
Medical Stores	4,399,721.00	2,182,992
Stationery Stores	491,654.00	555,730
Food Stores	898,303.00	460,842
Laboratory	-	723,796
Linen	-	26,362
	<b><u>18,481,609</u></b>	<b><u>11,980,389</u></b>

**Tobago Regional Health Authority  
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**Note G- Investments Available-for-Sale**

	<b>2013</b>	<b>2012</b>
First Citizens BNK Limited - Mutual Fund	29,644	29,232
Republic Bank Limited - Fixed Deposit	44,440	44,385
	<u><b>74,084</b></u>	<u><b>73,617</b></u>

**Note H - Accounts Payable and Accruals**

Accounts Payable represent amounts due to various suppliers of goods and services.

	<b>2013</b>	<b>2012</b>
Accounts payables	909,926	5,135,937
Accruals	3,404,749	3,356,796
	<u><b>4,314,675</b></u>	<u><b>8,492,733</b></u>

**Note I - Payroll Liabilities**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Gratuities Payable	13,504,390	8,823,463
Salaries Payable	(29,717)	875,121
	<u><b>13,474,673</b></u>	<u><b>9,698,584</b></u>

**Tobago Regional Health Authority  
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**NOTE J - PENSIONS AND POST RETIREMENT OBLIGATIONS**

	<b>2013</b>	<b>2012</b>
<b>1. Net liability in statement of financial position</b>		
Present value of defined benefit obligation	88,900,000	71,700,000
Fair value of assets	(66,500,000)	(53,200,000)
	<u>22,400,000</u>	<u>18,500,000</u>
Deficit	<u>22,400,000</u>	<u>18,500,000</u>

**2a. Movement in present value of defined benefit obligation**

	<b>2013</b>	<b>2012</b>
Defined benefit obligation at start of year	71,700,000	46,100,000
Current service cost	9,100,000	7,000,000
Interest cost	3,900,000	3,300,000
Members' contributions	2,400,000	2,400,000
Liabilities transferred in/(out)	-	800,000
Re-measurements		
- Experience adjustment	1,800,000	(600,000)
- Actuarial (gains) losses from changes in financial assumptions	-	12,800,000
Benefits paid	-	(100,000)
<b>Defined benefit obligation at end of year</b>	<u><b>88,900,000</b></u>	<u><b>71,700,000</b></u>

**2b. The defined benefit obligation is allocated between the Plans' members as follows.**

	<b>2013</b>	<b>2012</b>
- Active members	98%	98%
- Deferred pensioners	1%	1%
- Pensioners	1%	1%

The weighted average duration of the defined benefit obligation at the year end.

Percentage of the value of the benefit for active members is vested.

Percentage of the defined benefit obligation for active members that is conditional on future salary increases.

	<b>2013</b>	<b>2012</b>
	24.1 years	24.1 years
	82%	82%
	43%	43%

**Tobago Regional Health Authority  
Notes to the Financial Statements  
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**NOTE J - PENSIONS AND POST RETIREMENT OBLIGATIONS - (CONTINUED)**

	<b>2013</b>	<b>2012</b>
<b>3a. Movement in fair value of plan assets</b>	<b>\$</b>	<b>\$</b>
Fair value of plan assets at start of year	53,200,000	39,700,000
Interest income	2,900,000	2,800,000
Return on plan assets, excluding interest income	1,000,000	2,400,000
Employer contributions	6,400,000	6,200,000
Members' contribution	2,400,000	2,400,000
Funds transferred in/(out)	800,000	-
Benefits paid	-	(100,000)
Expense allowance	(200,000)	(200,000)
Fair value of plan assets at end of year	<u><b>66,500,000</b></u>	<u><b>53,200,000</b></u>
Actual return on plan assets	<b>3,900,000</b>	<b>5,200,000</b>
<b>3b. Asset allocation</b>		
Locally listed equities	17.4%	13.9%
Overseas equities	5.9%	4.0%
TT\$ bonds	62.3%	57.9%
US\$ bonds	0.0%	0.1%
Cash and cash equivalents	14.3%	24.0%
Other ( mortgages and property mutual funds)	0.1%	0.1%
Fair value of plan assets at end of year	<u><b>100.0%</b></u>	<u><b>100.0%</b></u>

The asset allocation above is for the Plan as a whole. The allocation of assets to the employer sections of the Plan is notional. The asset values as at each year end were provided by the Plan's Trustee ( Republic Bank). Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is illiquid. The Investment Managers calculate the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the Plan's government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the Plans.



**Tobago Regional Health Authority  
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**NOTE J - PENSIONS AND POST RETIREMENT OBLIGATIONS - (CONTINUED)**

**3b. Asset allocation - (continued)**

The Plan's assets are invested in accordance with a strategy agreed with the Plan's Trustee and Management Committee and the Pensions Oversight Committee. This strategy is largely dictated by statutory constraints ( at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability strategies used by the Plan.

	<b>2013</b>	<b>2012</b>
<b>4. Expense recognized in profit and lost</b>		
Current service cost	9,100,000	7,000,000
Net interest on net defined benefits liability/ (assets)	-	500,000
Expense allowance	200,000	200,000
<b>Net Pension cost</b>	<b><u>10,300,000</u></b>	<b><u>7,700,000</u></b>
<b>5. Re-measurements recognised in other comprehensive income</b>		
Experience (gain)/ losses	800,000	9,800,000
<b>Total amount recognized in other comprehensive income</b>	<b><u>800,000</u></b>	<b><u>9,800,000</u></b>
<b>6. Reconciliation of opening and closing statement of financial position entries</b>		
Opening defined benefit liability/(assets)	18,500,000	6,400,000
Net pension cost	10,300,000	7,700,000
Re-measurement recognised in other comprehensive income	800,000	9,800,000
Net transfers	(800,000)	800,000
employer contributions paid	(6,400,000)	(6,200,000)
<b>Closing defined benefit liability</b>	<b><u>22,400,000</u></b>	<b><u>18,500,000</u></b>

**Tobago Regional Health Authority  
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**NOTE J - PENSIONS AND POST RETIREMENT OBLIGATIONS - (CONTINUED)**

	<b>2013</b>	<b>2012</b>
<b>7. Summary of principal assumptions as at 30 September</b>		
Discount rates	5.00%	5.00%
Salary increases		
- General increases	3.50%	3.50%
- Promotional increases	1.00%	1.00%
<b>Total salary increases</b>	<b>4.50%</b>	<b>4.50%</b>

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined obligation are as follows:

Life expectancy at age 60 for current pensioner in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

**8. Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation would have changed as a result of a change in assumptions used.

**Tobago Regional Health Authority  
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**NOTE J - PENSIONS AND POST RETIREMENT OBLIGATIONS - (CONTINUED)**

**8. Sensitivity analysis - (Continued)**

	<b>2013</b>	<b>2012</b>
1%pa increase in the discount rate	(17,600,000)	(14,200,000)
1%pa decrease in discount rate	23,900,000	19,300,000
1%pa increase in the assumed rate of future salary increase	13,000,000	10,500,000
1%pa decrease in the assumed rate of future salary increase	(10,900,000)	(8,800,000)
An increase of 1 year in the assumed life expectancies	1,100,000	900,000

These sensitivities were calculated by re-calculating the defined benefit obligation using the revised assumptions.

**9. Funding**

The employer meets the balance of the cost of funding the defined benefits and the Employer must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The employer expects to pay the following contributions during the next financial year.

	<b>2013</b>	<b>2012</b>
Expected employer contributions in next financial year	<u><u>5,900,000</u></u>	<u><u>6,400,000</u></u>

**Tobago Regional Health Authority  
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**NOTE K - DEFERRED GRANTS**

	<b>2013</b>	<b>2012</b>
<b>The movement in the deferred grants account is as follows:</b>		
	<b>\$</b>	<b>\$</b>
Opening Balance as at October 1	74,743,958	71,945,186
Grants received in financial year	10,840,000	8,680,000
Amt. released to income in the Financial Year	(2,024,384)	(5,881,228)
Closing Balance as at September 30, 2013	<u><b>83,559,574</b></u>	<u><b>74,743,958</b></u>

**NOTE L - ORIGINATING CAPITAL FUND**

This amount represents the December 31, 1996 net book value of assets by the Division of Health in Tobago that were vested in Tobago Regional Healthy Authority upon the proclamation of the Regional Health Authorities Act, Chapter 29:05 of the Revised Laws of the Republic of Trinidad and Tobago.

**NOTE M - GENERAL FUND**

This fund represents the revaluation surplus resulting from the valuation of properties schedule of the Regional Health Authorities act, Chapter 29:05 of the Revised Laws of the republic of Trinidad and Tobago.

**NOTE N - OTHER INCOME**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Investment Income	47,819	38,531
Fee Income	56,313	66,949
Donations	104,441	71,823
Café Receipts	1,796,452	158,360
Gain/Loss on Sale of Fixed Assets	34,937	-
Discounts received	713,434	-
Other	12,888	3,502
	<u><b>2,766,284</b></u>	<u><b>339,165</b></u>

**Tobago Regional Health Authority  
Notes to the Financial Statements  
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**NOTE O - STAFF COST**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Salaries & Benefits	135,368,235	99,427,960
Gratuities	12,938,814	5,757,615
Allowances	62,624,330	64,474,342
Employer's Contribution to NIS	8,594,634	6,700,171
Employer's Contribution to Group Health Pension	721,503	725,935
Other Employee Benefits	-	11,314,800
	<b><u>229,798,593</u></b>	<b><u>197,601,225</u></b>

**NOTE P - ADMINISTRATIVE EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Advertising & Promotions	677,098	857,489
Events Co-ordination	739,301	322,795
Stationery & Supplies	1,394,980	1,249,841
Bank charges & Interest	60,081	68,279
Legal and other fees	859,887	219,992
Travelling	270,167	278,235
Depreciation	5,563,192	6,059,589
Special Projects	1,437,256	1,343,096
Training	1,500,718	886,840
Donations	-	3,595
Other Administrative Cost	287,844	11
	<b><u>12,790,523</u></b>	<b><u>11,289,762</u></b>

Special projects relate to one off items that were not considered fixed assets but were funded through the development budget.

**Tobago Regional Health Authority  
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**NOTE Q - DIRECTORS' EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Directors' Fees	540,550	1,424,654
Committee Allowances	199,000	246,129
Directors' Travelling Expenses	54,775	68,283
Other	251,821	190,587
	<b><u>1,046,146</u></b>	<b><u>1,929,653</u></b>

**NOTE R - OPERATING EXPENSES**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Medical Supplies	23,940,881	37,544,193
Drugs & Related Material	9,491,360	4,455,445
Food at Institutions	6,266,526	2,967,556
Utilities	8,858,206	5,046,386
Vehicle Repair & upkeep	1,061,789	1,084,537
Security	4,300,516	3,386,986
Fees	13,423,424	19,511,170
Repair & Maintenance	3,589,202	2,146,635
Equipment Rental	778,000	793,369
Material & Supplies	2,624,911	1,809,001
Consulting /Contracted Services	7,334,980	1,914,391
Transport & Fright	927,862	366,230
Subscriptions and dues	237,269	54,681
Books and periodicals	-	28,237
Rent & Accommodation	2,242,133	3,038,164
General Expenses	4,469,863	356,823
	<b><u>89,546,922</u></b>	<b><u>84,503,804</u></b>

