

Trinidad & Tobago Free Zones Company Limited

Financial Statements

For the Year Ended 31 December 2011

Trinidad & Tobago Free Zones Company Limited

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Independent Auditors' Report

To the shareholders of
Trinidad & Tobago Free Zones Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Trinidad & Tobago Free Zones Company Limited as at 31 December 2011, which comprise the statement of financial position, the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium sized Entities. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements present fairly, in all material respects the financial position of Trinidad & Tobago Free Zones Company Limited as at 31 December 2011, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium sized Entities.

Chartered Accountants
Port of Spain
Trinidad, West Indies
14 May 2012

Trinidad & Tobago Free Zones Company Limited

Statement of financial position

	Notes	31 December	
		2011	2010
		\$	\$
ASSETS			
Non-current assets			
Plant and equipment	2	<u>60,448</u>	<u>121,428</u>
Current assets			
Receivables and prepayments	3	185,876	125,327
Cash and cash equivalents	4	<u>11,252,320</u>	<u>11,279,168</u>
		<u>11,438,196</u>	<u>11,404,495</u>
Total assets		<u>11,498,644</u>	<u>11,525,923</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	2	2
Retained earnings		<u>11,417,627</u>	<u>11,355,903</u>
Total shareholders' equity		<u>11,417,629</u>	<u>11,355,905</u>
Current liabilities			
Accrued liabilities		<u>81,015</u>	<u>170,018</u>
Total equity and liabilities		<u>11,498,644</u>	<u>11,525,923</u>

The accounting policies on pages 6 to 8 and the notes on pages 9 to 11 are an integral part of these financial statements.

On 14 May 2012, the Board of Directors of Trinidad & Tobago Free Zones Company Limited authorised these financial statements for issue.

_____ Director

_____ Director

Trinidad & Tobago Free Zones Company Limited

Statement of comprehensive income

	Note	Year Ended 31 December	
		2011 \$	2010 \$
Revenue	6	2,825,811	2,734,935
Other income	6	<u>8,282</u>	<u>--</u>
		2,834,093	2,734,935
Administrative expenses		<u>(2,272,722)</u>	<u>(1,622,782)</u>
Operating profit	7	561,371	1,112,153
Net finance income	8	<u>200,353</u>	<u>247,231</u>
Net profit		<u><u>761,724</u></u>	<u><u>1,359,384</u></u>

The accounting policies on pages 6 to 8 and the notes on pages 9 to 11 are an integral part of these financial statements.

Trinidad & Tobago Free Zones Company Limited

Statement of changes in shareholders' equity

	Share Capital \$	Retained Earnings \$	Total Equity \$
Year ended 31 December			
Balance at 1 January 2010	2	11,396,519	11,396,521
Dividend paid 2009	--	(700,000)	(700,000)
Dividend paid 2010	--	(700,000)	(700,000)
Net profit for 2010	--	1,359,384	1,359,384
Balance at 31 December 2010	<u>2</u>	<u>11,355,903</u>	<u>11,355,905</u>
Year ended 31 December			
Balance at 1 January 2011	2	11,355,903	11,355,905
Dividend paid 2010	--	(700,000)	(700,000)
Net profit for 2011	--	761,724	761,724
Balance at 31 December 2011	<u>2</u>	<u>11,417,627</u>	<u>11,417,629</u>

The accounting policies on pages 6 to 8 and the notes on pages 9 to 11 are an integral part of these financial statements.

Trinidad & Tobago Free Zones Company Limited

Statement of cash flows

	Year Ended 31 December	
	2011	2010
	\$	\$
Operating activities		
Operating profit	561,371	1,112,153
Adjustments for items not requiring an outlay of funds:		
Depreciation	28,297	40,976
Loss on sale of asset	<u>6,374</u>	<u>--</u>
Operating profit before working capital changes	596,042	1,153,129
(Increase)/decrease in receivables and prepayments	(60,549)	78,474
(Decrease)/increase in accrued liabilities	<u>(89,003)</u>	<u>10,252</u>
Net cash flows generated from operating activities	<u>446,490</u>	<u>1,241,855</u>
Investing activities		
Purchase of fixed assets	(40,996)	(2,888)
Proceeds from disposal of fixed assets	67,305	--
Interest received	200,882	247,667
Interest paid	<u>(529)</u>	<u>(436)</u>
Net cash flows generated from investing activities	<u>226,662</u>	<u>244,343</u>
Financing activities		
Dividends paid	<u>(700,000)</u>	<u>(1,400,000)</u>
Net cash flows used in financing activities	<u>(700,000)</u>	<u>(1,400,000)</u>
(Decrease)/increase in cash and cash equivalents	(26,848)	86,198
Cash and cash equivalents at beginning of year	<u>11,279,168</u>	<u>11,192,970</u>
Cash and cash equivalents at end of year (note 4)	<u>11,252,320</u>	<u>11,279,168</u>

The accounting policies on pages 6 to 8 and the notes on pages 9 to 11 are an integral part of these financial statements.

Trinidad & Tobago Free Zones Company Limited

Accounting policies

31 December 2011

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

a Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities and under the historical cost convention.

The preparation of financial statements in conformity with International Financial Reporting Standards for Small and Medium sized Entities requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

b Plant and equipment

Plant and equipment are stated at historical cost and are depreciated on the reducing balance basis, at rates estimated to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Office furniture, fittings and equipment	-	20-33 1/2%
Motor vehicles	-	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Profits or losses on disposals of plant and equipment are determined by comparing proceeds with the carrying amount and are included in the statement of comprehensive income.

Plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use.

c Leases

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

d Revenue recognition

Revenue comprises the invoiced value for services rendered in the year and is recognized on the performance of the services. Interest income is recognized on an effective yield basis.

Trinidad & Tobago Free Zones Company Limited

Accounting policies (continued)

31 December 2011

e **Foreign currency translation**

i) Functional and presentational currency

Items included in the company's financial statements are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in Trinidad and Tobago dollars ("TT\$"), which is the company's functional and presentation currency.

ii) Transactions and balances

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

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equities are included in the fair value reserve in equity.

f **Financial instruments**

Financial instruments carried on the statement of financial position include cash and cash equivalents accounts receivable and accounts payable and are stated at their approximate fair values determined in accordance with the policy statements disclosed.

g **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash in hand, cash at bank, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and funds held in Money Market Funds. Bank overdrafts are included within borrowings in current liabilities on the Statement of Financial Position. For the purposes of the statement of cash flows, cash and cash equivalent also include the bank overdrafts.

h **Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets' carrying amount and the recoverable amount. Provisions for impairment of receivables are included in the statement of comprehensive income.

Trinidad & Tobago Free Zones Company Limited

Accounting policies (continued)

31 December 2011

i **Pensions**

The company makes contributions on behalf of its employees to a defined contribution pension plan with Guardian Life of the Caribbean Limited. A defined contribution plan is a pension plan, into which the company pays fixed contributions into a separate fund. Once the contributions have been paid, the company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs.

j. **Provisions**

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

Trinidad & Tobago Free Zones Company Limited

Notes to the financial statements 31 December 2011

1 Incorporation and business activities

The company is incorporated and domiciled in the Republic of Trinidad and Tobago. The company is fully owned by the Government of Trinidad and Tobago. Its principal activity is to administer, control, operate and manage all free zones in accordance with the provisions of the Trinidad and Tobago Free Zones Act No 19 of 1988. The address of the company's registered office is Albion Court, 2nd Floor West, 61 Dundonald Street, Port of Spain, Trinidad and Tobago.

2 Plant and equipment

	Furniture, fittings and equipment	Motor vehicles	Total
	\$	\$	\$
Year ended 31 December 2010			
Opening net book amount	25,018	134,498	159,516
Additions	2,888	--	2,888
Depreciation charge	(7,351)	(33,625)	(40,976)
	<u>20,555</u>	<u>100,873</u>	<u>121,428</u>
At 31 December 2010			
Cost	224,595	355,415	580,010
Accumulated depreciation	(204,040)	(254,542)	(458,582)
Net book amount	<u>20,555</u>	<u>100,873</u>	<u>121,428</u>
Year ended 31 December 2011			
Opening net book amount	20,555	100,873	121,428
Additions	40,996	--	40,996
Disposals	(114,206)	(255,000)	(369,206)
Depreciation on disposal	107,782	187,745	295,527
Depreciation charge	(9,821)	(18,476)	(28,297)
	<u>45,306</u>	<u>15,142</u>	<u>60,448</u>
At 31 December 2011			
Cost	151,385	100,415	251,800
Accumulated depreciation	(106,079)	(85,273)	(191,352)
Net book amount	<u>45,306</u>	<u>15,142</u>	<u>60,448</u>

Trinidad & Tobago Free Zones Company Limited

Notes to the financial statements (continued)

31 December 2011

3	Receivables and prepayments	2011 \$	2010 \$
	Trade receivables	162,667	90,949
	Interest receivable	8,689	19,858
	Prepayments	<u>14,520</u>	<u>14,520</u>
		<u>185,876</u>	<u>125,327</u>

As at 31 December 2011, trade receivables of \$162,667 were current (2010: \$90,949). Trade receivables are non interest bearing and are due upon receipt or on 30 day terms.

4	Cash and cash equivalents	2011 \$	2010 \$
	Money Market Funds	5,846,210	11,134,358
	Cash at bank	5,404,110	142,810
	Cash in hand	<u>2,000</u>	<u>2,000</u>
	At end of year	<u>11,252,320</u>	<u>11,279,168</u>

The Money Market Funds have been classified as a cash equivalent because management uses the account for working capital requirements. The interest rate at the year-end was 1.30%.

5	Share capital	2011 \$	2010 \$
	Authorised: An unlimited number of shares of no par value		
	Issued and fully paid: 2 ordinary shares of no par value	<u>2</u>	<u>2</u>

6	Revenue		
	License fees	2,825,811	2,734,935
	Interest income (Note 8)	200,882	247,667
	Foreign exchange gain	<u>8,282</u>	<u>--</u>
		<u>3,034,975</u>	<u>2,982,602</u>

Trinidad & Tobago Free Zones Company Limited

Notes to the financial statements (continued)

31 December 2011

7 Operating profit

The company's operating profit includes the following administrative costs and expenses:

	2011	2010
	\$	\$
Staff costs (note 9)	850,705	736,445
Directors' fees	489,600	326,400
Operating lease rental for property (note 10)	277,537	265,512
Professional fees	134,337	26,013
Office administration	105,911	71,900
Advertising and promotions	92,205	25,019
Travelling	87,308	1,344
Repairs & maintenance	59,822	24,473
Motor vehicles	33,758	28,946
Entertainment	33,011	24,293
Business development	32,596	13,763
Depreciation (note 2)	28,297	40,976
Subscriptions	20,453	20,632
Insurance	16,901	14,736
Loss on disposal of asset	6,374	--
Miscellaneous	3,907	2,330
	<u>2,272,722</u>	<u>1,622,782</u>
8 Net finance income		
Interest income	200,882	247,667
Bank charges	<u>(529)</u>	<u>(436)</u>
	<u>200,353</u>	<u>247,231</u>
9 Staff costs		
Wages and salaries	831,421	718,366
Social security costs	13,212	12,007
Pension costs	<u>6,072</u>	<u>6,072</u>
	<u>850,705</u>	<u>736,445</u>
10 Lease commitment		

A new lease agreement was signed with Trinidad and Tobago Mortgage Finance Company Limited for the three year period 1 January 2011 to 31 December 2014. Monthly rentals of \$22,126 were payable for the period 1 January 2011 to 31 July 2011 towards rent, electricity, service charges and VAT and increased by \$2,405 plus VAT for the remainder of the lease period.

	2011	2010
	\$	\$
Property rental	<u>277,537</u>	<u>265,512</u>

Trinidad & Tobago Free Zones Company Limited

Notes to the financial statements (continued) **31 December 2011**

11 Taxation

The company is exempt from corporation tax or levies in respect of sales and profits, by virtue of Section 33 of the Free Zones Act.