



Chartered Accountants  
& Business Advisors

**LAKE ASPHALT OF TRINIDAD AND TOBAGO  
(1978) LIMITED**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2009**



Chartered Accountants  
& Business Advisors

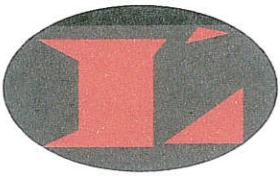
**LAKE ASPHALT OF TRINIDAD AND TOBAGO  
(1978) LIMITED**

**FINANCIAL STATEMENTS**

**30 SEPTEMBER 2009**

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# Lake Asphalt of Trinidad and Tobago (1978) Limited

Brighton, La Brea, Trinidad & Tobago. WI T: 868.648.7572 / 8521 F: 868.648.7433 www.trinidadlakeasphalt.com

## Statement of Management Responsibilities

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for the year. It is also management's responsibility to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. 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.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

**Ayana Thompson**  
**Manager, Finance**

17-06-14

**Date**

**Leary A. Hosein**  
**Chief Executive Officer**

17/6/14

**Date**

Chairman : Mr. Ernest Ashley Taylor Deputy Chairman : Mr. Hugh Leong Poi

Directors : Mrs. Margaret Parks . Mr. Peter Machikan . Mr. Khemraj Singh . Mr. Vallenge Rambharat . Ms. Afeisha Charles . Mr. Shaffiat Ali . Mr. Aynsley Matthews

## INDEPENDENT AUDITORS' REPORT



Chartered Accountants  
& Business Advisors

### **The Shareholder Lake Asphalt of Trinidad and Tobago (1978) Limited**

We have audited the accompanying unconsolidated financial statements of Lake Asphalt of Trinidad and Tobago (1978) Limited, which comprise the unconsolidated statement of financial position as at 30 September 2009, the unconsolidated statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with International Financial Reporting Standards, 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Lake Asphalt of Trinidad and Tobago (1978) Limited as of 30 September 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink that reads 'PKF'.

**Port-of-Spain  
17 June 2014**


Direct tel (868) 624-4569 | Direct fax (868) 624-4388  
Email [pkf-trinidad@trinidad.net](mailto:pkf-trinidad@trinidad.net)  
PKF | 90 Edward Street | Port-of-Spain | PO Bag 250 Belmont | Trinidad | WI

## LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED

## UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <u>ASSETS</u>                                      |              | 30 September                 |                              |
|--|--------------|------------------------------|------------------------------|
|  | <u>Notes</u> | <u>2009</u>                  | <u>2008</u>                  |
| <b>Current Assets:</b>                             |              |                              |                              |
| Cash in hand and at bank                           | 5            | \$ 11,471,567                | \$ 22,849,380                |
| Short term investments                             | 6            | 18,519,968                   | 6,843,169                    |
| Accounts receivable and prepayments                | 7            | 3,291,834                    | 27,421,947                   |
| Inventories  | 8            | 14,596,912                   | 11,473,216                   |
| Deferred charges - Project                         |              | <u>27,250</u>                | <u>416,691</u>               |
| Total Current Assets                               |              | <u>47,907,531</u>            | <u>69,004,403</u>            |
| <b>Non-Current Assets:</b>                         |              |                              |                              |
| Investment in subsidiary                           | 9            | 80                           | 80                           |
| Due from subsidiary                                |              | 45,156                       | 202,080                      |
| Retirement benefit asset                           | 10           | -                            | 3,369,200                    |
| Fixed assets                                       | 11           | <u>92,667,042</u>            | <u>87,012,693</u>            |
| Total Non-Current Assets                           |              | <u>92,712,278</u>            | <u>90,584,053</u>            |
| <b>Total Assets</b>                                |              | <b><u>\$ 140,619,809</u></b> | <b><u>\$ 159,588,456</u></b> |
| <b><u>LIABILITIES AND SHAREHOLDER'S EQUITY</u></b> |              |                              |                              |
| <b>Current Liabilities:</b>                        |              |                              |                              |
| Bank overdraft                                     | 12           | \$ 24,975                    | \$ 654,483                   |
| Accounts payable and accruals                      |              | 6,467,563                    | 33,562,154                   |
| Loans – current portion                            | 13           | <u>2,309,814</u>             | <u>3,583,252</u>             |
| Total Current Liabilities                          |              | 8,802,352                    | 37,799,889                   |
| <b>Non-Current Liabilities:</b>                    |              |                              |                              |
| Loans – non-current portion                        | 13           | 15,267,110                   | 16,728,191                   |
| Deferred taxation                                  | 14           | 8,141,910                    | 6,429,844                    |
| Retirement benefit liability                       | 10           | <u>4,454,700</u>             | <u>-</u>                     |
| Total Liabilities                                  |              | <u>36,666,072</u>            | <u>60,957,924</u>            |
| <b>Shareholder's Equity:</b>                       |              |                              |                              |
| Stated capital                                     | 15           | 73,523,358                   | 73,523,358                   |
| Revaluation reserve                                | 16           | 33,261,760                   | 32,883,510                   |
| Retained earnings                                  |              | <u>(2,831,381)</u>           | <u>(7,776,336)</u>           |
| Total Shareholder's Equity                         |              | <u>103,953,737</u>           | <u>98,630,532</u>            |
| <b>Total Liabilities and Shareholder's Equity</b>  |              | <b><u>\$ 140,619,809</u></b> | <b><u>\$ 159,588,456</u></b> |

These financial statements have been authorized by the Board of Directors for issue on 17 June 2014 and signed on their behalf by:

Director: 

Director: 

(The accompanying notes 1 to 27 on pages 7 to 30 are an integral part of these consolidated financial statements)

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

|                                |              | <b>For the year ended<br/>30 September</b> |                            |
|--------------------------------|--------------|--|----------------------------|
|                                | <u>Notes</u> | <u>2009</u>                                | <u>2008</u>                |
| Revenue                        |              | \$ 141,288,963                             | \$ 223,743,118             |
| Cost of Sales                  |              | <u>(85,857,384)</u>                        | <u>(162,123,258)</u>       |
| Gross Profit                   |              | 55,431,579                                 | 61,619,860                 |
| Other Operating Income         |              | <u>1,356,221</u>                           | <u>251,229</u>             |
|                                |              | <u>56,787,800</u>                          | <u>61,871,089</u>          |
| <b>Expenses:</b>               |              |  |                            |
| Administrative                 | 20           | 18,515,015                                 | 17,965,463                 |
| Operating                      | 21           | 22,147,302                                 | 23,169,653                 |
| Marketing                      | 22           | <u>6,382,381</u>                           | <u>5,059,140</u>           |
|                                |              | <u>47,044,698</u>                          | <u>46,194,256</u>          |
| Operating profit               | 23           | 9,743,102                                  | 15,676,833                 |
| Finance charges                | 25           | <u>(2,803,835)</u>                         | <u>(4,221,605)</u>         |
| Profit before taxation         |              | 6,939,267                                  | 11,455,228                 |
| Taxation                       | 26           | <u>(1,994,312)</u>                         | <u>(3,922,272)</u>         |
| <b>Net profit for the year</b> |              | <u><b>\$ 4,944,955</b></u>                 | <u><b>\$ 7,532,956</b></u> |

(The accompanying notes 1 to 27 on pages 7 to 30 are an integral part of these consolidated financial statements)

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2009**

|  | Stated<br>Capital          | Revaluation<br>Reserve      | Retained<br>Earnings         | Total<br>(\$'000)            |
|--|----------------------------|-----------------------------|------------------------------|------------------------------|
| Balance as at 1 October 2007           | \$73,523,358               | \$ 12,041,862               | \$(15,309,292)               | \$ 70,255,928                |
| Revaluation                            | -                          | 20,841,648                  | -                            | 20,841,648                   |
| Net profit for the year                | -                          | -                           | 7,532,956                    | 7,532,956                    |
| <b>Balance as at 30 September 2008</b> | <b><u>\$73,523,358</u></b> | <b><u>\$ 32,883,510</u></b> | <b><u>\$ (7,776,336)</u></b> | <b><u>\$ 98,630,532</u></b>  |
| Balance as at 1 October 2008           | \$73,523,358               | \$ 32,883,510               | \$ (7,776,336)               | \$ 98,630,532                |
| Net profit for the year                | -                          | -                           | 4,944,955                    | 4,944,955                    |
| Revaluation adjustment                 | -                          | 378,250                     | -                            | 378,250                      |
| <b>Balance as at 30 September 2009</b> | <b><u>\$73,523,358</u></b> | <b><u>\$ 33,261,760</u></b> | <b><u>\$ (2,831,381)</u></b> | <b><u>\$ 103,953,737</u></b> |

(The accompanying notes 1 to 27 on pages 7 to 30 are an integral part of these consolidated financial statements)

## LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED

## UNCONSOLIDATED STATEMENT OF CASH FLOWS

|   | For the year ended<br>30 September |                             |
|---|------------------------------------|-----------------------------|
|   | <u>2009</u>                        | <u>2008</u>                 |
| <b><u>OPERATING ACTIVITIES</u></b>  |                                    |                             |
| Profit before taxation  | \$ 6,939,267                       | \$ 11,455,228               |
| Adjustments to reconcile income before taxation to net cash provided by operating activities: |                                    |                             |
| Non-cash items:   |                                    |                             |
| Deferred charges  | 389,441                            | 97,183                      |
| Depreciation  | 2,185,640                          | 2,294,153                   |
| Retirement benefit surplus  | 9,792,400                          | 223,800                     |
| Bad debts (recovered)/expense   | <u>(156,395)</u>                   | <u>1,409,478</u>            |
|   | 19,150,353                         | 15,479,842                  |
| Net change in operating assets and liabilities (Note 27)                                      | (5,774,855)                        | 8,405,876                   |
| Taxes paid  | (282,246)                          | (447,486)                   |
| Retirement Benefit paid   | <u>(1,968,500)</u>                 | <u>(271,400)</u>            |
| Cash provided by operating activities   | 11,124,752                         | 23,166,832                  |
| <b><u>INVESTING ACTIVITIES</u></b>  |                                    |                             |
| Net change in property, plant and equipment   | (7,461,739)                        | (9,284,401)                 |
| <b><u>FINANCING ACTIVITIES</u></b>  |                                    |                             |
| Repayment of loans  | <u>(2,734,519)</u>                 | <u>(2,020,571)</u>          |
| Net change in cash resources  | 928,494                            | 11,861,860                  |
| Cash resources, beginning of year   | <u>29,038,066</u>                  | <u>17,176,206</u>           |
| Cash and cash equivalents, end of year  | <b><u>\$ 29,966,560</u></b>        | <b><u>\$ 29,038,066</u></b> |
| <b>Represented by:</b>  |                                    |                             |
| Cash in hand and at bank  | \$ 11,471,567                      | \$ 22,849,380               |
| Short-term investments  | 18,519,968                         | 6,843,169                   |
| Bank overdraft  | <u>(24,975)</u>                    | <u>(654,483)</u>            |
|   | <b><u>\$ 29,966,560</u></b>        | <b><u>\$ 29,038,066</u></b> |

(The accompanying notes 1 to 27 on pages 7 to 30 are an integral part of these consolidated financial statements)



**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2009**

**1. Incorporation and Principal Activities:**

The Company is incorporated in the Republic of Trinidad and Tobago. Its principal activities are mining, processing and selling asphalt and related products. The registered office of the Company is Lamp Post 4717, Brighton, La Brea.

The Company has access to the Pitch Lake via a non exclusive lease agreement with the government of Trinidad and Tobago. The Company was continued under the provisions of The Companies Act, 1995, on 27 July 1999. The sole shareholder is the Government of the Republic of Trinidad and Tobago.

The Company has a fully owned subsidiary, Trinidad Asphalt Corporation of America, which was incorporated under the laws of the United States of America. The financial statements of TACA have not been consolidated into the unconsolidated financial statements of Lake Asphalt of Trinidad and Tobago (1978) Limited. The investment shown of \$80 in TACA is immaterial and does not influence the company's financial performance for the period ended 30 September 2009.

**2. Summary of Significant Accounting Policies:**

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

These unconsolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars, rounded to the nearest dollar. These financial statements are stated on the historical cost basis, except for the measurement at fair value of certain financial instruments.

**(b) Use of estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unconsolidated financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

**c) New Accounting Standards and Interpretations**

i) The Company has not applied the following IASs and IFRICs that became effective for accounting periods beginning on or after 1 January 2009, as either they do not apply to the activities of The Company or have no material impact on the financial statements:

|         |   |
|---------|---|
| IAS 1   | Presentation of Financial Statements.           |
| IAS 23  | Borrowing Costs                                 |
| IFRIC 9 | Operating Segments                              |
| IFRS 8  | Agreements for the Construction of Real Estate. |

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**30 SEPTEMBER 2009**

**2. Summary of Significant Accounting Policies (continued)**

**(c) New Accounting Standards and Interpretations (cont'd) -**

ii) The Company has not applied the following IFRSs, IASs and IFRICs which are effective for accounting periods beginning on or after 1 July 2009, as either they do not apply to the activities of The Company or have no material impact on the unconsolidated financial statements:

IFRS 1            First-time Adoption of International Financial Reporting Standards.

IFRS 3            Business Combinations.

IAS 27            Consolidated and Separate Financial Statements.

IFRIC 16        Hedges of a Net Investment in a Foreign Operation.

IFRIC 17        Distributions of Non-cash Assets to Owners.

IFRIC 18        Transfer of Assets from Customers.

iii) The Company has not applied the following IFRIC that became effective for accounting periods beginning on or after 1 July 2010, as either it does not apply to the activities of The Company, has no material impact on the unconsolidated financial statements or the Company has not opted for early adoption:

IFRIC 19        Extinguishing Financial Liabilities with Equity Instruments.

iv) The Company has not applied the following IAS that became effective for accounting periods beginning on or after 1 January 2011, as either it does not apply to the activities of the Company, has no material impact on the unconsolidated financial statements or the Company has not opted for early adoption:

IAS 24            Related Party Disclosures.

v) The Company has not applied the following IFRS that became effective for accounting periods beginning on or after 1 January 2015, as either it does not apply to the activities of the Company, has no material impact on the unconsolidated financial statements or the Company has not opted for early adoption:

IFRS 9            Financial Instruments - Classification and Measurement of Financial Assets.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**2. Summary of Significant Accounting Policies (cont'd):**

**(d) Investments -**

The Company's investments are classified as available-for-sale.

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as "available-for-sale" in accordance with IAS #39.

These investments are carried at their fair values. Realised and unrealised gains and losses arising from changes in the fair value of available-for-sale investments are included in the Unconsolidated Statement of Comprehensive Income in the period they arise. All short term investments of the Company are considered available-for-sale.

**(e) Inventories -**

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the average costing method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Spares are valued at average cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**(f) Fixed assets -**

All property, plant and equipment are initially recorded at cost. Motor vehicles are stated at historical cost less depreciation. All other property, plant and equipment are subsequently shown at market value, based on valuations by external independent valuers, less their subsequent depreciation. Depreciation is provided using the reducing balance method.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

|  |           |
|--|-----------|
| Buildings and structures and plant and machinery | 2% - 2.5% |
| Office furniture and equipment                   | 20.0%     |
| Motor vehicles                                   | 20.0%     |

Land is not depreciated as it is deemed to have indefinite life.

Repairs and maintenance costs are charged to the Unconsolidated Statement of Comprehensive Income when expenditure is incurred.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**2. Summary of Significant Accounting Policies (cont'd):**

**(f) Fixed assets (cont'd) -**

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Unconsolidated Statement of Comprehensive Income. On disposal of revalued assets, amounts in revaluation and other reserves relating to that asset are transferred to retained earnings.

The revaluation of the Company's fixed assets was done by Raymond and Pierre Limited as at 30 September 2008. This resulted in an increase in the revaluation reserve of **\$21,219,898**.

**(g) Investment in subsidiary -**

Investment in subsidiary is stated at cost less any provision for diminution considered to be permanent.

**(h) Pension obligation -**

The Company operates a defined benefit final salary pension plan for eligible employees. Fund managers appointed by the trustees of the plan administer the funds of the plan. The pension plan is generally funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries.

The asset recognized in the Unconsolidated Statement of Financial Position in respect of the defined benefit pension plan is the fair value of the plan's assets less the present value of the defined benefit obligation at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in the service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**2. Summary of Significant Accounting Policies (cont'd):**

**(i) 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 recognised on the Company's Unconsolidated Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

**Financial assets**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the Company 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 derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

**Impairment of financial assets**

The Company assesses at each reporting 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 assets or group of financial assets is impaired includes observable data that comes to the attention of the Company 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.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**2. Summary of Significant Accounting Policies (cont'd):**

**(i) Financial instruments (cont'd) -**

**Impairment of financial assets (cont'd)**

- 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 Company or national or economic conditions that correlate with defaults on assets in the Company.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company 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 loss is or continues to be recognised are not included in a collective assessment of impairment.

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

**i) Financial assets measured at amortised 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 recognised in the Unconsolidated 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 recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Unconsolidated Statement of Comprehensive Income.

**ii) Financial assets measured at cost**

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 recognised in the Unconsolidated Statement of Comprehensive Income. These losses are not reversed.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**2. Summary of Significant Accounting Policies (cont'd):**

**(i) Financial instruments (cont'd) -**

**Financial liabilities**

When financial liabilities are recognised 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 re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised 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 recognised in the Unconsolidated Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

Trade receivable

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Trade payable

Accounts payable are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Bank loans

Bank loans are recognized initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Unconsolidated Statement of Comprehensive Income over the period of the loan using the effective interest method.

Stated capital

The Company's shares are classified as equity.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (cont'd):**

**(j) Leases -**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Unconsolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

**(k) Taxation -**

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the Unconsolidated Statement of Financial Position.

Deferred tax

Deferred income tax is provided in full, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the rate that is expected to apply to the period when the asset is realised or the liability is settled, based on the enacted tax rate at the balance sheet date. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized.

**(l) Income recognition -**

The Company derives its income from the mining, processing and selling of asphalt and related products. Income is recognized to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognized:

Product sales

Sales comprise the fair value of the consideration received and receivable for the sale of goods in the ordinary course of the Company's activities. Sales are recorded and presented net of value-added-tax and incentives. The Company recognises revenue when the amount of revenue and related cost can be reliably measured.

Investment income

Income from investments is accounted for on the accruals basis, consistent with International Accounting Standard (IAS) #18.



**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**2. Summary of Significant Accounting Policies (cont'd):**

**(m) Foreign currency -**

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the Balance Sheet date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Unconsolidated Statement of Comprehensive Income.

**(n) Provisions**

Provisions are recognised when the Company 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 recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting 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.

**(o) Comparative figures -**

Where necessary, comparative amounts have been adjusted to conform with changes in presentation in the current year.

**3. Financial Risk Management:**

**Financial risk factors**

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Company 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 Company 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.

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

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Financial Risk Management (cont'd):**

**Financial risk factors (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 reporting date. The Company relies heavily on written Policies and Procedures Manuals, which sets out in detail the current policies governing the granting of credit function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the Company's credit philosophy; provide policy guidelines to team members involve in the granting of credit; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

The Company's debtors' portfolio is managed and consistently monitored by the Company's management and is adequately secured by collateral and where necessary, provisions have been established for potential credit losses on delinquent accounts.

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

The Company 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 Company has procedures with the object of minimising 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 Company is able to make daily calls on its available cash resources to settle financial and other liabilities.

**Risk management**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Company. The Company employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the highly liquid nature of a substantial segment of the Company's assets as well as generating sufficient cash from operations.

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

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**3. Financial Risk Management (cont'd):**

**Financial risk factors (cont'd)**

**(d) Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**(e) Operational risk -**

Operational risk is the risk derived from deficiencies relating to the Company's information technology and control systems, as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error.

**(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 strong monitoring controls applied by the Company's management.

**(g) Reputation risk -**

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

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS****30 SEPTEMBER 2009****4. Critical Accounting Estimates and Judgments:**

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Company'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 Company 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 Unconsolidated 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.

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

- i) Whether investments are classified as held-to-maturity investments, available-for-sale or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for plant and equipment is used.

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

i) Impairment of assets

Management assesses at each reporting 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 judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**5. Cash in Hand and at Bank:**

|                       | <b>30 September</b>         |                             |
|-----------------------|-----------------------------|-----------------------------|
|                       | <b><u>2009</u></b>          | <b><u>2008</u></b>          |
| Petty cash            | \$ 8,000                    | \$ 8,000                    |
| Republic Bank Limited | 5,621,431                   | 11,684,402                  |
| RBTT Bank Limited     | <u>5,842,136</u>            | <u>11,156,978</u>           |
|                       | <b><u>\$ 11,471,567</u></b> | <b><u>\$ 22,849,380</u></b> |

**6. Short-Term Investments:**

|  | <b>30 September</b>         |                            |
|--|-----------------------------|----------------------------|
|  | <b><u>2009</u></b>          | <b><u>2008</u></b>         |
| Republic Bank Limited – Money Market Fund                | \$ 4,456,917                | \$ 2,729,814               |
| Scotiabank Trinidad and Tobago Limited                   |                             |                            |
| - Certificate of Deposit                                 | 8,270                       | 5,390                      |
| Roytrin Mutual Funds                                     | 4,602,127                   | 2,906,060                  |
| Trinidad and Tobago Unit Trust Corporation – Income Fund | <u>9,452,654</u>            | <u>1,201,905</u>           |
|  | <b><u>\$ 18,519,968</u></b> | <b><u>\$ 6,843,169</u></b> |

**7. Accounts Receivable and Prepayments:**

|                                   | <b>30 September</b>        |                            |
|-----------------------------------|----------------------------|----------------------------|
|                                   | <b><u>2009</u></b>         | <b><u>2008</u></b>         |
| a) Trade receivables              | \$ 5,482,784               | \$29,769,292               |
| Less: Provision for bad debts     | <u>(2,190,950)</u>         | <u>(2,347,345)</u>         |
|                                   | <b><u>\$ 3,291,834</u></b> | <b><u>\$27,421,947</u></b> |
| b) <u>Provision for Bad Debts</u> |                            |                            |
| Balance, beginning of year        | \$ 2,347,345               | \$ 937,867                 |
| Charge for the year               | -                          | 1,409,478                  |
| Bad debts recovered               | <u>(156,395)</u>           | <u>-</u>                   |
| Balance, end of year              | <b><u>\$ 2,190,950</u></b> | <b><u>\$ 2,347,345</u></b> |

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**8. Inventories:**

|                | <b>30 September</b>         |                             |
|----------------|-----------------------------|-----------------------------|
|                | <b><u>2009</u></b>          | <b><u>2008</u></b>          |
| Spares         | \$ 3,363,547                | \$ 5,107,328                |
| Finished goods | 10,420,196                  | 5,860,718                   |
| Raw materials  | <u>813,169</u>              | <u>505,170</u>              |
|                | <b><u>\$ 14,596,912</u></b> | <b><u>\$ 11,473,216</u></b> |

**9. Investment in Subsidiary:**

This balance represents an investment in Trinidad Asphalt Corporation of America.

**10. Retirement Benefit Asset/(Liability):**

|  | <b>30 September</b>         |                             |
|--|-----------------------------|-----------------------------|
|  | <b><u>2009</u></b>          | <b><u>2008</u></b>          |
| <b>(a) Change in Defined Benefit Obligations</b>     |                             |                             |
| Employees' Plan obligations                          | \$ 21,803,400               | \$ -                        |
| Pensions secured by annuities previously excluded    | 2,820,700                   | -                           |
| Defined benefit obligations at start                 | 9,355,800                   | 7,986,400                   |
| Service cost   | 1,527,100                   | 431,300                     |
| Past service cost                                    | 13,818,100                  | -                           |
| Interest cost  | 3,529,300                   | 667,700                     |
| Contributions  | 615,100                     | 271,400                     |
| Benefits Paid  | (2,338,400)                 | (21,800)                    |
| Expenses paid  | (133,700)                   | -                           |
| Net unrealized actuarial losses/unutilizable (Asset) | -                           | 25,700                      |
| Actuarial loss                                       | <u>(2,237,000)</u>          | <u>(4,900)</u>              |
| <b>Defined Benefit Obligation at end</b>             | <b><u>\$ 48,760,400</u></b> | <b><u>\$ 9,355,800</u></b>  |
| <b>(b) Change in Plan Assets</b>                     |                             |                             |
| Plan assets at start of year                         | \$ 12,725,000               | \$ 11,308,000               |
| Employees' Plan assets                               | 25,973,300                  | -                           |
| Annuities previously excluded                        | 2,820,700                   | -                           |
| Expected return on Plan assets                       | 3,093,200                   | 867,300                     |
| Actuarial (loss)/gain                                | (418,000)                   | 28,700                      |
| Contributions  | 2,583,600                   | 542,800                     |
| Benefits Paid  | (2,338,400)                 | (21,800)                    |
| Expenses paid  | <u>(133,700)</u>            | <u>-</u>                    |
| <b>Plan Assets at end of year</b>                    | <b><u>\$ 44,305,700</u></b> | <b><u>\$ 12,725,000</u></b> |

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**10. Retirement Benefit Asset/(Liability) (cont'd):**

|  | <b>30 September</b>          |                            |
|--|------------------------------|----------------------------|
|  | <b><u>2009</u></b>           | <b><u>2008</u></b>         |
| <b>(c) Items for Inclusion in Statement of Financial Position</b>                        |                              |                            |
| Defined benefit obligation   | \$(48,760,400)               | \$ (9,355,800)             |
| Fair value of assets   | <u>44,305,700</u>            | <u>12,725,000</u>          |
| <b>Net IAS #19 Defined Benefit Asset</b>   | <b><u>\$ (4,454,700)</u></b> | <b><u>\$ 3,369,200</u></b> |
| <br>   |                              |                            |
| <b>(d) Items for Inclusion in the Statement of Comprehensive Income</b>                  |                              |                            |
| Current service cost   | \$ 1,527,100                 | \$ 431,300                 |
| Interest cost  | 3,529,300                    | 667,700                    |
| Expected return on Plan assets   | (3,093,200)                  | (867,300)                  |
| Decrease in un-utilisable asset  | -                            | (7,900)                    |
| Past service cost  | 13,818,100                   | -                          |
| Net gain   | <u>(1,819,000)</u>           | <u>-</u>                   |
| <b>Net Pension Cost</b>  | <b><u>\$ 13,962,300</u></b>  | <b><u>\$ 223,800</u></b>   |
| <br>   |                              |                            |
| <b>(e) Reconciliation of Opening and Closing Statement of Financial Position entries</b> |                              |                            |
| Opening defined benefit liability  | \$ 3,369,200                 | \$ 3,321,600               |
| Employees' Plan  | 4,169,900                    | -                          |
| Net pension benefit  | (13,962,300)                 | (223,800)                  |
| Company contributions paid   | <u>1,968,500</u>             | <u>271,400</u>             |
| <b>Closing Defined Benefit (Liability)/Asset</b>   | <b><u>\$ (4,454,700)</u></b> | <b><u>\$ 3,369,200</u></b> |
| <br>   |                              |                            |
| <b>(f) Actual Return on Plan Assets</b>  |                              |                            |
| Expected return on Plan assets   | \$ 3,093,200                 | \$ 867,300                 |
| Actuarial (loss)/gain on Plan assets   | <u>(418,000)</u>             | <u>28,700</u>              |
| <b>Actual Return on Plan Assets</b>  | <b><u>\$ 2,675,200</u></b>   | <b><u>\$ 896,000</u></b>   |

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**10. Retirement Benefit Asset/(Liability) (cont'd):**

|   | <b>30 September</b> |                    |
|---|---------------------|--------------------|
|   | <b><u>2009</u></b>  | <b><u>2008</u></b> |
| <b>(g) Summary of Principal Assumptions as at 30 September 2009</b> |                     |                    |
| Discount rate   | 7.50%               | 7.00 – 8.00%       |
| Salary increases  | 6.00%               | 6.00%              |
| Expected return on assets   | 7.50%               | 7.00 – 7.50%       |
| Pension increases   | 0.00%               | 0.00%              |

Expected rate of return on assets set by reference to estimated long-term returns on the Plan's strategic asset allocation. Allowance is made for some excess performance from the Plan's equity portfolio.



## LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2009

11. Fixed Assets:

|                                 | <u>Freehold<br/>Land</u> | <u>Building,<br/>Structures<br/>and Plant<br/>and<br/>Machinery</u> | <u>Office<br/>Furniture<br/>and<br/>Equipment</u> | <u>Motor<br/>Vehicles</u> | <u>Capital<br/>Work-in-<br/>Progress</u> | <u>Total</u>         |
|---------------------------------|--------------------------|---|---|---------------------------|--|----------------------|
| <b>Cost/Valuation</b>           |                          |   |   |                           |  |                      |
| Balance as at 1 October 2008    | \$ 7,210,000             | \$85,538,019  | \$ 6,139,705                                      | \$1,895,577               | \$ -                                     | \$ 100,783,301       |
| Revaluation adjustments         | -                        | (2,446,896)   | 6,701,844   | -                         | -  | 4,254,948            |
| Additions                       | -                        | 6,024,304   | 815,036   | 399,918                   | 25,000                                   | 7,264,258            |
| Transfers/re-classifications    | -                        | (23,886)  | 11,367  | 210,000                   | -  | 197,481              |
| Balance as at 30 September 2009 | <u>7,210,000</u>         | <u>89,091,541</u>   | <u>13,667,952</u>                                 | <u>2,505,495</u>          | <u>25,000</u>                            | <u>112,499,988</u>   |
| <b>Accumulated Depreciation</b> |                          |   |   |                           |  |                      |
| Balance as at 1 October 2008    | -                        | 8,229,133   | 4,046,141   | 1,495,334                 | -  | 13,770,608           |
| Charge for the year             | -                        | 1,478,630   | 550,063   | 156,947                   | -  | 2,185,640            |
| Revaluation adjustments         | -                        | 1,642,750   | 2,233,948   | -                         | -  | 3,876,698            |
| Balance as at 30 September 2009 | <u>-</u>                 | <u>11,350,513</u>   | <u>6,830,152</u>                                  | <u>1,652,281</u>          | <u>-</u>                                 | <u>19,832,946</u>    |
| <b>Net Book Value</b>           |                          |   |   |                           |  |                      |
| Balance as at 30 September 2009 | <u>\$ 7,210,000</u>      | <u>\$77,741,028</u>   | <u>\$ 6,837,800</u>                               | <u>\$ 853,214</u>         | <u>\$ 25,000</u>                         | <u>\$ 92,667,042</u> |
| Balance as at 30 September 2008 | <u>\$ 7,210,000</u>      | <u>\$77,308,886</u>   | <u>\$ 2,093,564</u>                               | <u>\$ 400,243</u>         | <u>\$ -</u>                              | <u>\$ 87,012,693</u> |

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**

30 SEPTEMBER 2009

**11. Fixed Assets (Cont'd):**

| <b>Cost/Valuation</b>           | <b>Freehold Land</b> | <b>Building, Structures and Plant and Machinery</b> | <b>Office Furniture and Equipment</b> | <b>Motor Vehicles</b> | <b>Capital Work-in-Progress</b> | <b>Total</b>         |
|---------------------------------|----------------------|---|---------------------------------------|-----------------------|---------------------------------|----------------------|
| Balance as at 1 October 2007    | \$ 3,600,000         | \$ 60,250,237                                       | \$ 5,163,373                          | \$ 1,511,577          | \$ 132,065                      | \$ 70,657,252        |
| Additions                       | -                    | 8,411,551   | 906,970                               | 384,000               | -                               | 9,702,521            |
| Revaluation                     | 3,610,000            | 17,231,648  | -                                     | -                     | -                               | 20,841,648           |
| Transfer/re-classification      | -                    | (355,417)   | 69,362                                | -                     | (132,065)                       | (418,120)            |
| Balance as at 30 September 2008 | <u>7,210,000</u>     | <u>85,538,019</u>                                   | <u>6,139,705</u>                      | <u>1,895,577</u>      | <u>-</u>                        | <u>100,783,301</u>   |
| <b>Accumulated Depreciation</b> |                      |   |                                       |                       |                                 |                      |
| Balance as at 1 October 2007    | -                    | 6,714,801   | 3,372,735                             | 1,388,919             | -                               | 11,476,455           |
| Charge for the year             | -                    | 1,514,332   | 673,406                               | 106,415               | -                               | 2,294,153            |
| Balance as at 30 September 2008 | <u>-</u>             | <u>8,229,133</u>                                    | <u>4,046,141</u>                      | <u>1,495,334</u>      | <u>-</u>                        | <u>13,770,608</u>    |
| <b>Net Book Value</b>           |                      |   |                                       |                       |                                 |                      |
| Balance as at 30 September 2008 | <u>\$ 7,210,000</u>  | <u>\$ 77,308,886</u>                                | <u>\$ 2,093,564</u>                   | <u>\$ 400,243</u>     | <u>\$ -</u>                     | <u>\$ 87,012,693</u> |
| Balance as at 30 September 2007 | <u>\$ 3,600,000</u>  | <u>\$ 53,535,436</u>                                | <u>\$ 1,790,638</u>                   | <u>\$ 122,658</u>     | <u>\$ 132,065</u>               | <u>\$ 59,180,797</u> |

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**12. Bank Overdraft:**

The Company has the following overdraft facilities:

Republic Bank Limited

The Company has a current facility of **\$4 million**. Interest is charged at 19.5% per annum. This facility is secured by a lien over Money Market Fund Investment of **\$2.5 million**.

RBTT Bank Limited

The Company has a current facility of **\$2.5 million**. Interest is charged at 12.5% per annum. This facility has been secured by the sub-ordination of the liability of the Petroleum Company of Trinidad and Tobago in the amount of **\$5 million**.

**13. Loans:**

|                                     | <b>30 September</b>         |                             |
|-------------------------------------|-----------------------------|-----------------------------|
|                                     | <b><u>2009</u></b>          | <b><u>2008</u></b>          |
| RBTT Bank Limited Drawdown Facility | \$ 16,521,260               | \$ 17,320,894               |
| Republic Bank Limited               | <u>1,055,664</u>            | <u>2,990,549</u>            |
|                                     | 17,576,924                  | 20,311,443                  |
| Less: Current portion               | <u>(2,309,814)</u>          | <u>(3,583,252)</u>          |
| Non-current portion                 | <b><u>\$ 15,267,110</u></b> | <b><u>\$ 16,728,191</u></b> |

The RBTT Bank Limited Drawdown Facility generates interest subject to prevailing market rates and the currency of the Advance. Interest is charged at 10.5% per annum. The term of the facility is for one hundred and twenty (120) months. The facility is secured by **\$2.5 million** held in a Roytrin account and a demand mortgage over the Company's Pelletization Plant.

A **\$5,500,000** loan was granted by Republic Bank Limited for the purpose of financing the Company's blended asphalt cement plant upgrade. The term of the loan is thirty-six (36) months. Interest is accrued at 11.75% per annum and the principal is repayable by monthly instalments of **\$182,023**. The loan is secured by **\$2,500,000** of the Company's Money Market Fund.

**LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2009**

**14. Deferred Taxation:**

|   | <b>30 September</b>          |                              |
|---|------------------------------|------------------------------|
|   | <b><u>2009</u></b>           | <b><u>2008</u></b>           |
| Balance at beginning of the year                          | \$ (6,429,844)               | \$ (2,955,058)               |
| Effect of statement of income                             | <u>(1,712,066)</u>           | <u>(3,474,786)</u>           |
| Balance at end of the year                                | <u>(8,141,910)</u>           | <u>(6,429,844)</u>           |
| Deferred taxation is attributable to the following items: |                              |                              |
| Excess of net book value over written-down tax value      | (13,818,771)                 | (12,893,604)                 |
| Retirement Benefit Asset                                  | 1,113,675                    | (842,300)                    |
| Tax losses carried forward                                | <u>4,563,186</u>             | <u>7,306,060</u>             |
|   | <b><u>\$ (8,141,910)</u></b> | <b><u>\$ (6,429,844)</u></b> |

**15. Stated Capital:**

|   | <b>30 September</b>         |                             |
|---|-----------------------------|-----------------------------|
|   | <b><u>2009</u></b>          | <b><u>2008</u></b>          |
| <b>Authorised</b>   |                             |                             |
| Unlimited number of ordinary shares of no par value       |                             |                             |
| <b>Issued and fully paid</b>                              |                             |                             |
| 26,836,962 ordinary shares of no par value                | \$ 26,836,962               | \$ 26,836,962               |
| 46,686,396 5% non-cumulative redeemable preference shares | <u>46,686,396</u>           | <u>46,686,396</u>           |
|   | <b><u>\$ 73,523,358</u></b> | <b><u>\$ 73,523,358</u></b> |

**16. Revaluation Reserve:**

This represents unrealised profits resulting from the difference between the market value and the book value of properties subjected to professional valuation.

**17. Related Party Transactions:**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

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**17. Related Party Transactions (cont'd):**

Balances and transactions with related parties and key management personnel during the year were as follows:

|                                    | <b>30 September</b> |                    |
|------------------------------------|---------------------|--------------------|
|                                    | <b><u>2009</u></b>  | <b><u>2008</u></b> |
| <b>Assets</b>                      |                     |                    |
| Amounts due from related companies | <b>\$ 45,156</b>    | <b>\$ 202,080</b>  |
| <b>Key management compensation</b> |                     |                    |
| Short-term benefits                | 1,902,654           | 66,058             |
| Post employment benefits           | 35,630              | 39,342             |
|                                    | <b>\$ 1,938,284</b> | <b>\$ 105,400</b>  |

**18. Fair Values:**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. See Note 2 (d). Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

**19. Capital Risk Management:**

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders. The Company's overall strategy remains unchanged from previous years.

The capital structure of the Company consists of equity attributable to shareholders, and comprises stated capital, revaluation reserve and accumulated deficit.

## LAKE ASPHALT OF TRINIDAD AND TOBAGO (1978) LIMITED

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20. Administrative Expenses:

|                       | 30 September         |                      |
|-----------------------|----------------------|----------------------|
|                       | <u>2009</u>          | <u>2008</u>          |
| Professional services | \$ 1,844,050         | \$ 1,181,524         |
| Salaries and wages    | 14,040,669           | 13,192,006           |
| Temporary payroll     | <u>2,630,296</u>     | <u>3,591,933</u>     |
|                       | <u>\$ 18,515,015</u> | <u>\$ 17,965,463</u> |

21. Operating Expenses:

|                               | 30 September         |                      |
|-------------------------------|----------------------|----------------------|
|                               | <u>2009</u>          | <u>2008</u>          |
| Amenities                     | \$ 1,272,920         | \$ 1,610,918         |
| Bad debts (net of recoveries) | (196,822)            | 1,373,973            |
| Clothing and safety           | 1,321,833            | 266,713              |
| Contract                      | 7,074,360            | 6,300,661            |
| Contributions and donations   | 364,583              | 276,992              |
| Depreciation                  | 2,185,640            | 2,294,153            |
| Directors' fees               | 322,950              | 153,600              |
| Fuel and power                | 567,361              | 824,641              |
| Green Fund Levy               | 142,681              | 223,742              |
| Insurance                     | 796,837              | 960,475              |
| Medical supplies              | 13,453               | 107,342              |
| Membership subscription       | 331,095              | 198,833              |
| Miscellaneous                 | 920,820              | 735,747              |
| Other materials and supplies  | 2,803,692            | 2,598,633            |
| Radio, fax, communication     | 99,507               | 90,984               |
| Rentals                       | 3,003,006            | 3,483,826            |
| Spares                        | 1,618                | 2,556                |
| Taxes and licence             | 99,907               | 582,970              |
| Telephone                     | 450,831              | 502,994              |
| Training                      | <u>571,030</u>       | <u>579,900</u>       |
|                               | <u>\$ 22,147,302</u> | <u>\$ 23,169,653</u> |

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**22. Marketing Expenses:**

|                              | <b>30 September</b>        |                            |
|------------------------------|----------------------------|----------------------------|
|                              | <b><u>2009</u></b>         | <b><u>2008</u></b>         |
| Business travel              | \$ 1,418,175               | \$ 1,406,215               |
| Freight and marine insurance | 764,614                    | 525,145                    |
| Sales promotion              | 1,636,953                  | 789,296                    |
| Shipping                     | <u>2,562,639</u>           | <u>2,338,484</u>           |
|                              | <b><u>\$ 6,382,381</u></b> | <b><u>\$ 5,059,140</u></b> |

**23. Operating Profit:**

The following items have been charged in arriving at operating profit:

|                       | <b>30 September</b> |                    |
|-----------------------|---------------------|--------------------|
|                       | <b><u>2009</u></b>  | <b><u>2008</u></b> |
| Staff costs (Note 24) | \$ 38,518,232       | \$ 30,725,948      |
| Depreciation          | 2,185,640           | 2,294,153          |
| Directors' fees       | 322,950             | 153,600            |

**24. Staff Costs:**

|                    | <b>30 September</b>         |                             |
|--------------------|-----------------------------|-----------------------------|
|                    | <b><u>2009</u></b>          | <b><u>2008</u></b>          |
| Salaries and wages | \$ 21,539,749               | \$ 23,087,793               |
| Pension costs      | 9,520,023                   | 1,414,758                   |
| Other benefits     | 6,104,404                   | 4,993,930                   |
| National insurance | <u>1,354,056</u>            | <u>1,229,467</u>            |
|                    | <b><u>\$ 38,518,232</u></b> | <b><u>\$ 30,725,948</u></b> |

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**25. Finance Charges:**

|                   | 30 September               |                            |
|-------------------|----------------------------|----------------------------|
|                   | <u>2009</u>                | <u>2008</u>                |
| Bank charges      | \$ 221,802                 | \$ 216,401                 |
| Interest expenses | <u>2,582,033</u>           | <u>4,005,204</u>           |
|                   | <b><u>\$ 2,803,835</u></b> | <b><u>\$ 4,221,605</u></b> |

**26. Taxation:**

|  | 30 September                 |                              |
|--|------------------------------|------------------------------|
|  | <u>2009</u>                  | <u>2008</u>                  |
| Business Levy                            | \$ (282,246)                 | \$ (447,486)                 |
| Deferred taxation                        | <u>(1,712,066)</u>           | <u>(3,474,786)</u>           |
|  | <b><u>\$ (1,994,312)</u></b> | <b><u>\$ (3,922,272)</u></b> |
| Profit before taxation                   | <u>6,939,267</u>             | <u>11,455,228</u>            |
| Tax calculated @ 25%                     | (1,734,817)                  | (2,863,807)                  |
| Income not subject to tax                | 100,361                      | 15,113                       |
| Business Levy                            | (282,246)                    | (447,486)                    |
| Expenses not deductible for tax purposes | (77,610)                     | (468,677)                    |
| Other                                    | <u>-</u>                     | <u>(157,415)</u>             |
|  | <b><u>\$ (1,994,312)</u></b> | <b><u>\$ (3,922,272)</u></b> |

**27. Net Changes in Operating Assets and Liabilities:**

|   | 30 September                 |                            |
|---|------------------------------|----------------------------|
|   | <u>2009</u>                  | <u>2008</u>                |
| Net change in accounts receivable and prepayments | \$ 24,286,508                | \$ (6,194,607)             |
| Net change in inventories                         | (3,123,696)                  | (2,013,955)                |
| Net change in accounts payable and accruals       | (27,094,591)                 | 16,614,438                 |
| Net change in due from subsidiary                 | <u>156,924</u>               | <u>-</u>                   |
|   | <b><u>\$ (5,774,855)</u></b> | <b><u>\$ 8,405,876</u></b> |