



Chartered Accountants
& Business Advisors

METAL INDUSTRIES COMPANY LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2012



Chartered Accountants
& Business Advisors

METAL INDUSTRIES COMPANY LIMITED

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METAL INDUSTRIES COMPANY LTD.

TOOL AND
DIE MAKERS

PRODUCT
DESIGNERS

MANUFACTURING
ENGINEERS

TRAINING FOR INDUSTRY

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Metal Industries Company Limited

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 judgments and estimates, in conformity with International Financial Reporting Standards. Management is 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.

Director

Date 16/09/2014

Director

Date 16/09/14.



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INDEPENDENT AUDITORS' REPORT

The Shareholders Metal Industries Company Limited

We have audited the accompanying financial statements of Metal Industries Company Limited, which comprise the statement of financial position as at 30 September 2012, 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 information.

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, 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 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.

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Directors

| Reneé-Lisa Phillip | Mark K. Superville



Chartered Accountants
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INDEPENDENT AUDITORS' REPORT (CONT'D)

Basis for Qualified Opinion

International Accounting Standard 20 – Accounting for Government Grants and Disclosure of Government Assistance requires grants relating to depreciable assets to be recognised in the Statement of Comprehensive Income over the period and in direct proportion to the depreciation of the asset purchased with the grant. Notwithstanding the fore-going, management has opted to treat capital grants received from the Government of the Republic of Trinidad and Tobago as revenue grants and recognise them immediately in the Statement of Comprehensive Income, contrary to the requirements of International Accounting Standard 20.

The company did not maintain proper records in relation to Inventories as at 30 September 2012. We were therefore unable to satisfy ourselves as to the accuracy and completeness of inventory balances stated in the Statement of Financial Position as at 30 September 2012.

The company did not maintain a Fixed Asset Register as at 30 September 2012 and therefore we were unable to satisfy ourselves as to the accuracy and completeness of the Property, Plant and Equipment balance disclosed in the Statement of Financial Position as at 30 September 2012.

The company did not maintain proper records in relation to its transactions with the National Skills Development Programme (NSDP) and the Helping You Prepare for Employment (HYPE) programmes as at 30 September 2012. We were therefore unable to satisfy ourselves as to the accuracy and completeness of the related balances for Cash at Bank – Restricted, Short Term Investments - Restricted and Due to Related Parties.

The company did not prepare proper schedules and reconciliations for various receivable and payable accounts as at 30 September 2012. We were therefore unable to satisfy ourselves as to the accuracy and completeness of balances included in Accounts Receivable and Prepayments and Accounts Payable and Accruals.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Metal Industries Company Limited as of 30 September 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2 (l) in the financial statements which discloses that as at 30 September 2012, the company's current liabilities exceeded its current assets by **\$29,774,901**. In the absence of continued support from the Government of the Republic of Trinidad and Tobago, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. Our opinion was not qualified in respect of this matter.

16 September 2014
Port of Spain

METAL INDUSTRIES COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

		<u>ASSETS</u>	
		30 September	
	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Current Assets:			
Cash in hand and at bank	5	\$ 4,119,264	\$ 8,789,578
Cash at bank - restricted	6	35,192,506	21,093,442
Short-term investments	7	30,295,090	29,936,351
Short-term investments - restricted	8	9,500,000	9,500,000
Accounts receivable and prepayments	9	2,437,791	4,296,259
Inventories	11	<u>6,138,561</u>	<u>4,165,643</u>
Total Current Assets		<u>87,683,212</u>	<u>77,781,273</u>
Non-Current Assets:			
Deferred taxation	11	2,339,934	1,630,850
Property, plant and equipment	12	<u>32,988,987</u>	<u>32,738,337</u>
Total Non-Current Assets		<u>35,328,921</u>	<u>34,369,187</u>
Total Assets		<u>\$ 123,012,133</u>	<u>\$ 112,150,460</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Current Liabilities:			
Accounts payable and accruals	13	\$ 14,765,555	\$ 12,025,747
Deferred income	14	1,837,424	-
Due to related parties (net)	15	99,688,057	91,341,382
Taxation payable		<u>1,167,077</u>	<u>1,073,508</u>
Total Current Liabilities		<u>117,458,113</u>	<u>104,440,637</u>
Non-Current Liabilities:			
Capital grants	16	<u>501,303</u>	<u>514,943</u>
Total Non-Current Liabilities		<u>501,303</u>	<u>514,943</u>
Total Liabilities		<u>117,959,416</u>	<u>104,955,580</u>
Shareholders' Equity:			
Stated capital	17	2,072,200	2,072,200
Retained earnings		<u>2,980,517</u>	<u>5,122,680</u>
Total Shareholders' Equity		<u>5,052,717</u>	<u>7,194,880</u>
Total Liabilities and Shareholders' Equity		<u>\$ 123,012,133</u>	<u>\$ 112,150,460</u>

These financial statements were approved by the Board of Directors and authorised for issue on 16 September 2014 and signed on their behalf by:



Director



Director

(The accompany notes are an integral part of these financial statements)

METAL INDUSTRIES COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 30 September	
	<u>Notes</u>	<u>2012</u>	<u>2011</u>
Revenue:			
Operating revenue		\$ 7,975,578	\$ 7,435,374
Management fees		29,626,965	21,296,316
Subventions		5,809,076	6,466,366
Amortisation of capital grant		<u>13,640</u>	<u>13,640</u>
		43,425,259	35,211,696
Operating Expenses:			
Production costs	21	7,402,552	8,285,671
Depreciation		2,183,586	1,670,584
Operating costs	22	<u>37,016,289</u>	<u>30,135,719</u>
		<u>46,602,427</u>	<u>40,091,974</u>
Operating loss		(3,177,168)	(4,880,278)
Other Income/(Expense):			
Interest income		394,871	842,036
Interest expense		(383)	(2,055)
Gain on foreign exchange		44,727	27,888
Gain on disposal of fixed assets		<u>-</u>	<u>45,652</u>
		<u>439,215</u>	<u>913,521</u>
Net loss before taxation		(2,737,953)	(3,966,757)
Taxation	23	<u>595,790</u>	<u>985,865</u>
Net loss for the year		<u>\$ (2,142,163)</u>	<u>\$ (2,980,892)</u>

(The accompany notes are an integral part of these financial statements)

METAL INDUSTRIES COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Stated Capital (\$'000)	Retained Earnings (\$'000)	Total (\$'000)
Balance as at 1 October 2010	\$ 2,072,200	\$ 8,103,572	\$ 10,175,772
Net loss for the year	<u>-</u>	<u>(2,980,892)</u>	<u>(2,980,892)</u>
Balance as at 1 October 2011	2,072,200	5,122,680	7,194,880
Net loss for the year	<u>-</u>	<u>(2,142,163)</u>	<u>(2,142,163)</u>
Balance as at 30 September 2012	<u>\$ 2,072,200</u>	<u>\$ 2,980,517</u>	<u>\$ 5,052,717</u>

(The accompany notes are an integral part of these financial statements)

METAL INDUSTRIES COMPANY LIMITED

STATEMENT OF CASH FLOWS

	For the year ended 30 September	
	<u>2012</u>	<u>2011</u>
Operating Activities:		
Net loss before taxation	\$ (2,737,953)	\$ (3,966,757)
Adjustments:		
Depreciation	2,183,586	1,670,584
Amortisation of capital grant	(13,640)	(13,640)
Subvention utilised	(5,809,076)	(6,466,366)
Provision for obsolescence	(667,071)	-
Profit on disposal of fixed assets	-	(45,652)
Bad debts provision	<u>847,551</u>	<u>498,618</u>
	(6,196,603)	(8,323,213)
Net change in accounts receivable and prepayments	1,010,917	476,928
Net change in inventories	(1,305,847)	(8,971)
Net change in accounts payable and accrued liabilities	2,739,808	1,679,210
Net change in amount due to related parties	<u>8,346,675</u>	<u>(1,309,830)</u>
	4,594,950	(7,485,876)
Taxation paid	<u>(19,725)</u>	<u>(639,085)</u>
Cash provided by/(used in) Operating Activities	<u>4,575,225</u>	<u>(8,124,961)</u>
Investing Activities:		
Net additions to property, plant and equipment	(2,434,236)	(3,469,937)
Proceeds from disposal of fixed assets	<u>-</u>	<u>45,652</u>
Cash used in Investing Activities	<u>(2,434,236)</u>	<u>(3,424,285)</u>
Financing Activities:		
Subventions received	<u>7,646,500</u>	<u>5,577,000</u>
Cash provided by Financing Activities	<u>7,646,500</u>	<u>5,577,000</u>
Net change in cash and cash equivalents	9,787,489	(5,972,246)
Cash and cash equivalents:		
- at beginning of year	<u>69,319,371</u>	<u>75,291,617</u>
- at end of year	<u>\$ 79,106,860</u>	<u>\$ 69,319,371</u>
Represented by:		
Cash in hand and at bank	\$ 4,119,264	\$ 8,789,578
Cash at bank - restricted	35,192,506	21,093,442
Short-term investment	30,295,090	29,936,351
Short-term investment - restricted	<u>9,500,000</u>	<u>9,500,000</u>
	<u>\$ 79,106,860</u>	<u>\$ 69,319,371</u>

(The accompany notes are an integral part of these financial statements)

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

1. Incorporation and Principal Business Activities:

Metal Industries Company Limited (the Company) was incorporated in the Republic of Trinidad and Tobago on 11 December 1974. The Company's registered office is situated at Century Drive, Trincity. Its principal activities are the training of personnel in the manufacturing of tools, dyes, moulds and precision parts and the provision of product design, manufacturing and industrial engineering services.

These financial statements were approved for issue by the Board of Directors on 16 September 2014.

2. Significant Accounting Policies:

(a) Basis of financial statements preparation -

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations issued and adopted by the International Accounting Standards Board. These financial statements are stated on the historical cost basis, except for the measurement at fair value of available-for-sale investments and certain other financial instruments. No account has been taken for the effects of inflation. The financial statements are stated in Trinidad and Tobago dollars which is the Company's functional currency.

(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 judgement in the process of applying the Company's accounting policies. It also required 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 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Notes 2(d) and 9	-	Property, plant and equipment
Notes 2(e) and 10	-	Inventories
Notes 2(e) and 8	-	Accounts receivable and prepayments
Note 16	-	Capital grants

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations -

The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

Effective for annual periods beginning on or after 1 July 2011

IFRS 1	First-time Adoption of International Financial Reporting Standards - Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs'
IFRS 1	First-time Adoption of International Financial Reporting Standards - Additional exemption for entities ceasing to suffer from severe hyperinflation
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets

Effective for annual periods beginning on or after 1 January 2012

IAS 12	Income Taxes – Income Taxes - Limited scope amendment (recovery of underlying assets)
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Effective for annual periods beginning on or after 1 July 2012

IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented
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Effective for annual periods beginning on or after 1 January 2013

IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

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

Effective for annual periods beginning on or after 1 January 2013 (cont'd)

IFRS 7	Financial Instruments: Disclosures - Amendments relating to offsetting of assets and liabilities
IFRS 10	Consolidated Financial Statements
IFRS 10	Consolidated Financial Statements – Amendments to transitional guidance
IFRS 11	Joint Arrangements
IFRS 11	Joint Arrangements - Amendments to transitional guidance
IFRS 12	Disclosure of Interests in Other Entities
IFRS 12	Disclosure of Interests in Other Entities - Amendments to transitional guidance
IFRS 13	Fair Value Measurements
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)
IAS 19	Employee Benefits - Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim May reporting of segment assets)
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

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

Effective for annual periods beginning on or after 1 January 2014

IAS 32 Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities

IFRIC 21 Levies

Effective for annual periods beginning on or after 1 January 2016

IFRS 14 Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2018

IFRS 9 Financial Instruments - Classification and measurement of financial assets

IFRS 9 Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements

(d) Property, plant and equipment -

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses, except for certain granted assets which are stated at values provided by the United Nations Industrial Development Organisation (UNIDO). The Company recognises in the carrying amount of an item of PPE, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably.

All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

When parts of an item of fixed assets have different useful lives, those compartments are accounted for as separate items of PPE.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

(d) Property, plant and equipment -

Depreciation is calculated using the straight-line basis over the estimated useful lives of each item of PPE at the following rates:

Leasehold land and building	over the term of the lease
Buildings	1.75%
Air conditioning equipment	10%
Machinery and equipment	7% to 25%
Office furniture and equipment	7% to 10%
Tools	50%
Motor vehicles	25%

The assets' residual values and useful lives are reviewed at each Statement of Financial Position 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 within the "Gain/Loss on Disposal" account in the Statement of Comprehensive Income.

(e) 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 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.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

(e) Impairment of financial assets -

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

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

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the 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.
- 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.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

(e) Financial instruments (cont'd) -

Impairment of financial assets (cont'd)

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 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 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 Statement of Comprehensive Income. These losses are not reversed.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Significant Accounting Policies (Cont'd):

(e) 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 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 receivables

Trade receivables are measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Bank loans

Bank loans are recognised 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 recognised in the Statement of Comprehensive Income over the period of the loan using the effective interest method.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the first-in first-out basis for raw materials and on estimated standard cost for finished goods and work-in-progress. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Significant Accounting Policies (Cont'd):

(f) Revenue recognition -

Workshop sales

Revenue from the sale of goods is recognised in the Statement of Comprehensive Income when the significant risk and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Sales are recognised net of Value Added Tax and discounts.

(g) Foreign currency -

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the Statement of Financial Position 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 Statement of Comprehensive Income.

(h) Government grants -

Government grants related to fixed assets are deferred in the Statement of Financial Position and amortised over the estimated useful lives of the assets to which it relates.

Government grants related to income is included in the Statement of Comprehensive Income in the period received.

Government grants designated for specific projects is deferred in the Statement of Financial Position and matched with the related project expenditure in the Statement of Comprehensive Income over the life of the project.

(i) Provisions -

A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments at the time value of money and, where appropriate, the risks specific to the liability.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Significant Accounting Policies (Cont'd):

(j) Taxation -

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case, it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or subsequently enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the Statement of Financial Position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or subsequently enacted at the Statement of Financial Position date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each Statement of Financial Position date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) NSDP, HYPE and MuST -

The Company administers and operates the National Skills Development Programme (NSDP), the Helping You Prepare for Employment (HYPE) Programme and the Multi-sector Skills Training (MuST) Programme on behalf of the Government of the Republic of Trinidad and Tobago (GORTT).

The amounts advanced by the GORTT are accounted for as a deferral and recorded under Due to Related Parties in the Statement of Financial Position. When the money is spent on the programme, it becomes earned and an equivalent amount is transferred to the programme's income and expenditure account.

The effect of this is that the balance on the account shown on the Statement of Financial Position as Due to Related Parties represents the unexpended programme funds which are subsequently spent on the programmes.

(l) Going Concern -

These financial statements have been prepared on the going concern basis despite the excess of current liabilities over current assets of **\$29,774,901** as at 30 September 2012. The Company is dependent on the Government of the Republic of Trinidad and Tobago (GORTT) to fund its operating and capital expenditures since inadequate resources are generated from its operating activities. Management is of the opinion that given the strategic importance of the Company to the country's development, that the GORTT will continue to provide subventions to the Company on an annual basis into the foreseeable future. The main source of funding from the GORTT is through Management Fees for the three programmes the Company operates and administers on behalf of the GORTT.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

2. Significant Accounting Policies (Cont'd):

(l) Going Concern (cont'd) -

At the date of the approval of these financial statements, the GORTT has continued to grant financial support to the Company, which is consistent with management's opinion as described above.

(m) Comparative figures -

Certain changes in the presentation have been made during the year and comparative figures have been restated accordingly. These changes have no impact on the profit reported for the previous 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.

(b) Credit risk -

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date. The Company relies heavily on its Accounting Policies and Procedures 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.

The Company's debtors' portfolio is managed and consistently monitored by the Company's management. The Company has identified in its strategic objectives the need for the effective management of its trade receivables and has moved to establish better communication with its major customers.

Cash balances are held with high credit quality financial institutions and the Company also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

3. Financial Risk Management (Cont'd):

(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.

(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. Additionally, staff is often rotated and trained on an on-going basis.

(f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Company's line ministry, the Ministry of Science Technology and Tertiary Education, as well as by the monitoring controls applied by the Company.

(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.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

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

ii) Plant and equipment

Management exercises 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.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

5. Cash in Hand and at Bank:

	30 September	
	<u>2012</u>	<u>2011</u>
Petty cash	\$ 8,000	\$ 5,000
Scotiabank (Trinidad and Tobago) Limited TT\$ account	1,347,280	761,377
Scotiabank (Trinidad and Tobago) Limited US\$ account	<u>2,763,984</u>	<u>8,023,201</u>
	<u>\$ 4,119,264</u>	<u>\$ 8,789,578</u>

6. Cash at Bank – Restricted:

	30 September	
	<u>2012</u>	<u>2011</u>
First Citizens Bank Limited - MuST	\$ 1,188,308	\$ 4,522,438
Scotiabank (Trinidad and Tobago) Limited -NSDP	17,806,110	11,667,746
Scotiabank (Trinidad and Tobago) Limited -HYPE	<u>16,198,088</u>	<u>4,903,258</u>
	<u>\$ 35,192,506</u>	<u>\$ 21,093,442</u>

These balances represent funds held in the name of the Multi-Sector Skills Training Programme (MuST), National Skills Development Programme (NSDP) and Helping Youth Prepare for Employment (HYPE) programme.

7. Short-Term Investments:

	30 September	
	<u>2012</u>	<u>2011</u>
Scotiabank (Trinidad and Tobago) Limited	\$ 4,008,403	\$ 4,003,789
Trinidad and Tobago Unit Trust Corporation	<u>26,286,687</u>	<u>25,932,562</u>
	<u>\$ 30,295,090</u>	<u>\$ 29,936,351</u>

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

8. Short-Term Investments - Restricted:

	30 September	
	<u>2012</u>	<u>2011</u>
Scotiabank (Trinidad and Tobago) Limited - NSDP	\$ 3,500,000	\$ 3,500,000
Scotiabank (Trinidad and Tobago) Limited - HYPE	<u>6,000,000</u>	<u>6,000,000</u>
	<u>\$ 9,500,000</u>	<u>\$ 9,500,000</u>

These balances represent term deposits held in the name of the National Skills Development Programme (NSDP) and Helping Youth Prepare for Employment (HYPE) Programme.

9. Accounts Receivable and Prepayments:

	30 September	
	<u>2012</u>	<u>2011</u>
Trade accounts receivables	\$ 5,077,308	\$ 6,552,540
Interest receivable	64,523	69,724
Value Added Tax recoverable (net)	836,738	338,845
Staff advances	(118,582)	(89,635)
Other	<u>(4,023)</u>	<u>(4,593)</u>
	5,855,964	6,866,881
Less: Provision for bad and doubtful debts	<u>(3,418,173)</u>	<u>(2,570,622)</u>
	<u>\$ 2,437,791</u>	<u>\$ 4,296,259</u>
<u>Provision for doubtful debts</u>		
Balance, beginning of the year	\$ 2,570,622	\$ 2,072,004
Charge for the year	<u>847,551</u>	<u>498,618</u>
Balance, end of the year	<u>\$ 3,418,173</u>	<u>\$ 2,570,622</u>

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

10. Inventories:

	30 September	
	<u>2012</u>	<u>2011</u>
Raw materials	\$ 2,558,910	\$ 1,889,304
Work in progress	1,330,425	1,330,425
Finished goods	1,470,542	1,211,332
Goods in Transit	778,284	401,653
Other	<u>400</u>	<u>-</u>
	6,138,561	4,832,714
Less: Provision for obsolescence	<u>-</u>	<u>(667,071)</u>
	<u>\$ 6,138,561</u>	<u>\$ 4,165,643</u>

11. Deferred Taxation:

	30 September	
	<u>2012</u>	<u>2011</u>
Balance as at beginning of the year	\$ 1,630,849	\$ 557,306
Effect on Statement of Comprehensive Income	<u>709,085</u>	<u>1,073,544</u>
Balance as at end of the year	<u>\$ 2,339,934</u>	<u>\$ 1,630,850</u>

Deferred taxation is attributable to:

	30 September	
	<u>2012</u>	<u>2011</u>
Excess of net book value over written down value	\$ (1,292,745)	\$ (898,486)
Taxable losses	2,778,136	1,719,913
Provisions	<u>854,543</u>	<u>809,423</u>
	<u>\$ 2,339,934</u>	<u>\$ 1,630,850</u>

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

12. Fixed Assets:

Cost/Valuation	Capital Work- in-Progress (\$'000)	Leasehold Land (\$'000)	Building (\$'000)	Computer and Accessories (\$'000)	Fixtures and Furniture (\$'000)	Motor Vehicles (\$'000)	Machinery, Tools and Equipment (\$'000)	Office Furniture and Equipment (\$'000)	Building (\$'000)	Machinery and Equipment (\$'000)	Total (\$'000)
At 1 October 2011	\$ 6,121,928	\$ 80,618	\$26,122,707	\$ 3,960,788	\$ 1,052,116	\$ 551,344	\$ 6,830,451	\$ 2,644,953	\$ 765,179	\$ 8,152,665	\$ 56,282,749
Additions	-	-	719,221	411,831	170,949	486,781	197,457	447,997	-	-	2,434,236
Transfer	(6,121,928)	-	6,121,928	-	-	-	-	-	-	-	-
	-	80,618	32,963,856	4,372,619	1,223,065	1,038,125	7,027,908	3,092,950	765,179	8,152,665	58,716,985
At 30 September 2012											
Accumulated Depreciation											
At 1 October 2011	-	26,087	2,302,823	3,434,972	835,943	504,183	6,654,489	1,525,116	108,134	8,152,665	23,544,412
Charge for the year	-	605	576,867	874,525	122,306	259,531	27,066	309,295	13,391	-	2,183,586
At 30 September 2012	-	26,692	2,879,690	4,309,497	958,249	763,714	6,681,555	1,834,411	121,525	8,152,665	25,727,998
Net Book Value											
At 30 September 2012	\$ -	\$ 53,926	\$30,084,166	\$ 63,122	\$ 264,816	\$ 274,411	\$ 346,353	\$ 1,258,539	\$ 643,654	\$ -	\$ 32,988,987
At 30 September 2011	\$ 6,121,928	\$ 54,531	\$23,819,884	\$ 525,816	\$ 216,173	\$ 47,161	\$ 175,962	\$ 1,119,837	\$ 657,045	\$ -	\$ 32,738,337

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

12. Fixed Assets Cont'd):

2010 - Cost/Valuation	Capital Work- in-Progress (\$'000)	Leasehold Land (\$'000)	Building (\$'000)	Computer and Accessories (\$'000)	Fixtures and Furniture (\$'000)	Motor Vehicles (\$'000)	Machinery, Tools and Equipment (\$'000)	Office Furniture and Equipment (\$'000)	Building (\$'000)	Machinery and Equipment (\$'000)	Total (\$'000)
At 1 October 2010	\$ 3,252,103	\$ 80,618	\$26,122,707	\$ 3,918,832	\$ 1,045,816	\$ 757,000	\$ 6,641,245	\$ 2,282,303	\$ 765,179	\$ 8,152,665	\$ 53,018,468
Additions	2,869,825	-	-	41,956	6,300	-	189,206	362,650	-	-	3,469,937
Transfers	-	-	-	-	-	(205,656)	-	-	-	-	(205,656)
At 30 September 2011	<u>-</u>	<u>80,618</u>	<u>26,122,707</u>	<u>3,960,788</u>	<u>1,052,116</u>	<u>551,344</u>	<u>6,830,451</u>	<u>2,644,953</u>	<u>765,179</u>	<u>8,152,665</u>	<u>56,282,749</u>
Accumulated Depreciation											
At 1 October 2010	-	25,483	1,845,676	2,642,816	730,731	685,505	6,641,245	1,260,620	94,743	8,152,665	22,079,484
Charge for the year	-	604	457,147	792,156	105,212	24,334	13,244	264,496	13,391	-	1,670,584
	-	-	-	-	-	(205,656)	-	-	-	-	(205,656)
At 30 September 2011	<u>-</u>	<u>26,087</u>	<u>2,302,823</u>	<u>3,434,972</u>	<u>835,943</u>	<u>504,183</u>	<u>6,654,489</u>	<u>1,525,116</u>	<u>108,134</u>	<u>8,152,665</u>	<u>23,544,412</u>
Net Book Value											
At 30 September 2011	<u>\$ 6,121,928</u>	<u>\$ 54,531</u>	<u>\$23,819,884</u>	<u>\$ 525,816</u>	<u>\$ 216,173</u>	<u>\$ 47,161</u>	<u>\$ 175,962</u>	<u>\$ 1,119,837</u>	<u>\$ 657,045</u>	<u>\$ -</u>	<u>\$ 32,738,337</u>
At 30 September 2010	<u>\$ 3,252,103</u>	<u>\$ 55,135</u>	<u>\$24,277,031</u>	<u>\$ 1,276,016</u>	<u>\$ 315,085</u>	<u>\$ 71,495</u>	<u>\$ -</u>	<u>\$ 1,021,683</u>	<u>\$ 670,436</u>	<u>\$ -</u>	<u>\$ 30,938,984</u>

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

13. Accounts Payable and Accrued Liabilities:

	30 September	
	<u>2012</u>	<u>2011</u>
Trade accounts payables	\$ 3,370,039	\$ 2,954,718
Accruals	8,063,389	5,608,116
Accrued vacation leave	2,574,600	2,431,249
Suspense accounts	(763,367)	(567,075)
Statutory deductions and salaries payable	993,875	923,216
Advance receipt on sales	264,425	461,852
Other payables	<u>262,594</u>	<u>213,671</u>
	<u>\$ 14,765,555</u>	<u>\$ 12,025,747</u>

14. Deferred Income:

	30 September	
	<u>2012</u>	<u>2011</u>
Balance at the beginning of the year	\$ -	\$ 889,366
Subventions received (Recurrent and PSIP)	7,646,500	5,577,000
Subventions utilised (Recurrent and PSIP)	<u>(5,809,076)</u>	<u>(6,466,366)</u>
	<u>\$ 1,837,424</u>	<u>\$ -</u>

Deferred income relates to the portion of government subventions received from the Ministry of Science, Technology and Tertiary Education, for which the related expenditure has not yet been incurred. The portion of subventions utilised during the year is recognised in the Statement of Comprehensive Income. During the year, the Company received \$5,300,000 (2011: \$5,577,000) for the training of tool makers and local instructors and \$2,346,500 (2011: \$NIL) for the Master Craftsman Photovoltaic Solar Energy Programme.

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

15. Due to Related Parties (net):

	30 September	
	<u>2012</u>	<u>2011</u>
MuST	\$ (6,714,180)	\$ 2,968,499
NSDP	49,648,577	45,611,064
HYPE	56,773,005	42,781,164
Workforce Assessment Centre	<u>(19,345)</u>	<u>(19,345)</u>
	<u>\$ 99,688,057</u>	<u>\$91,341,382</u>

Amounts Due to Related Parties represent the balances due to/(from) the GORTT on behalf of the National Skills Development Programme (NSDP), Helping You Prepare for Employment (HYPE) Programme, Multi-sector Skills Training (MuST) Programme and the Workforce Assessment Centre.

16. Capital Grants:

	30 September	
	<u>2012</u>	<u>2011</u>
Balance as at beginning of the year	\$ 514,943	\$ 528,583
Effect on Statement of Comprehensive Income	<u>(13,640)</u>	<u>(13,640)</u>
Balance as at end of the year	<u>\$ 501,303</u>	<u>\$ 514,943</u>

Capital grants comprise either cash grants for capital projects or the capitalised value of machinery, equipment and supplies provided by the United Nations Industrial Development Organisation (UNIDO) and the Trinidad Industrial Development Corporation and the Canadian Industrial Development Agency (Government Agencies).

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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16. Capital Grants (Cont'd):

Details of capital grants are as follows:

(i) *UNIDO*

Whereas the title of UNIDCO – provided Phase I machinery and equipment has been transferred to the Government of the Republic of Trinidad and Tobago and Phase II machinery and equipment remains the property of UNIDO, it is understood that this machinery and equipment will remain in the possession of the Company so long as it continues to be used solely for the purpose and in the manner and place for which it was provided. The value of this machinery and equipment has, therefore, been capitalised on the commercial substance of the situation.

	30 September	
	<u>2012</u>	<u>2011</u>
Equipment provided for training purposes:		
Phase I	\$ 525,917	\$ 525,917
Phase II	1,410,636	1,410,636
Phase III	1,260,574	1,260,574
Phase IV	1,152,783	1,152,783
Phase V	1,855,912	1,855,912
Supplies	<u>106,399</u>	<u>106,399</u>
	6,312,221	6,312,221
Less: accumulated transfers to revenue	<u>(6,210,301)</u>	<u>(6,210,301)</u>
	<u>101,920</u>	<u>101,920</u>
(ii) <i>Government agencies:</i>		
Equipment provided	\$ 1,030,117	\$ 1,030,117
Cash grant for factory expansion	682,000	682,000
Cash grant for equipment purchases	121,704	121,704
Supplies	<u>2,028</u>	<u>2,028</u>
	1,835,849	1,835,849
Less: accumulated transfers to revenue	<u>(1,436,466)</u>	<u>(1,422,826)</u>
	<u>399,383</u>	<u>413,023</u>
	<u>\$ 501,303</u>	<u>\$ 514,943</u>

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2012

17. Stated Capital:

	30 September	
	<u>2012</u>	<u>2011</u>
Authorised:		
80,000 ordinary shares		
20,000 6% cumulative preference shares		
Issued and fully paid:		
Ordinary – 20,097 shares	\$ 2,009,700	\$ 2,009,700
Preference – 625 shares	<u>62,500</u>	<u>62,500</u>
	<u>\$ 2,072,200</u>	<u>\$ 2,072,200</u>

No dividends have been paid to the holders of the 6% cumulative preference shares since the date of issue in January 1975. Should dividends be declared, the amounts payable on these preference shares would be **\$140,563** (2011: **\$136,813**).

18. 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.

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

	30 September	
	<u>2012</u>	<u>2011</u>
Expenses		
Directors' fees	\$ 556,200	\$ 501,150
Key management compensation		
Short-term benefits	3,381,666	4,330,157

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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19. Fair Values:

Fair value is the amount for which an asset can 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. 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.

20. Capital Commitment:

Contracts approved and committed amounted to **\$191,059** as at 30 September 2012.

21. Production Costs:

	30 September	
	<u>2012</u>	<u>2011</u>
Opening stock	\$ 4,165,643	\$ 4,156,672
Purchases	2,710,115	1,622,488
Salaries, wages and other staff expenses	<u>6,665,355</u>	<u>6,672,154</u>
	13,541,113	12,451,314
Less: Closing stock	<u>(6,138,561)</u>	<u>(4,165,643)</u>
	<u>\$ 7,402,552</u>	<u>\$ 8,285,671</u>

METAL INDUSTRIES COMPANY LIMITED
-NOTES TO THE FINANCIAL STATEMENTS
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22. Other Operating Costs:

	30 September	
	<u>2012</u>	<u>2011</u>
Advertising and promotions	\$ 623,989	\$ 858,663
Annual vacation leave	143,351	148,449
Audit fees	201,000	302,272
Bad debts provision	847,551	498,618
Bank charges	30,130	27,931
Books, journals and publications	66,334	60,564
Building and repairs maintenance	1,076,336	972,367
Business travel	313,377	169,327
Contractors fees	250,370	120,514
Director's fees	564,675	501,150
Donations	104,123	125,230
Electricity	1,114,308	1,111,436
Employees benefit expense	1,192,011	1,032,639
Employer's NIS contribution	1,377,540	1,221,508
Employer's pension contribution	1,046,875	1,135,015
Equipment rentals	337,888	38,790
Group health	517,058	180,894
Group life insurance	40,801	46,456
Insurance	419,182	552,366
Janitorial supplies	175,556	109,682
Lease rent	(168,696)	12,000
Legal and professional fees	731,547	1,281,505
Legal settlements	-	1,180,000
Materials and supplies	2,224,592	1,237,549
Meals and entertainment	583,947	447,658
Miscellaneous expenses	5,719	(12,632)
Office equipment repairs and maintenance	709,547	438,599
Photocopier	325,316	194,655
Purchasing expenses	502,685	155,696
Rent rates and taxes	20,316	81,575
Salaries	18,618,125	13,897,133
Security	559,713	321,234
Staff development	256,441	202,426
Stationery and postage	590,582	454,427
Steelpan tuning expense	377,419	1,486
Telephone cables	607,738	699,905
Transport services	95,343	78,275
Vehicle expenses	<u>533,500</u>	<u>250,357</u>
	<u>\$ 37,016,289</u>	<u>\$ 30,135,719</u>

METAL INDUSTRIES COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23. Taxation:

	30 September	
	<u>2012</u>	<u>2011</u>
Business Levy	\$ (75,298)	\$ (58,105)
Green Fund Levy	(37,997)	(29,574)
Deferred taxation	<u>709,085</u>	<u>1,073,544</u>
	<u>\$ 595,790</u>	<u>\$ 985,865</u>
Reconciliation arising from using the basic rate of tax as follows:		
Net loss before taxation	\$ <u>(2,737,953)</u>	\$ <u>(3,966,757)</u>
Tax rate 25%	684,488	991,689
Tax effect of expenses not deductible for tax purposes	(62,526)	(59,800)
Exempt income	87,123	141,655
Green Fund Levy	(37,997)	(29,574)
Business Levy	<u>(75,298)</u>	<u>(58,105)</u>
	<u>\$ 595,790</u>	<u>\$ 985,865</u>

24. Contingent Liabilities:

An employee has filed a personal injury claim against the Company for a work related injury sustained on 26 June 2008, which has led to a 40% partial disability assessment. Judgement in favour of the Claimant was entered on 28 February 2013. The matter is proceeding to Assessment of Damages and all parties are complying with the Court's directions. No provision has been recorded in the financial statements for this matter.