

RDLG: (16) 31 (Revised)
RDLG: 27/7/4
January 3, 2017

Cabinet No

NOTE FOR CABINET

Palo Seco Agricultural Enterprises Limited Administrative Report for the period October 1, 2011 to September 30, 2012

The matter for the consideration of Cabinet is the Administrative Report in respect of the Palo Seco Agricultural Enterprises Limited (PSAEL) for the period October 1, 2011 to September 30, 2012.

2. In accordance with section 66D of the Constitution (Amendment) Act 1999, all Government Ministries are required to submit to the President before July 1st annually a report on the exercise of its functions and powers in the previous year. In this regard, the Ministry of Rural Development and Local Government (MRDLG) now submits the Executive Summary of PSAEL's Administrative Report for the period 2011/2012 (**Attachment I**), Records of Members of the Board of Directors and Management Team 2011/2012 (**Attachment II**), Analysis of PSAEL's Performance for the period October 1, 2011 to September 30, 2012 (**Attachment III**), Report on the Reported Net Loss after tax of \$12.2 million (**Attachment IV**) and the Administrative Report and Audited Financial Statement for PSAEL for the period October 1, 2011 to September 30, 2012 (**Attachment V**) for Cabinet's approval before onward submission to the President.
3. The Palo Seco Agricultural Enterprises Limited (PSAEL), first known as Palo Seco Estates, was established in 1956 as an agricultural enterprise, with some 7,150 acres of land holdings. In 1977 the Company underwent the first of two name changes becoming first the Trinidad-Tesoro Agricultural Company, and then Palo Seco Agricultural Enterprises Limited (PSAEL).
4. The attached Administrative Report represents an account of the operations of the PSAEL for October 1, 2011 to September 30, 2012. This report seeks to give a comprehensive account of the Company's operations from both the operational and developmental perspectives which is aligned with Government's plan for the strategic development of Trinidad and Tobago. The Capital Programme was funded through the Infrastructural Development Fund (IDF) and addressed infrastructural works in the various local communities.
5. The operation of Palo Seco Agricultural Enterprises Limited (PSAEL) over the fiscal year which ended September 30, 2012 was guided by its Mission Statement: "Transforming communities by providing quality service in development and implementation of infrastructure and property management solutions with emphasis on core values to manifest: integrity customer centricity, health and safety and environmental responsibility, quality, business performance and innovation.
6. Accordingly, the Minister of Rural Development and Local Government recommends and Cabinet is asked to:
 - a. note the contents of the Executive Summary of PSAEL's Administrative Report for the period 2011/2012 (**Attachment I**), Records of Members of the Board of Directors and Management Team 2011/2012 (**Attachment II**), Analysis of PSAEL's Performance for the period October 1, 2011 to September 30, 2012 (**Attachment III**) Report on the Reported Net Loss after tax of \$12.2 million (**Attachment IV**) and the Administrative Report and Audited Financial Statement for PSAEL for the period October 1, 2011 to September 30, 2012 (**Attachment V**); and

b. agree that in accordance with the provisions of section 66D of the Constitution of the Republic of Trinidad and Tobago, the Report on the Administration of the Palo Seco Agricultural Enterprises Limited (PSAEL) for fiscal year 2012 be submitted to the President and thereafter to be laid in Parliament.

Ministry of Rural Development and Local Government

EXECUTIVE SUMMARY
ADMINISTRATIVE REPORT OF THE PSAEL
FOR THE PERIOD OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

The Administrative Report of PSAEL is structured under three principal areas:

- Key stakeholders/Customers & Expectations
- Finance
- Resource capabilities

(i) Key Stakeholders/Customers & Expectations

The key Stakeholders of the PSAEL and stakeholder's expectation are listed at **Table I** hereunder.

Table I

No.	Stakeholder	Stakeholder Expectation
1	Ministry of Local Government	Execution of work: i. within agreed timelines and budget; and ii. facilitating ongoing liaison with work plan
2	Ministry of Finance	Execution of projects in manner that manifests: i. transparency accountability and value for money; and ii. Strict adherence to Government policy and procedure.
3	PETROTRIN	i. Civil and maintenance work completed within time frame, specification and budget; ii. Squatter containment in estate management; and iii. Continuous liaison between Petrotrin and tenants.
4	Employees	i. Job Security; ii. Periodic salary increments; iii. Timely payment of salary; iv. Training and development opportunities; and v. Recognition of contributions.
5	Contractors	i. Prompt processing of claims and payments; ii. Prompt resolution of all issues affecting contract implementation; and iii. Transparency in the invitation and selection process.
6	Tenants	i. Regularization of tenancy; and ii. Timely response to complaints
7	Community	i. High quality infrastructural works; ii. Community participation; and iii. Environmental sensitivity

(ii) Finance

The budget for the fiscal year ending September 30, 2012 is summarised at **Tables II** and **Table III** in terms of revenue, expenditure and before tax surplus/deficit.

Revenue

Table II

Projected (total \$)	Actual (total \$)	Variance (total \$)	Key Reasons for variance
196,116,456	96,049,953	(100,066,503)	<ul style="list-style-type: none">i. Increased work shown was based on maintenance of prior year's level of activity and cost.ii. No community projects undertaken until July 2012 of fiscal year. The major projects also commenced with one contract signed in December 2012 and two signed in June 2012.

Expenditure

Table III

Projected (total \$)	Actual (total \$)	Variance (total \$)	Key Reasons for variance
201,982,992	111,949,891	90,033,101	<ul style="list-style-type: none">i. Non filling of budgeted vacancies;ii. Cost containment management; andiii. Reduced volume of work.iv. A bad debt expense of \$12.8 million relating to invoices was written off that have not been accepted by Petrotrin.

Surplus /deficit before taxation = (\$15,899,938)

During the fiscal year PSAEL had no debt policy or no overdraft; no overdraft/loan facility with any financial institution. A bad debt expense of \$12.8 million relating to invoices that Petrotrin had not accepted was written off by the Board of Directors. Over a similar period, PASEL implemented a standard thirty (30) day period for contractors and suppliers, a standard sixty (60) day collection period from its clients; and promptly reviewed aging debts.

PSAEL has an Investment Policy (PLCEO 001/10) which was approved by the Board of Directors on April 29th, 2010. No new investments were made during the fiscal period under review. Therefore the Company's shareholders received no dividends for fiscal year 2012.

(iii) Resource Capabilities

The staff complement of the PSAEL comprise about one hundred and eleven(111) persons which provided comprehensive services in the areas detailed at **Table IV**.

Table IV

General Area	Specific Services
Project Management	<ul style="list-style-type: none">• Project Initiation• Project Planning• Project Execution• Project Monitoring & Control • Project Phase Closure
Engineering	<ul style="list-style-type: none">• Needs Assessment• Research• Investigations• Risk Analysis• Design• Cost Estimation
Maintenance	<ul style="list-style-type: none">• Procurement Management• Quality Management• Risk assessment• Customer Relations Management
Community Development	<ul style="list-style-type: none">• Development of rural communities• Employment provision• Community Liaison

General Area	Specific Services
	<ul style="list-style-type: none"><li data-bbox="911 226 1328 296">◦ Contractor performance and feedback

Staff Complement

During the period under review the total complement of staff were contract employees.

Staff Training

The company did not engage in training interventions for its staff during the period under review.

Inventory

As per policy, the Company did not indulge in any stockpiling during the period.

Tendering Procedure

Procurement of goods and services was conducted pursuant to the Company's Tender policy of 30th September 2012, which provides for competitive and sole selective/ Merit tendering. In all cases approval of the Finance and Tenders Committee was obtained prior to invitation of bids and award of any contract. All contractors were required to provide performance bonds and or retention fees.

RECORD OF MEMBERS OF THE BOARD OF DIRECTORS
FOR THE PERIOD 2011 -2012

No.	Name	Date of Appointment	Date Ceased to Hold Office
1.	Brian Besson, Chairman	November 30, 2006	April 4, 2011
2.	William Daniel	February 24, 1994	April 4, 2011
3.	Clyde Callender	September 26, 2002	April 4, 2011
4.	Kevin Singh	November 30, 2006	April 4, 2011
5.	Ivan Hinkson	September 30, 2009	April 4, 2011
6.	Oresa Charles	September 30, 2009	April 4, 2011
7.	Joel-Ann Cook-Walcott	September 30, 2009	March 10, 2011

RECORD OF MEMBERS OF THE BOARD OF DIRECTORS
FOR THE PERIOD 2011 -2012

No.	Name	Date of Appointment	Date Ceased to Hold Office
1.	Ashmead Ghany, Chairman	4 th April, 2011	2016
2.	Nigel Alleyne	4 th April, 2011	2016
3.	Sheldon Ganga	4 th April, 2011	2016
4.	Ramesh Bhim	4 th April, 2011	2016
5.	Godfrey Stanley Alexis	4 th April, 2011	2016
6.	Nalini Balwant	4 th April, 2011	2016
7.	Reshma Ramai	4 th April, 2011	2016
8.	Rudra Balramsingh	4 th April, 2011	2016
9.	Simon Ferreira	4 th April, 2011	2016
10.	Jehan Mohammed	4 th April, 2011	2016
11.	Ryan Spicer	4 th April, 2011	2016

MANAGEMENT TEAM
FOR THE PERIOD 2011-2012

No.	Name	Date of Appointment	Date Ceased to Hold Office
1.	Denise Knights, Chief Executive Officer	August 2008	March 2011
2.	Natalie O'Brien, Chief Executive Officer (Interim)	March 2011	July 2011
3.	Lorett Hope Mc Donald, Chief Executive Officer (Interim)	August 2011	September 2012
4.	Natalie O'Brien, Manager, Finance	Jan. 2009	Dec. 2011
5.	Lorett Hope Mc Donald, Manager HRCS	March 2009	Not applicable
6.	Nirmala Maharaj, Manager Legal and Estates	March 2009	Feb. 2012
7.	Abayomi Ajene, Manager Legal and Estates	Feb 2012	June 2012
8.	Sizwe Jackson, Manager PEMD	Sept. 2009	July 2012

AN ANALYSIS OF PSAEL'S PERFORMANCE FOR THE PERIOD OCTOBER 1, 2011 TO
SEPTEMBER 30, 2012

Revenue for the fiscal year October 1, 2011 to September 30, 2012 was estimated at \$196,116,456 however, the actual revenue obtained was \$96,049,953. While the expenditure for the fiscal year was budgeted as \$201,982,992, the actual expenditure was \$111,949,891 resulting in a \$90,033,101 shortfall. However, the actual revenue from actual expenditure resulted in a (\$15,899,938) before taxation revenue. PSAEL's projected revenue was based on the following assumptions:-

- Petrotrin – Repairs and Maintenance works will remain at the same level as prior years.
- Operating Costs will be reimbursed according to the New Management Contract between Petrotrin and PSAEL.
- Initial funding will be provided for the Plaisance Park upgrade project by TRINTOC.
- The approved allocation for community infrastructure projects will remain the same as past years.

Analysing PSAEL's fiscal position for the period under review, there had been an increase in the volume of work pertaining to the building, maintenance and repairs for PETROTIN. This resulted in a positive budget variance of \$5,251,225.00, in relation to the budgeted figure of \$22,095,360 against the actual revenue of \$27,346,585.

Operating Costs - the amount budgeted was \$7,158,794., in relation to the actual budgeted figure of \$5,018,076. This was as a result of a number of positions which remained vacant during the period under review. Petrotrin operated with 75% of the full staff complement for LESD – resulting in a budget variance of \$2,140,718.00.

Contract Fees/Other – Community projects were only undertaken from July 2012 in that fiscal year, this resulted in a negative budget variance of (\$103,325,540), in relation to the budgeted figure of \$163,980,502 against the actual revenue of \$60,654,962. Three major projects also commenced during the fiscal year of this two contracts were signed in June 2012 and one in December 2012. These special projects undertaken were as follows:-

- Outfitting of the One Alexandra Building
- Outfitting of the Chaguanas Borough Corporation Administrative Complex
- Design and Construction of the Siparia Market Facility

Other Revenue - This represents land and building rents and other fees budgeted for the year. A minimal increase of \$148,530 in collections was received during the fiscal year in relation to the budgeted figure of \$2,881,800 against the actual revenue of \$3,030,330.

It should be noted that PSAEL had a bad debt expense of \$12.8 million related to expenses as a result of invoices that were outstanding from Petrotrin as at September 30, 2012. As a consequence, PSAEL's Financial Controller recommended to the Board of Directors that the debt be written off and it was acceded to by the Board of Directors.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED (PSAEL)
REPORT ON REPORTED NET LOSS AFTER TAX OF \$12,228,478
FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

PSAEL had a significant write-off of bad debts due from Petrotrin at September 30th, 2012. This resulted in the company suffering a major loss for that fiscal year. The details of the write-off are as follows:

- (1) As at 30th September, 2012, the outstanding balance on PSAEL's records as due from Petrotrin amounted to \$50,187,454. This amount was made up of the following components:

Building Repairs, Maintenance & Repetitive Contracts			
YEAR	UNPAID INVOICES	3% UNPAID MANAGEMENT FEE	TOTAL
Oct 2002 – Sept 2003	567,193		567,193
Oct 2003 – Sept 2004	3,427		3,427
Oct 2007 – Sept 2008	21,108		21,108
Oct 2008 – Sept 2009	407,636	2,103	409,739
Oct 2009 – Sept 2010	65,559		65,559
Oct 2010 – Sept 2011	5,079,119	349,659	5,428,778
Oct 2011 – Sept 2012	8,087,747	510,716	8,598,463
SUB TOTAL	14,231,789	862,478	15,094,267

OPERATING COSTS REIMBURSEMENTS	
YEAR	TOTAL
Oct 2005 – Sept 2006	69,836
Oct 2010 – Sept 2011	10,894,376
Oct 2011 – Sept 2012	24,128,975
SUB TOTAL	35,093,187

GRAND TOTAL	50,187,454
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- (2) Notwithstanding the significant efforts on PSAEL's part to have Petrotrin meet its outstanding balances, no settlement was ever attained.
- (3) In 2009, a provision for Doubtful Debt of \$570,620 was created for balances outstanding from October 2002 to September 2004; however, no funds were written off against the provision.
- (4) Additionally, in 2008 unpaid invoices by Petrotrin amounted to \$21,108.

- (5) From April 2011, Petrotrin ceased all payments in respect of reimbursement of full operating costs plus 15% management fee. However, PSAEL's Management continued to submit invoices to Petrotrin for the full amount and continued to recognize its revenue based on same, although these amounts were not being paid by Petrotrin. PSAEL ceased the submission of the invoices to Petrotrin from October 2012.
- (6) According to the International Financial Reporting Standards (IAS 18- Revenue), for revenue to be recognized, one of the primary conditions that must be satisfied is that it must be probable that the economic benefits associated with the transaction would flow to the entity. Having regard to the course of dealings with Personnel from Petrotrin (Vice President Finance) by letter of March 12, 2012, it was highly unlikely that Petrotrin would meet all of the outstanding sums as outlined by PSAEL.
- (7) A comparative analysis of the invoices for period October 2010 to September 2012 revealed the following:

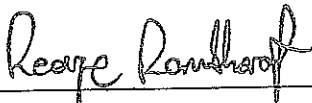
YEAR	AMOUNTS INVOICED	PROPOSED BY PETROTRIN	DIFFERENCE
Oct 2010 – Sept 2011	10,894,376	1,573,536	9,320,840
Oct 2011 – Sept 2012	24,128,975	2,882,823	21,246,152
TOTAL	35,023,351	4,456,359	30,566,992

Based on the information outlined above, the Financial Controller recommended to the Board of Directors that in order for the Company to be compliant with the International Financial Reporting Standards consideration should be given to writing-off the following sums:

	Amount to be Written Off
BRM & Repetitive Contracts 2002-2008	591,728.
3% Unpaid Management Fees to September 30 th , 2012	862,478
Operating Cost Reimbursements- 2006	69,836
Operating Cost Reimbursements 2010 – 2012	30,566,992
TOTAL	32,091,034

The recommendation was approved by the Board of Directors and the Financial Statements for the year ended September 30th, 2012 reflected these write-offs.

Report Submitted,



Reaze Rambharat
Financial Controller



PALO SECO AGRICULTURAL ENTERPRISES LIMITED

ANNUAL ADMINISTRATIVE REPORT 2011/2012



PALO SECO AGRICULTURAL ENTERPRISES LIMITED
ANNUAL ADMINISTRATIVE REPORT 2011/2012

I. VISION, MISSION, PHILOSOPHY AND THE STRATEGIC OBJECTIVES

VISION STATEMENT

“A profitable organization benchmarked for quality service and supported by competent and motivated employees.”

Profitable: Sustainable; successful; money making.

Benchmarked for
Quality Service: Highest Standard; Leader; effective; well-known; positive image;
reputable.

Competent: Technically sound; trained; capable; reliable; professional

Motivated: Passionate; dynamic; committed; clarity of purpose

MISSION STATEMENT

“Transforming communities by providing quality service in the development and implementation of infrastructure and property management solutions.”

Core Values:

- Integrity
- Customer centered
- Health Safety and Environmentally responsible
- Quality
- Business Performance
- Innovative

PHILOSOPHY – N/A

STRATEGIC OBJECTIVES –

- To achieve sustainable commercial viability by 2013
- To enhance customer value in order to increase customer satisfaction and obtain market share.
- To achieve operational excellence in order to deliver superior customer and shareholder value.
- To mobilise the organisation's human, information and organizational resources to achieve the company's strategic objectives

2. ORGANISATIONAL STRUCTURE

(a) Organisational Profile:

Palo Seco Agricultural Enterprises Ltd. (PSAEL) is one of the *earliest* and *most experienced* project and estate management companies in Trinidad and Tobago. The company is a former subsidiary of PETROTRIN and was incorporated in October, 1956. From inception to the mid-nineties the focus of the company was on agriculture. In 1995 PSAEL's core function became the provision of project management services to PETROTRIN. Then, in 2005 it became a Special Purpose State Enterprise with key functions in the area of project management.

PSAEL falls under the purview of the Ministry of Local Government. The primary focus of the organization is to upgrade and develop communities as well as to assist Ministries in the implementation of large-scale physical infrastructure works, particularly in the areas of procurement, designs, construction and project management.

(b) Corporate Structure – Departments, Divisions, Units, Etc.

Attached as **Appendix 1** is the organization structure 2011/2012 for the Departments listed hereunder:

- Office of the Chief Executive Officer
- Finance
- Human Resource and Corporate Services
- Project Engineering and Maintenance
- Legal and Estate Services
- Corporate Secretariat
-

(c) Services/Products provided and "Special projects" embarked upon:

- a. Project Management Services
- b. Overseeing Project Execution and Completion
- c. Contract Tendering & Management Services
- d. Agents for Rent Collection and Utility Payments for Petrotrin and Trintoc
- e. Certification of contractor Payments

Special Projects:

1. Outfitting of the One Alexandra Building
2. Outfitting of the Chaguanas Borough Corporation Administrative Complex
3. Design and Construction of the Siparia Market Facility
4. PSAEL's contractual obligation to Petrotrin to facilitate T & T Onshore Competitive Bid Round 2012 for obtaining revalidated and new Committal Letters for Petrotrin's Subsurface Rights commenced August 28, 2012 and continued into the next financial year.

(d) Delegated Levels of Authority – Refer to Organisational Structure at 2 (b) above.

(e) Legislative and Regulatory Framework;

- a. State Enterprises Performance Monitoring Manual
- b. Ministry of Finance Call Circulars

(f) Reporting Functions – Departmental Reports, Reports to Ministries, President/Parliament

• Departmental Reports:

Departmental Reports are submitted on a monthly basis by all Managers. These reports are submitted to the Board of Directors:

• Reports to Ministries, President/Parliament:

- Quarterly Reports – (MOF)
- Monthly Cash Statement of Operation (MOF)
- PSAEL's Annual Budget – (MOF)
- Monthly Project Reports – (MOLG)

3. POLICIES AND DEVELOPMENT INITIATIVES

(a) Short, medium and long term plans:
Refer to Strategic Objectives above.

(b) Performance objectives and accomplishments. Remedial plans, if any, as it concerns performance gaps:

Major, Special and other projects were commenced during the year 2012 and continued on a timely basis into the next financial year.

4. FINANCIAL OPERATIONS

a. BUDGET FORMULATION

- Budget preparation commenced in May 2011 for the 2011/2012 fiscal year.
- The Strategic Plan forms the basis of the preparation of the budget as both are closely aligned.
- The estimated Departmental expenses were prepared and these were finalized in consultations between the Heads of Departments and the Finance Department.
- Revenue was budgeted based on previous year's activities and commitments for new projects from the Ministry of Local Government.
- The budget was reviewed at various points during preparation with the management team before the preparation of a first draft
- The first draft was submitted for review to the Board of Directors Finance Committee in August 2011.
- Adjustments were made and the budget resubmitted in November 2011
- The final document was submitted to the BOD and approved in January 2012.

b. EXPENDITURE VS BUDGET

The table below shows the comparative expenditure vs budget for the 2011/12 fiscal year

INCOME & EXPENSE VARIANCE REPORT FOR THE YEAR ENDED 30TH SEPTEMBER, 2012

TABLE 1

	ACTUAL	ORIGINAL BUDGET	ORIGINAL BUDGET VARIANCE		Reason for Variance
	YTD	YTD	YTD		
Revenues	\$	\$	\$		
Contract Fees Petrotrin-Building Repairs & Maintenance	27,346,585	22,095,360	5,251,225	24%	Increased work shown in this area as amounts budgeted was based on maintenance of prior year's level of activity and costs.
Contract Fees Petrotrin-Operating Costs	5,018,076	7,158,794	(2,140,718)	(30%)	The amounts budgeted were for operating cost reimbursements based on 75% of a full staff complement for LESD. However, many vacancies existed during the year.
Contract Fees Other	60,654,962	163,980,502	(103,325,540)	(63%)	Community projects were only undertaken from July 2012 in this financial year. Three major projects also commenced with one contract signed in December 2012 and two in June 2012.
Other Revenue	3,030,330	2,881,800	148,530	5%	This represents land & building rents and other fees budgeted for the year. A minimal increase in collections was received during the year.
Total Revenues	96,049,953	196,116,456	(100,066,503)		

Less Expenses

Staff Related Costs	12,381,600	19,251,718	6,870,118	36%	This represents several vacancies that have been budgeted for in 2012 but not filled. In addition, month to month contracts for several employees were terminated in July 2012.
Office Costs	17,733,743	10,463,274	(7,270,469)	(69%)	This includes a bad debts expense of \$12.8 million which relates to invoices written off that have not been accepted by Petrotrin.
Petrotrin Special Project Costs	3,145	0	(3,145)	N/A	This relates to a special project from Petrotrin undertaken in September 2012
Petrotrin Repairs & Maintenance	24,624,505	19,728,000	(4,896,505)	(25%)	Increased works in this area as well as higher costs than anticipated have contributed to this variance.
Other Project Costs	57,206,898	152,540,000	95,333,102	62%	Mainly invoices submitted for three major projects awarded. The significant shortfall represents other works budgeted under community not started due to delays with approvals.
Total Expenses	111,949,891	201,982,992	90,033,101		
Net Profit/(Loss) Before Taxation	(15,899,938)	(5,866,536)	(10,033,402)		
Net Margin Ratio	(17%)	(3%)			

- The above report is prepared monthly and submitted to the Board of Directors via the monthly Financial Highlights explaining revenue and expenditure variances and corrective action where applicable

c. DEBT POLICY

- PSAEL currently has no Debt Policy.
- PSAEL had no overdraft/ loan facility with any Financial Institution during the fiscal year.
- PSAEL has a standard 30 day payment period to its contractors/ suppliers which the company attempts to abide by pending the availability of funds.
- PSAEL has a standard 60 day collection period from its clients which the company urges its customers/clients to adhere to.
- Outstanding debts are reviewed on an annual basis and provided for on a case by case basis based on the nature and aging of the debt.
- Bad Debts in the amount of \$12.8 million were written off during the fiscal year. This related to invoices sent to Petrotrin which were not accepted and returned to PSAEL.

d. INVESTMENT POLICY

- PSAEL has an Investment Policy (PLCEO 001/10) which was approved by the Board of Directors on April 29th, 2010
- In keeping with the strategic objectives, PSAEL seeks to maximize the return on its assets to achieve sustainability and to protect the investment of its shareholders.
- Any temporary surplus of funds would be managed through a diversified portfolio
- No new investments were made during the fiscal year.

e. INTERNAL AUDIT FUNCTIONS

- The Internal Audit function is an independent and objective assurance activity that is guided by a philosophy of adding value to improve the operations of the company. It assists the company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal controls.

- The internal audit activity is established by the Board of Directors, Audit Committee. The internal audit responsibilities are defined by the Board as part of their oversight role.
- Part of the mandate of the Board appointed Audit Committee, as stated in the State Enterprises Performance Monitoring Manual, is to assist in monitoring

“the Company’s systems of internal controls regarding finance, accounting, legal, compliance and ethics that management and the Board have established”

- The Board of Directors have previously attempted to establish an Internal Audit Department at PSAEL but have been unable to acquire appropriate, qualified personnel to undertake these tasks for various reasons. As a result the Internal Audit function has been continuously outsourced in order to enhance the effectiveness of PSAEL’s operations and to ensure compliance to the mandate of the Audit Committee.

5. HUMAN RESOURCE DEVELOPMENT PLAN

- (a) Organizational Establishment:
PSAEL’s Organizational Establishment for the period 2011- 2012 is shown at Appendix 2.
- (b) Category of Employees – (Public Officers, Daily Paid, Contract Staff):
During the period 2011-2012, One Hundred Percent (100%) of the staff population were contracted employees.
- (c) Career Path Systems:
There is no evidence that PSAEL administration had an established career path system.
- (d) Performance Assessment/Management Strategies:
Completed Performance Assessments for the period 2011-2012 were consistent with PSAEL’s Performance Management Policy No: PLHR 002/05.
- (e) Promotion – Selection Procedures:
In a One Hundred percent (100%) contracted environment, there is no policy or procedure in place for promotion.
- (f) Employee Support Services
Employees of PSAEL are covered under the Company’s Group Health and Life Plan. There is no formal Employee Assistance Programme in place, however, this service is outsourced when required.

6. PROCUREMENT PROCEDURES

- (a) Open Tender – N/A
- (b) Selected Tender
- (c) Sole Tender and the criteria used in selecting each system

- Tendering Procedures:

PSAEL's procurement of goods and services has been conducted in accordance with its approved Tender Policy dated 30th September 2010.

The said Policy provides for the procurement of goods and services by Selective tendering and Sole Select / Merit as indicated below:

Selective Tendering

This process begins upon PSAEL's issuance of Invitations to Bid ("ITB") to prequalified contractors (and/or where applicable from a list of contractors that responded to advertisements to express interest in performing/providing specified goods or services). These groups of contractors invited to bid are rotated to ensure that all prequalified contractors are invited to bid for jobs with even frequency.

ITB and supporting tender documents are issued to a maximum of 10/minimum of 5¹ contractors that are shortlisted from the list of prequalified contractors in the respective category. These documents are provided at least 24 hours before the first scheduled site visit. Thereafter, bidders may deposit their sealed bids in the designated tender box at PSAEL's head office. All tender boxes are secured using two independent locks. The key for one lock is held by the Secretary to the tenders committee and the other is held by the Head of the Finance Department. The designated tender box remains locked from the issuance of the ITB until the formal tender opening which takes place no fewer than seven (7) calendar days after the occurrence of the last scheduled site visit.

Immediately upon closure of the tender, the opening committee unlocks the tender box, records the bids received and immediately sends them to the executing department for evaluation based upon pre-approved criteria. The opening committee is comprised as follows:

- for tenders < 2 million dollars – representatives of the Finance Department and the Legal Department and the Head of the Contracts Unit; and
- for tenders > 2million dollars -- The Chief Executive Officer and the Managers of the Legal and Estates Department, Finance Department and Human Resource and Corporate Services Department.

¹ For urgent and critical selective tendering 3 contractors are shortlisted from the prequalification listing in the respective category.

Sole Select/ Merit

This procedure is used to facilitate requests that are deemed to be emergencies/ when the deadline for completion or commencement of the work does not allow for selective tendering procedure (as indicated above) to be employed. In such cases, the permission of the Finance & Tenders Committee of the Board must be obtained before the selected contractor is asked to proceed with the job in question. The selected contractor is usually chosen upon recommendation by the Procurement & Contracts Administrator based on "fit for purpose for the job and any other reason the contractor may have been chosen".

A site visit is conducted and within four (4) hours thereof the selected contractor is required to provide a quotation or bid for the works. If the contractor's quotation/ bid is significantly higher than the company's estimate PSAEL would negotiate with the contractor to reduce its price. Once there is agreement on price (whether as a result of negotiation or if the original bid price is satisfactory) the contractor is authorized to commence the works immediately. Contract documents are prepared for execution before the works are completed.

• CONTRACTUAL PROCEDURES

The approval of the Finance & Tenders Committee ("the F&T") must be obtained prior to inviting contractors to bid for works and awarding contracts to successful bidders. Once the F&T approves the award of a contract, the successful contractor is notified of the approval to award by PSAEL's issuance of a Letter of Award. Upon acceptance of the Letter of Award, the following process ensues:

- For PSAEL's main client (Petrotrin)
A one page contract is issued to engage the contractor. This contract refers to the general terms and conditions of the contract issued at time of Prequalification, as well as a copy of the tender document (including the scope of works and rate sheet)
- For all other clients
A formal contract agreement is executed by the parties. Annexed to the said contract are:
 - the general conditions of contract;
 - contract specifications,
 - scopes of works (including all applicable drawings); and
 - the contractors bid (including bill of quantities and rate sheets).

Note that all contractors are required to provide performance security in the form of performance bonds and or retention fees.

7. PUBLIC AND COMMUNITY RELATIONS

- (a) Client and Public Access to Services/Services Delivery Systems (see Table 2 below)
- (b) Community and Stakeholder Relations (see Table 2 below)
- (c) Strategic Partnerships (Local, Regional and International) (see Table 2 below)

TABLE 2

NO.	STAKEHOLDERS	STAKEHOLDERS EXPECTATIONS
1.	Ministry of Local Government	<ul style="list-style-type: none"> • Execution of work within agreed timeline, specification and budget • Ongoing liaison re: Work plan
2.	Ministry of Finance	<ul style="list-style-type: none"> • Execution of Business in a manner that maintains transparency accountability and value for money • Strict adherence to Government's Policy and Procedures
3.	Petrotrin	<p>Civil & Maintenance Work</p> <ul style="list-style-type: none"> • Execution of work within timeframe, specification and budget. <p>Estate Management</p> <ul style="list-style-type: none"> • Squatter containment • Continuous liaison between Petrotrin and Tenants.
4.	Employees	<ul style="list-style-type: none"> • Job Security • Periodic salary increases • Payment of Salaries • Exposure to training and development opportunities • Recognition of contributions
5.	Contractors	<ul style="list-style-type: none"> • Prompt processing of claims and payments • Prompt resolution of all issues affecting contract execution • Transparency in the invitation and selection process
6.	Tenants/Occupiers of Land	<ul style="list-style-type: none"> • Regularization of Tenancy • Prompt response to issues/complaints
7.	Community	<ul style="list-style-type: none"> • High quality infrastructural projects • Continuous liaison • Environmental responsibility.

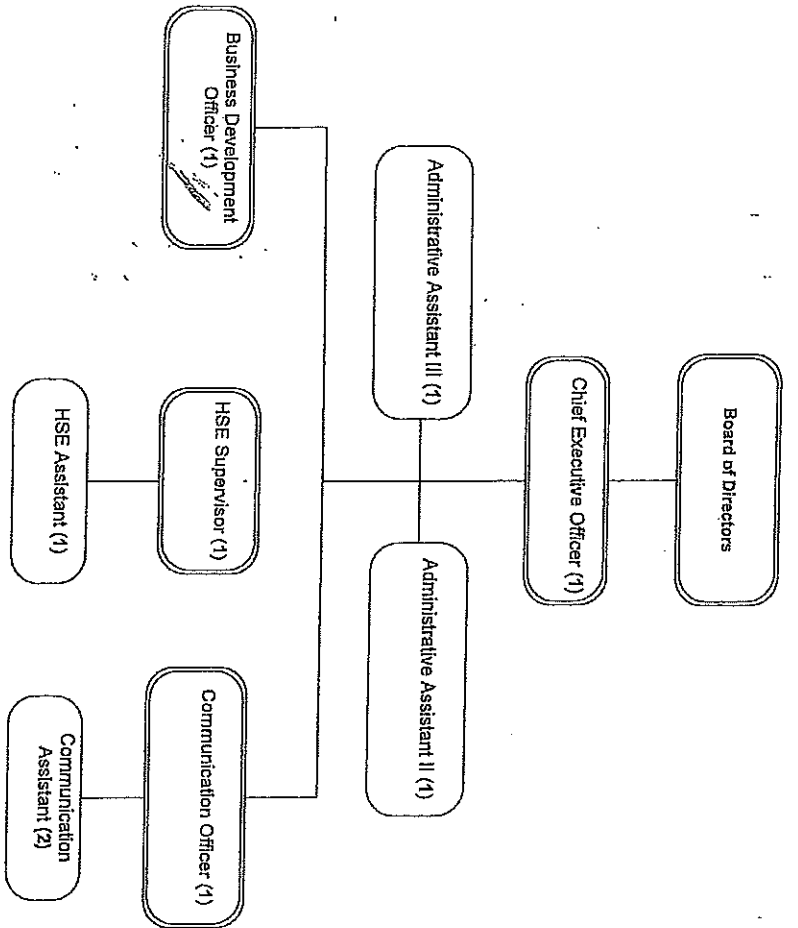
APPENDIX 1



CEO'S Office

Organisation Chart

Position Count	
1	Chief Executive Officer
1	Administrative Assistant III
1	Administrative Assistant II
1	Communication Officer
2	Communication Assistant
1	HSE Supervisor
1	HSE Assistant
1	Business Development Officer
9	TOTAL



Updated on: (Board Note PSBN 09/2012)

Dated: March 15 2012

Chairman

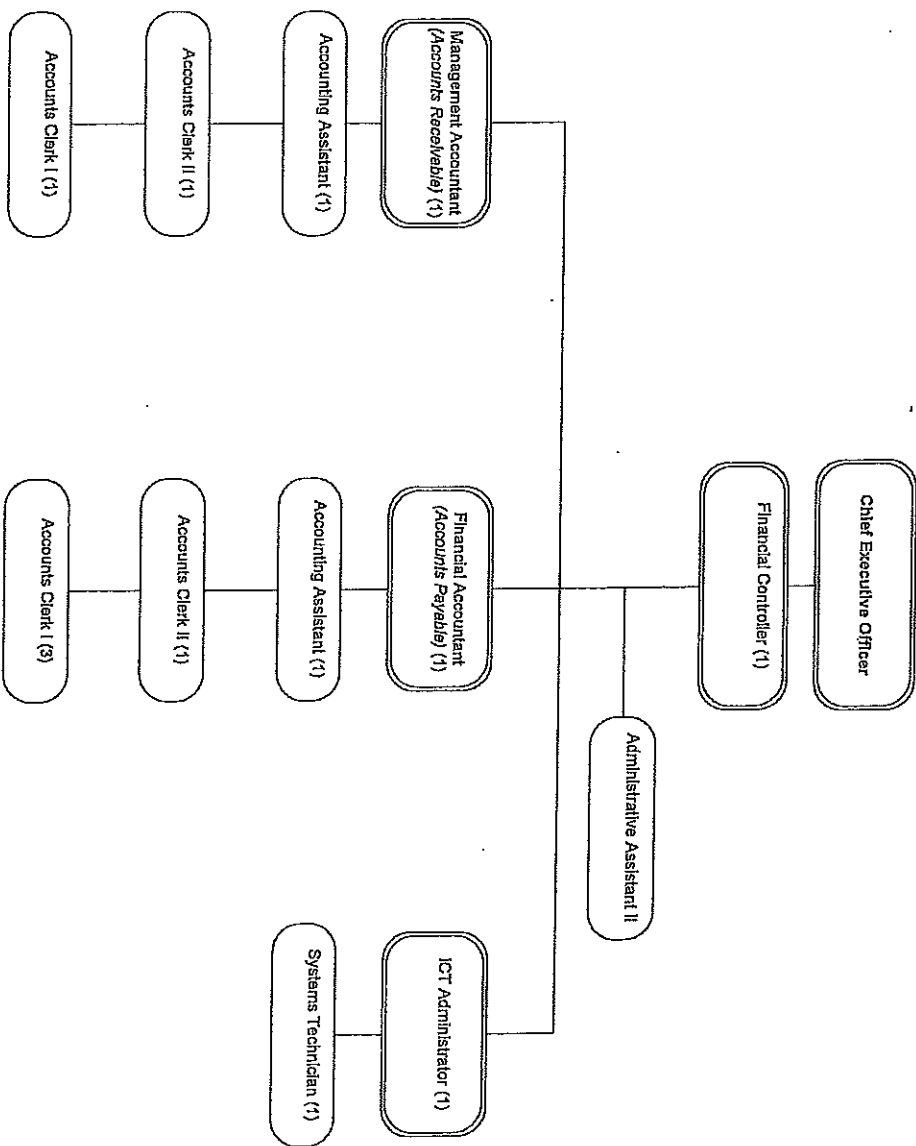
ASHMEAD GHANY

Dated



Finance Department Organisation Chart

Position Count	
Financial Controller	1
Administrative Assistant II	1
Accounting Assistant II	3
Accounts Clerk I	4
Accounts Clerk II	4
Financial Accountant	2
ICT Administrator	1
Systems Technician	1
Management Accountant	1
TOTAL	15



Authorisation:- Board Decision

Dated:- January 19, 2012

Chairman:

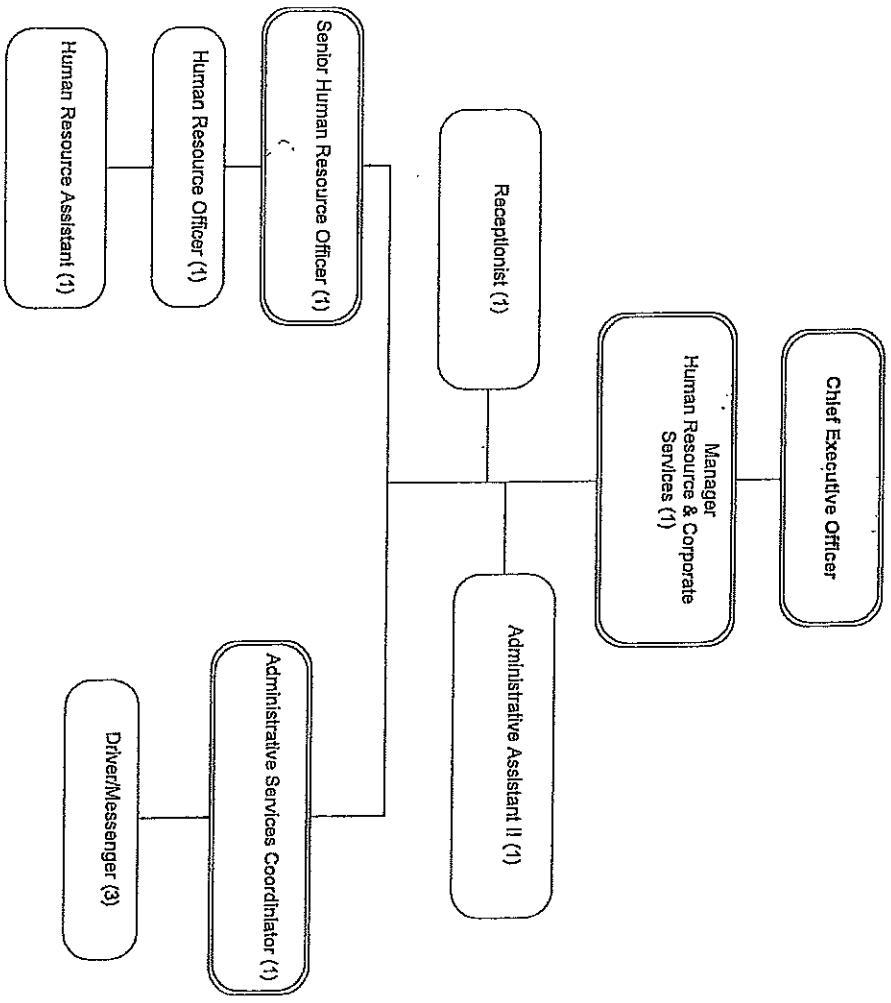
ASRMEAD GHANY

Dated:



Human Resource & Corporate Services Department Organisation Chart

Position Count	Count
Manager HRCS	1
Administrative Assistant II	1
Administrative Services Coordinator	1
Driver/Messenger	3
Human Resource Assistant	1
Human Resource Officer	1
Receptionist	1
Senior Human Resource Officer	1
TOTAL	10



authorisation: Board Note - PSBN 006/10

Dated - January 28, 2010

Chairman

ASHMEAD GHANY

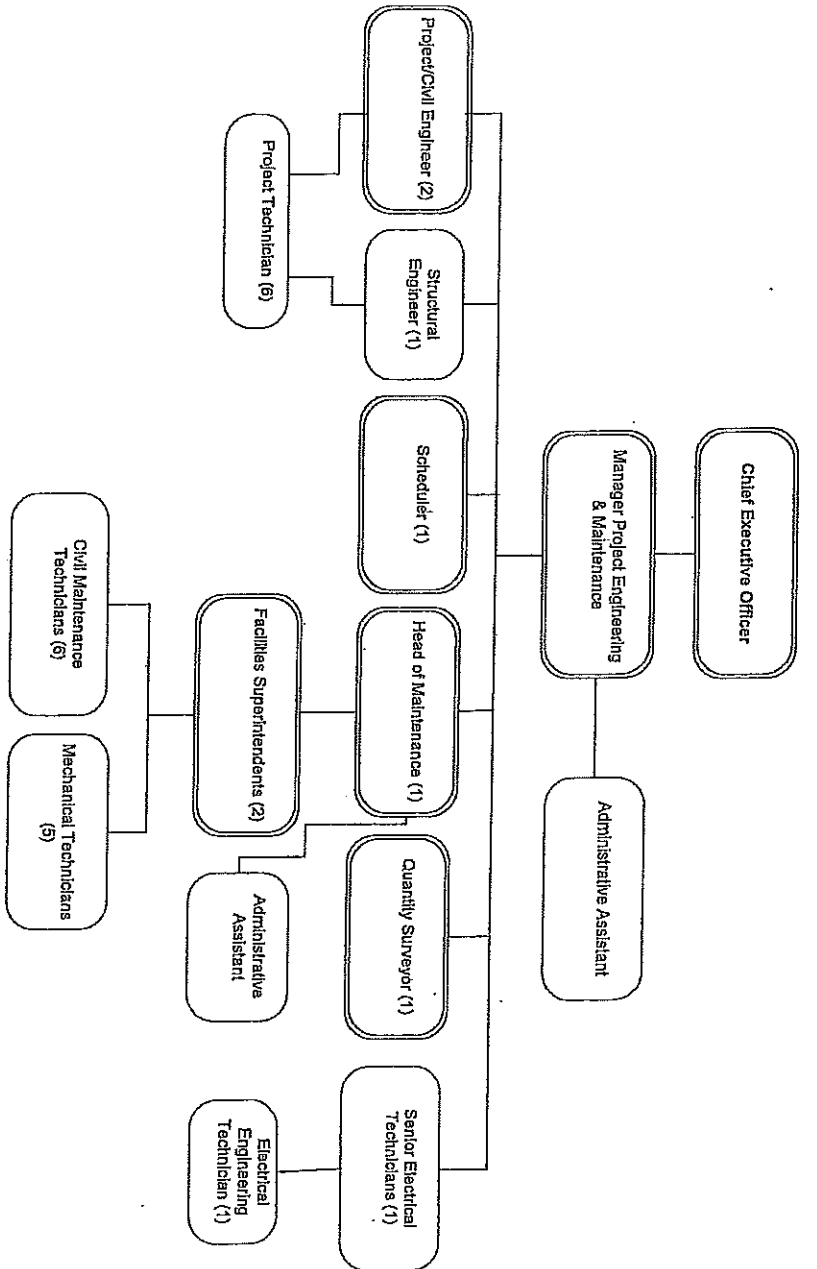
Dated



Projects, Engineering and Maintenance Organisation Chart

Position Count

Manager PEM	1
Administrative Assistant 1	1
Administrative Assistant 3	1
Civil Engineer	2
Structural Engineer	1
Project Technician III	6
Scheduler	1
Head of Maintenance	1
Facilities Superintendent	2
Civil Maintenance Tech	6
Mechanical (Maintenance) Tech	5
Quantity Surveyor	1
Senior Electrical Tech	1
EET	1
TOTAL	36



Authorisation: Board Note PSEN 036/2012

Dated: September 10 2012

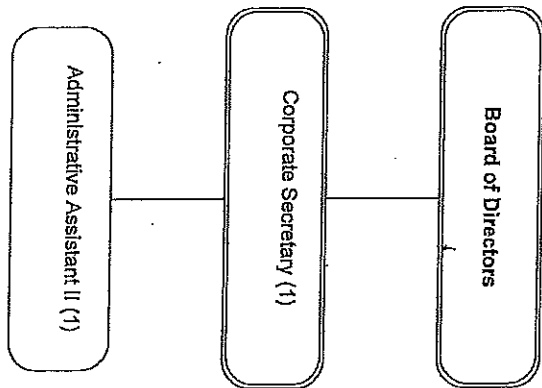
Chairman ASHRAF ANAN

Dated _____



**Corporate Secretariat
Organisation Chart**

Position Count	
Corporate Secretary	1
Administrative Assistant II	1
TOTAL	2



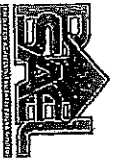
Authorization: Board Decision

Dated: January 19, 2012

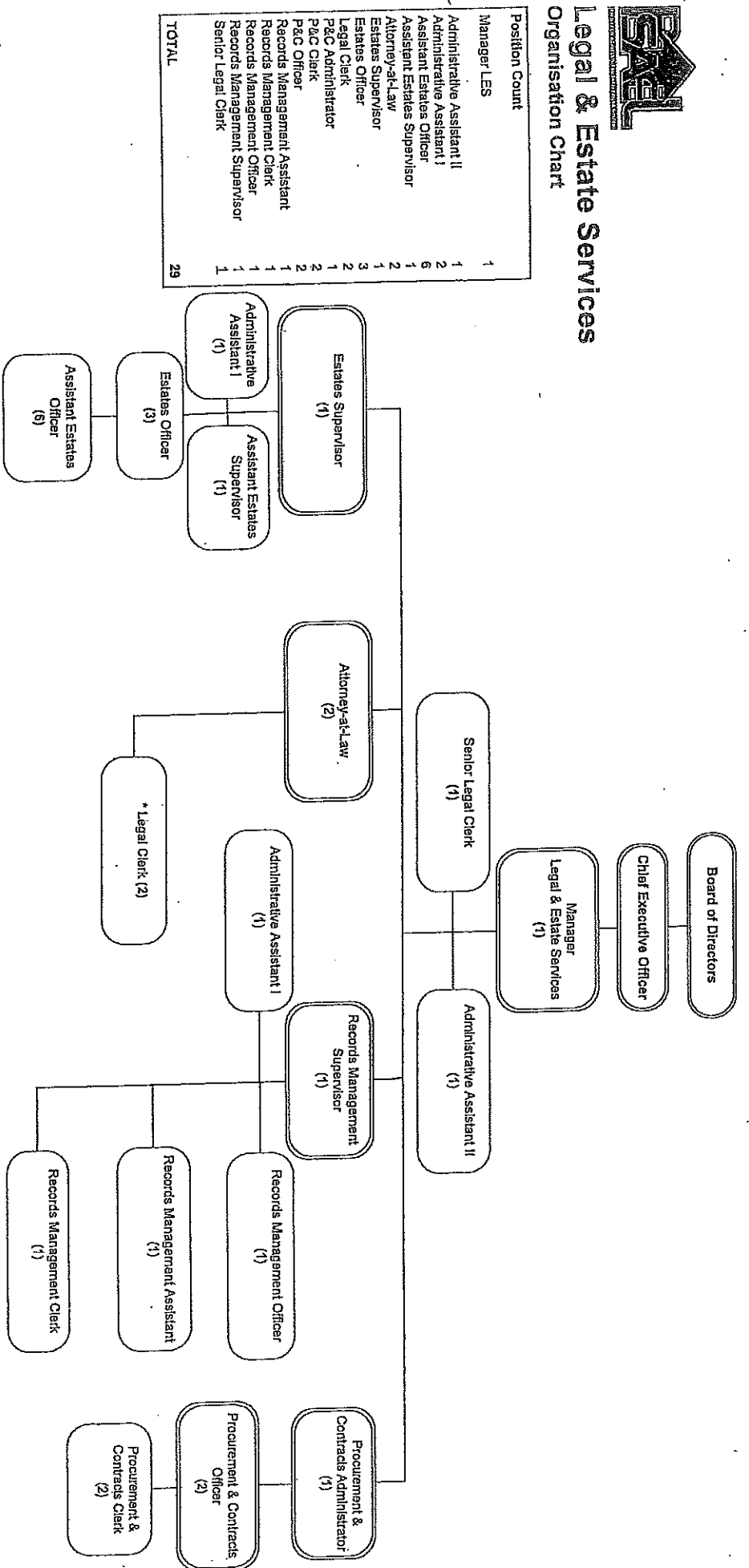
Chairman

ASHMEAD GHANY

Dated



Legal & Estate Services Organisation Chart



Position Count	Count
Manager LES	1
Administrative Assistant II	1
Administrative Assistant I	2
Assistant Estates Officer	6
Assistant Estates Supervisor	1
Attorney-at-Law	2
Estates Supervisor	1
Estates Officer	3
Legal Clerk	2
P&C Administrator	1
P&C Clerk	2
P&C Officer	2
Records Management Assistant	1
Records Management Clerk	1
Records Management Officer	1
Records Management Supervisor	1
Senior Legal Clerk	1
TOTAL	29

Authorisation: Board Decision

Date - July 20 2012, Dec 04 2012 * Chief Executive Officer

Dated _____

APPENDIX 2

PSAEL'S ESTABLISHMENT 2011-2012

Office of the Chief Executive Officer

NAME OF PSOTION	NUMBER OF POSITIONS APPROVED
Chief Executive Officer	One (1)
Administrative Assistant III	One (1)
Administrative Assistant II	One (1)
Business Development Officer	One (1)
Health Safety & Environmental Supervisor	One (1)
Health Safety and Environmental Assistant	One (1)
Communication Officer	One (1)
Communication Assistant	Two (2)

Human Resource & Corporate Services Department

NAME OF PSOTION	NUMBER OF POSITIONS APPROVED
Manager, Human Resource & Corporate Services	One (1)
Administrative Assistant II	One (1)
Senior Human Resource Officer	One (1)
Human Resource Officer	One (1)
Human Resource Assistant	One (1)
Administrative Services Coordinator	One (1)
Driver/Messenger	Three (3)
Receptionist	One (1)

Finance Department

NAME OF PSOTION	NUMBER OF POSITIONS APPROVED
Financial Controller	One (1)
Administrative Assistant II	One (1)
Financial Accountant	One (1)
Management Accountant	One (1)
Accounting Assistant	Three (3)
Accounts Clerk II	Two (2)
Accounts Clerk I	Four (4)
ICT Administrator	One (1)
Systems Technician	One (1)

LEGAL & ESTATE SERVICES DEPARTMENT

NAME OF POSITION	NUMBER OF POSITIONS APPROVED
Manger, Legal & Estate Services	One (1)
Administrative Assistant II	One (1)
Administrative Assistant I	Three (3)
Attorney at Law	Two (2)
Senior Legal Clerk	One (1)
Legal Clerk	Two (2)
Estates Supervisor	One (1)
Assistant Estate Supervisor	One (1)
Estates Officer	Three (3)
Assistant Estates Officer	Six (6)
Records Management Supervisor	One (1)
Records Management Officer	One (1)
Records Management Assistant	One (1)
Records Management Clerk	One (1)
Procurement & Contracts Administrator	One (1)
Procurement & Contracts Officer	Two (2)
Procurement & Contracts Clerk	Two (2)

NAME OF POSITION	NUMBER OF POSITIONS APPROVED
Manager, Projects Engineering & Maintenance	One (1)
Administrative Assistant I	One (1)
Administrative Assistant II	One (1)
Civil Engineer	Two (2)
Structural Engineer	One (1)
Scheduler	One (1)
Project Technicians III	Six (6)
Head of Maintenance	One (1)
Facilities Superintendent	Two (2)
Civil Maintenance Technicians	Six (6)
Mechanical Maintenance Technicians	Five (5)
Quantity Surveyor	One (1)
Senior Electrical Technician	One (1)
Electrical Engineering Technician	One (1)

NAME OF POSITION	NUMBER OF POSITIONS APPROVED
Corporate Secretary	One (1)
Administrative Assistant II	One (1)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2012

**Maharaj
Mohammed
& Co.**

Chartered Accountants

Chartered Accountants
34 St. Vincent Street,
San Fernando,
Trinidad, W.I.
Tel: (868) 652 5245
Fax: (868) 653 6053
Email: info@maharajmohammed.com



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
PALO SECO AGRICULTURAL ENTERPRISES LIMITED**

Report on the Financial Statements

We have audited the financial statements of Palo Seco Agricultural Enterprises Limited which comprises the statement of financial position as at 30th September 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as stated on pages 4 to 15.

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. This responsibility includes: designing, implementing and maintaining internal controls 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.

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 about whether the financial statements are free of 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls 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.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2012

<u>ASSETS</u>	Notes	2012 \$	2011 \$
Current assets			
Cash and bank balances	3	11,580,320	27,438,325
Accounts receivable and prepayments	4	33,387,822	4,261,292
Amounts due by related companies	8	52,090,470	34,011,727
Inventories	5	131,101	113,016
Taxation recoverable		<u>1,339,446</u>	<u>403,871</u>
Total current assets		<u>98,529,159</u>	<u>66,228,231</u>
Non-current assets			
Investments – available for sale	6	4,696,000	140,100
Deferred tax asset	11	3,974,670	-
Property, plant and equipment	7	<u>2,352,259</u>	<u>2,530,697</u>
		<u>11,022,929</u>	<u>2,670,797</u>
Total Assets		<u>109,552,088</u>	<u>68,899,028</u>
 <u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Stated capital	9	301,790	301,790
Retained earnings		<u>41,562,319</u>	<u>53,790,797</u>
Total shareholders' equity		<u>41,864,109</u>	<u>54,092,587</u>
Current liabilities			
Accounts payable and accruals	10	65,401,628	12,734,071
Amounts due to related companies	8	2,199,580	1,837,356
Taxation payable		<u>21,057</u>	<u>178,648</u>
Total current liabilities		<u>67,622,265</u>	<u>14,750,075</u>
Non-current liabilities			
Deferred tax liability	11	<u>65,714</u>	<u>56,366</u>
Total Liabilities		<u>67,687,979</u>	<u>14,806,441</u>
Total Liabilities and Shareholders' Equity		<u>109,552,088</u>	<u>68,899,028</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

Zestima Ramli:Director



:Director

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

	Stated Capital \$	Retained Earnings \$	Total \$
Balance at 1st October 2010	301,790	61,427,643	61,729,433
Dividends paid (Note 14)		(19,000,000)	(19,000,000)
Income for the year	-	11,363,154	11,363,154
Balance at 30th September 2011	301,790	53,790,797	54,092,587
Balance at 1st October 2011	301,790	53,790,797	54,092,587
Income for the year	-	(12,228,478)	(12,228,478)
Balance at 30th September 2012	301,790	41,562,319	41,864,109

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2012

1. Incorporation and principal activities

Palo Seco Agricultural Enterprises Limited (PSAEL), (formerly Trinidad Tesoro Agricultural Company Limited) was incorporated on 11th January 1956. It was a wholly-owned subsidiary of Trinidad and Tobago Petroleum Company Limited (TRINTOPEC), a company incorporated in Trinidad and Tobago on 19th November 1985.

In May 2006, the Government of Trinidad & Tobago declared PSAEL as a Special Purpose State Enterprise. In June 2008, the company transferred its shares to the Minister of Finance as Corporation Sole, with 1 share held by a nominee, on behalf of the Minister of Finance as Corporation Sole.

The principal activities of the company are the design, construction and management of infrastructure development projects in the southwest peninsula as well as the management of the residual non-oil assets of Petroleum Company of Trinidad and Tobago Limited (PETROTRIN), a company formed in 1993, in which the oil-related assets of TRINTOPEC and the Trinidad and Tobago Oil Company Limited (TRINTOC), were vested.

2. Significant accounting policies

(a) Basis of preparation

These financial statements are expressed in Trinidad and Tobago dollars and have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards.

(b) Use of estimates

The preparation of financial statements, in conformity with International Financial Reporting Standards, require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash in hand and bank balances disclosed in Trinidad and Tobago dollars, and other short-term highly liquid investments.

(d) Inventories

Inventories are stated at the lower of cost, as established on the average cost basis, and net realisable value.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

2. Significant accounting policies (continued)

(i) Investments

(a) Held to maturity

These investments are stated at amortised cost, less provisions for any permanent diminution in value, with the positive intention of being held to maturity.

(b) Available for sale

After initial recognition, the investments, which are classified as "available for sale", are measured at fair value, with unrealised gains or losses recognised in the Statement of Income. For actively traded investments, fair value is determined by reference to Stock Exchange quoted market prices at the balance sheet date, adjusted for transaction cost necessary to realize the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

(j) Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet 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 realized or the liability is settled, based on the enacted tax rate at the balance sheet date.

(k) Accounts receivable

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. All collections from sales are expected in one year or less and are classified as current assets. Accounts receivable are initially recognized at the transaction price. They are subsequently measured at cost less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the company will not be able to recover all amounts due according to the original terms of the receivables.

(l) Accounts payable

Accounts payable are obligations on the basis of normal credit terms and do not bear interest.

(m) Taxation

The company is subject to Corporation Tax based on the stipulated rate for the respective year of income, in addition to Green Fund Levy at the rate of 0.1% of gross revenue.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

7. Property, plant and equipment

Cost/Valuation	Freehold	Leasehold	Buildings	Furniture	Machinery &	Computer	Total
	Land	Improvements	& Pastures	& Fittings	Equipment	Equipment	
	\$	\$	\$	\$	\$	\$	\$
Beginning of the year	132,414	1,880,298	4,705,148	1,599,926	867,563	1,048,011	10,233,360
Additions	-	-	-	36,475	23,275	170,316	230,066
Disposals/transfers	-	-	-	-	-	-	-
End of year	132,414	1,880,298	4,705,148	1,636,401	890,838	1,218,327	10,463,426
Accumulated Depreciation							
Beginning of the year	-	914,327	4,705,148	736,494	789,514	557,180	7,702,663
Charge for the year	-	96,597	-	88,941	20,289	202,677	408,504
Disposals/transfers	-	-	-	-	-	-	-
End of year	-	1,010,924	4,705,148	825,435	809,803	759,857	8,111,167
Net Book Value 2011	132,414	965,971	-	863,432	78,049	490,831	2,530,697
Net Book Value 2012	132,414	869,374	-	810,966	81,035	458,470	2,352,259

The freehold lands have not been re-valued in accordance with IAS 16 – Property, plant and equipment, as Cabinet has approved the vesting of the said lands to the related company – PETROTRIN.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

9. Stated capital	2012	2011
	\$	\$
Authorized		
70,000 ordinary shares		
Issued		
60,358 ordinary shares	<u>301,790</u>	<u>301,790</u>
10. Accounts payable and accruals	2012	2011
	\$	\$
Trade payables	56,776,938	4,603,790
Accruals	8,377,517	7,527,321
Other payables	<u>247,173</u>	<u>602,960</u>
	<u>65,401,628</u>	<u>12,734,071</u>
11. Deferred taxation	2012	2011
	\$	\$
<i>i) Deferred Tax Asset</i>		
Accumulated tax losses	(15,898,681)	-
Deferred tax asset @ 25%	<u>3,974,670</u>	<u>-</u>
Deferred tax benefit	<u>3,974,670</u>	<u>-</u>
<i>ii) Deferred Tax Liability</i>		
Net book value per accounting records	2,352,259	2,530,697
Less: permanent differences	<u>(132,414)</u>	<u>(132,414)</u>
Adjusted net book value	2,219,845	2,398,283
Tax written down value	<u>(1,956,988)</u>	<u>(2,172,820)</u>
Temporary differences	262,857	225,463
Deferred tax liability @ 25%	<u>65,714</u>	<u>56,366</u>
Deferred tax charge/(benefit)	<u>(9,349)</u>	<u>2,806</u>
<i>Net Deferred Tax Benefit (Note 13)</i>	<u>3,965,321</u>	<u>2,806</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

Operating expenses	2012	2011
	\$	\$
<i>Estate management and maintenance</i>		
Ground maintenance	7,618,524	7,102,212
Salaries and wages	6,003,961	6,972,259
National insurance	395,602	381,320
Repairs and maintenance	5,443,237	1,881,958
Janitorial, horticultural and landscaping	4,592,082	3,446,381
Mobile services	1,648,005	1,206,184
Garbage collection/removal	524,930	244,755
Miscellaneous expenses	84,734	150,520
Grass-cutting expenses	5,005,450	4,645,361
	<u>31,316,525</u>	<u>26,030,950</u>

Project expenses and other

Plaisance Park Development Project	209,855	-
Special project - PETROTRIN	3,145	
Government Community Projects	57,206,898	4,320,535
	<u>57,419,898</u>	<u>4,320,535</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2012

**Maharaj
Mohammed
& Co.**

Chartered Accountants

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2012

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Chartered Accountants
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Email: info@maharajmohammed.com



**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
PALO SECO AGRICULTURAL ENTERPRISES LIMITED**

Report on the Financial Statements

We have audited the financial statements of Palo Seco Agricultural Enterprises Limited which comprises the statement of financial position as at 30th September 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as stated on pages 4 to 15.

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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 about whether the financial statements are free of 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' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30th September 2012 and the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Maharaj Mohammed & Co.

Maharaj Mohammed & Co.
Chartered Accountants
Trinidad & Tobago

14th December 2012

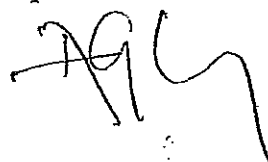
PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30TH SEPTEMBER 2012

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Current assets			
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Deferred tax asset	11	3,974,670	-
Property, plant and equipment	7	<u>2,352,259</u>	<u>2,530,697</u>
		<u>11,022,929</u>	<u>2,670,797</u>
Total Assets		<u>109,552,088</u>	<u>68,899,028</u>
 <u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Stated capital	9	301,790	301,790
Retained earnings		<u>41,562,319</u>	<u>53,790,797</u>
Total shareholders' equity		<u>41,864,109</u>	<u>54,092,587</u>
Current liabilities			
Accounts payable and accruals	10	65,401,628	12,734,071
Amounts due to related companies	8	2,199,580	1,837,356
Taxation payable		<u>21,057</u>	<u>178,648</u>
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Deferred tax liability	11	<u>65,714</u>	<u>56,366</u>
Total Liabilities		<u>67,687,979</u>	<u>14,806,441</u>
Total Liabilities and Shareholders' Equity		<u>109,552,088</u>	<u>68,899,028</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

Zestima Ramli: Director



: Director

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

	Note	2012	2011
		\$	\$
Revenues			
Management fees		30,946,136	42,861,392
Project management income		62,073,487	4,153,619
Land and building rental		2,486,160	2,474,539
Interest income		146,888	423,429
Other income		<u>397,282</u>	<u>5,721,152</u>
		<u>96,049,953</u>	<u>55,634,131</u>
Operating expenditure			
Estate management and maintenance		31,316,525	26,030,950
Project expenses and other		<u>57,419,898</u>	<u>4,320,535</u>
		<u>88,736,423</u>	<u>30,351,485</u>
Operating income		7,313,530	25,282,646
Expenses			
Administrative and general		23,199,312	11,545,295
Interest and bank charges		<u>14,156</u>	<u>10,499</u>
		<u>23,213,468</u>	<u>11,555,794</u>
Net (loss)/income before taxation		(15,899,938)	13,726,852
Taxation benefit/(charge)	13	<u>3,671,460</u>	<u>(2,363,698)</u>
Net (loss)/income for the year		<u>(12,228,478)</u>	<u>11,363,154</u>

The notes on pages 8 to 15 form an integral part of these financial statements.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

	Stated Capital \$	Retained Earnings \$	Total \$
Balance at 1st October 2010	301,790	61,427,643	61,729,433
Dividends paid (Note 14)		(19,000,000)	(19,000,000)
Income for the year	-	11,363,154	11,363,154
Balance at 30th September 2011	<u>301,790</u>	<u>53,790,797</u>	<u>54,092,587</u>
Balance at 1st October 2011	301,790	53,790,797	54,092,587
Income for the year	-	(12,228,478)	(12,228,478)
Balance at 30th September 2012	<u>301,790</u>	<u>41,562,319</u>	<u>41,864,109</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

	Note	2012	2011
		\$	\$
Operating Activities			
Net (loss)/income before taxation		(15,899,938)	13,726,852
Adjustments for:			
Depreciation of fixed assets		<u>408,504</u>	<u>397,650</u>
Net loss/(income) before working capital changes		(15,491,434)	14,124,502
Movements in working capital			
Increase in accounts receivable and prepayments		(29,126,530)	(1,318,718)
Increase in amounts due from related companies		(18,078,743)	(4,377,004)
Increase in inventory		(18,085)	(38,217)
Increase/(decrease) in accounts payable and accruals		52,667,557	(4,768,372)
Increase/(decrease) in amounts due to related companies		<u>362,224</u>	<u>(968,872)</u>
Cash (utilized in)/generated from operating activities		(9,685,011)	2,653,319
Taxation paid		(1,246,928)	(2,543,238)
Net cash (utilized in)/provided by operations		(10,931,939)	<u>110,081</u>
Investing activities			
Purchase of fixed assets		(230,066)	(303,091)
Cash utilized in investing activities		(230,066)	(309,091)
Financing activities			
Payment of dividends		-	(19,000,000)
Cash utilized in financing activities		-	(19,000,000)
Net decrease in cash and cash equivalents		(11,162,005)	(19,193,010)
Cash and cash equivalents			
- at the beginning of the year		27,438,325	46,631,335
- at the end of the year	3	(16,276,320)	<u>27,438,325</u>
		(11,162,005)	(19,193,010)

The notes on pages 8 to 15 form an integral part of these financial statements.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2012

1. Incorporation and principal activities

Palo Seco Agricultural Enterprises Limited (PSAEL), (formerly Trinidad Tesoro Agricultural Company Limited) was incorporated on 11th January 1956. It was a wholly-owned subsidiary of Trinidad and Tobago Petroleum Company Limited (TRINTOPEC), a company incorporated in Trinidad and Tobago on 19th November 1985.

In May 2006, the Government of Trinidad & Tobago declared PSAEL as a Special Purpose State Enterprise. In June 2008, the company transferred its shares to the Minister of Finance as Corporation Sole, with 1 share held by a nominee, on behalf of the Minister of Finance as Corporation Sole.

The principal activities of the company are the design, construction and management of infrastructure development projects in the southwest peninsula as well as the management of the residual non-oil assets of Petroleum Company of Trinidad and Tobago Limited (PETROTRIN), a company formed in 1993, in which the oil-related assets of TRINTOPEC and the Trinidad and Tobago Oil Company Limited (TRINTOC), were vested.

2. Significant accounting policies

(a) Basis of preparation

These financial statements are expressed in Trinidad and Tobago dollars and have been prepared under the historical cost convention, in accordance with International Financial Reporting Standards.

(b) Use of estimates

The preparation of financial statements, in conformity with International Financial Reporting Standards, require management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost and comprise cash in hand and bank balances disclosed in Trinidad and Tobago dollars, and other short-term highly liquid investments.

(d) Inventories

Inventories are stated at the lower of cost, as established on the average cost basis, and net realisable value.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012**

2. Significant accounting policies (continued)

(e) Foreign currency

Foreign currency transactions during the year are translated into Trinidad and Tobago dollars at the exchange rates ruling at the dates of the transactions. Current assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Gains or losses thus arising are included in the statement of income.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost and are being depreciated on the reducing balance basis, at varying rates which are sufficient to write off the cost of the assets over their estimated useful lives as follows:

Leasehold improvements	10%
Buildings and pastures	10%
Furniture and fittings	10%
Machinery	20%
Motor vehicles	25%
Computer equipment	33 1/3%

No depreciation is charged on freehold land.

(g) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the statement of income and expenditure when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in statement of income and expenditure in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Rental income

Rental income is recognised in the statement of income and expenditure on a straight-line basis over the term of the lease.

(h) Operating lease payments

Payments made under operating leases are recognised in the statement of income and expenditure on a straight-line basis over the term of the lease.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012**

2. Significant accounting policies (continued)

(i) Investments

(a) Held to maturity

These investments are stated at amortised cost, less provisions for any permanent diminution in value, with the positive intention of being held to maturity.

(b) Available for sale

After initial recognition, the investments, which are classified as "available for sale", are measured at fair value, with unrealised gains or losses recognised in the Statement of Income. For actively traded investments, fair value is determined by reference to Stock Exchange quoted market prices at the balance sheet date, adjusted for transaction cost necessary to realize the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

(j) Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the balance sheet 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 realized or the liability is settled, based on the enacted tax rate at the balance sheet date.

(k) Accounts receivable

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. All collections from sales are expected in one year or less and are classified as current assets. Accounts receivable are initially recognized at the transaction price. They are subsequently measured at cost less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the company will not be able to recover all amounts due according to the original terms of the receivables.

(l) Accounts payable

Accounts payable are obligations on the basis of normal credit terms and do not bear interest.

(m) Taxation

The company is subject to Corporation Tax based on the stipulated rate for the respective year of income, in addition to Green Fund Levy at the rate of 0.1% of gross revenue.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

3. Cash and bank balances

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts.

	2012	2011
	\$	\$
Cash on hand	4,685	990,700
Cash at bank	6,657,650	15,621,120
Deposits and short-term investments	<u>4,917,985</u>	<u>10,826,505</u>
	<u>11,580,320</u>	<u>27,438,325</u>

4. Accounts receivable and prepayments

	2012	2011
	\$	\$
Trade receivables	134,922	258,637
Accrued income	27,315,909	3,851,331
Prepayments and other	<u>5,936,991</u>	<u>151,324</u>
	<u>33,387,822</u>	<u>4,261,292</u>

5. Inventories

	2012	2011
	\$	\$
Stationery, kitchen and computer supplies	<u>131,101</u>	<u>113,016</u>

6. Investments

	2012	2011
	\$	\$
(i) Held to maturity	4,556,000	-
(ii) Available for sale	<u>140,000</u>	<u>140,100</u>
	<u>* 4,696,000</u>	<u>140,100</u>

The carrying value of the investments shown above represents the fair value of these investments.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

7. Property, plant and equipment

	Freehold Land	Leasehold Improvements	Buildings & Pastures	Furniture & Fittings	Machinery & Equipment	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
Cost/Valuation							
Beginning of the year	132,414	1,880,298	4,705,148	1,599,926	867,563	1,048,011	10,233,360
Additions	-	-	-	36,475	23,275	170,316	230,066
Disposals/transfers	-	-	-	-	-	-	-
End of year	132,414	1,880,298	4,705,148	1,636,401	890,838	1,218,327	10,463,426
Accumulated Depreciation							
Beginning of the year	-	914,327	4,705,148	736,494	789,514	557,180	7,702,663
Charge for the year	-	96,597	-	88,941	20,289	202,677	408,504
Disposals/transfers	-	-	-	-	-	-	-
End of year	-	1,010,924	4,705,148	825,435	809,803	759,857	8,111,167
Net Book Value 2011	132,414	965,971	-	863,432	78,049	490,831	2,530,697
Net Book Value 2012	132,414	869,374	-	810,966	81,035	458,470	2,352,259

The freehold lands have not been re-valued in accordance with IAS 16 -- Property, plant and equipment, as Cabinet has approved the vesting of the said lands to the related company -- PETROTRIN.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

8. Related companies

	2012	2011
	\$	\$
<i>Amounts due from:</i>		
Trinidad & Tobago Petroleum Company Limited (TRINTOPEC)	-	3,015,620
Trinidad & Tobago Oil Company Limited (TRINTOC)	3,518,082	3,552,494
Ministry of Local Government	29,593,525	722,860
Ministry of Science, Technology & Tertiary Education	185,031	182,602
Petroleum Company of Trinidad & Tobago (PETROTRIN)	18,554,912	27,108,771
National Energy Corporation of Trinidad & Tobago Limited (NEC)	-	109,478
Community Improvement Services Limited (CISL)	3,397,768	3,397,768
Princes Town Regional Corporation (PTRC)	238,920	-
La Brea Industrial Development Company Limited (LABIDCO)	-	217,627
Less: Provision for doubtful debts	(3,397,768)	(4,295,493)
	<u>52,090,470</u>	<u>34,011,727</u>
<i>Amounts due to:</i>		
Petroleum Company of Trinidad & Tobago (PETROTRIN)	2,083,714	1,652,160
Trinidad & Tobago Petroleum Company Limited (TRINTOPEC)	115,866	95,196
Trinidad & Tobago Oil Company Limited (TRINTOC)	-	90,000
	<u>2,199,580</u>	<u>1,837,356</u>

Total sales to related companies are as follows:

Sales/income	<u>93,019,623</u>	<u>47,015,011</u>
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The transactions conducted with related parties were carried out on commercial terms and conditions at market rates, with the exception of :

- i) Rental income to TRINTOC is charged at a nominal rate

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

9. Stated capital	2012	2011
	\$	\$
Authorized		
70,000 ordinary shares		
Issued		
60,358 ordinary shares	<u>301,790</u>	<u>301,790</u>
10. Accounts payable and accruals	2012	2011
	\$	\$
Trade payables	56,776,938	4,603,790
Accruals	8,377,517	7,527,321
Other payables	<u>247,173</u>	<u>602,960</u>
	<u>65,401,628</u>	<u>12,734,071</u>
11. Deferred taxation	2012	2011
	\$	\$
<i>i) Deferred Tax Asset</i>		
Accumulated tax losses	(15,898,681)	-
Deferred tax asset @ 25%	<u>3,974,670</u>	<u>-</u>
Deferred tax benefit	<u>3,974,670</u>	<u>-</u>
<i>ii) Deferred Tax Liability</i>		
Net book value per accounting records	2,352,259	2,530,697
Less: permanent differences	<u>(132,414)</u>	<u>(132,414)</u>
Adjusted net book value	2,219,845	2,398,283
Tax written down value	<u>(1,956,988)</u>	<u>(2,172,820)</u>
Temporary differences	262,857	225,463
Deferred tax liability @ 25%	<u>65,714</u>	<u>56,366</u>
Deferred tax charge/(benefit)	<u>(9,349)</u>	<u>2,806</u>
<i>Net Deferred Tax Benefit (Note 13)</i>	<u>3,965,321</u>	<u>2,806</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

12. Employees	2012	2011
The number of employees at 30 th September :	<u>80</u>	<u>101</u>

13. Taxation	2012	2011
	\$	\$

Reconciliation between accounting loss and taxation charge

Accounting (loss)/profit	(15,899,938)	13,726,852
Items disallowed/(allowable)	<u>1,257</u>	<u>(4,514,882)</u>
Allowable loss/chargeable profit	(15,898,681)	9,211,970
Taxation @ 25%	<u>-</u>	<u>(2,302,993)</u>

Taxation charge is made up as follows:

Corporation tax - current year	-	(2,302,993)
- prior year	1,818	(15,712)
Business levy - current year	(191,800)	-
Green Fund levy - current year	(95,900)	(47,445)
- prior year	(7,979)	(354)
Deferred taxation (Note 11)	<u>3,965,321</u>	<u>2,806</u>
	<u>3,671,460</u>	<u>(2,363,698)</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

Operating expenses	2012	2011
	\$	\$

Estate management and maintenance

Ground maintenance	7,618,524	7,102,212
Salaries and wages	6,003,961	6,972,259
National insurance	395,602	381,320
Repairs and maintenance	5,443,237	1,881,958
Janitorial, horticultural and landscaping	4,592,082	3,446,381
Mobile services	1,648,005	1,206,184
Garbage collection/removal	524,930	244,755
Miscellaneous expenses	84,734	150,520
Grass-cutting expenses	5,005,450	4,645,361
	<u>31,316,525</u>	<u>26,030,950</u>

Project expenses and other

Plaisance Park Development Project	209,855	-
Special project - PETROTRIN	3,145	
Government Community Projects	57,206,898	4,320,535
	<u>57,419,898</u>	<u>4,320,535</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2012

Administrative and general	2012	2011
	\$	\$
Advertising	468,786	378,145
Audit fees and expenses	94,880	87,500
Bad and doubtful debts	12,799,525	10
Books, reference, journals	3,091	6,953
Computer and office equipment	460,190	646,085
Depreciation	408,504	397,650
Directors' fees and expenses	547,595	371,552
Donations and gifts	9,166	62,774
Entertainment	-	33,072
Insurance	72,133	68,345
Miscellaneous	39,414	46,690
Motor vehicle expenses	361,011	451,063
Office expenses	404,155	573,244
Penalties and fines	230	-
Professional fees	406,845	522,199
Repairs and maintenance	451,630	503,784
Safety expenses	68,893	44,384
Salaries, wages and employee benefits	3,580,242	4,287,418
Security	139,846	111,240
Training and seminars	17,071	303,375
Travelling	2,260,761	2,081,833
Utilities	605,344	567,979
	<u>23,199,312</u>	<u>11,545,295</u>