

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2016

MAHARAJ
MOHAMMED
& Co.



PALO SECO AGRICULTURAL ENTERPRISES LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2016

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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 comprise the statement of financial position as at 30th September 2016, 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 19.

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 2016

<u>ASSETS</u>	Notes	2016 \$	2015 \$
Current assets			
Cash and bank balances	3	5,111,850	14,156,385
Accounts and other receivables	4	8,436,277	8,290,845
Amounts due by related parties	7	83,647,585	70,291,716
Taxation recoverable		<u>403,809</u>	<u>1,423,123</u>
Total current assets		<u>97,599,521</u>	<u>94,162,069</u>
Non-current assets			
Property, plant and equipment	6	3,986,417	4,135,444
Investments – available for sale	5	2,192,988	2,183,000
Deferred tax asset	10	4,485,283	<u>2,247,552</u>
		<u>10,664,688</u>	<u>8,565,996</u>
Total Assets		<u>108,264,209</u>	<u>102,728,065</u>
 <u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Stated capital	8	301,790	301,790
Investment reserve	5	(217,012)	(227,000)
Retained earnings		<u>34,998,055</u>	<u>41,800,003</u>
Total shareholders' equity		<u>35,082,833</u>	<u>41,874,793</u>
Current liabilities			
Accounts payable and accruals	9	71,405,069	59,401,479
Amounts due to related parties	7	1,658,098	1,316,974
Taxation payable		<u>-</u>	<u>209</u>
Total current liabilities		<u>73,063,167</u>	<u>60,718,662</u>
Non-current liabilities			
Deferred tax liability	10	<u>118,209</u>	<u>134,610</u>
Total Liabilities		<u>73,181,376</u>	<u>60,853,272</u>
Total Liabilities and Shareholders' Equity		<u>108,264,209</u>	<u>102,728,065</u>

The accompanying notes on pages 8 to 19 form an integral part of these financial statements.

:Director

:Director

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30th September 2016 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

24th February 2017

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

	Note	2016	2015
		\$	\$
Revenues			
Management fees		2,142,593	14,079,751
Project management income		22,227,069	151,490,345
Land management services		172,700	-
Land and building rental		2,655,553	2,558,070
Interest income		131,387	130,655
Other income		<u>438,134</u>	<u>575,801</u>
		<u>27,767,436</u>	<u>168,834,622</u>
Operating expenditure			
Estate management and maintenance		-	910,024
Project expenses		25,364,159	151,551,893
Other direct expenses		<u>2,424,247</u>	<u>6,898,920</u>
		<u>27,788,406</u>	<u>159,360,837</u>
Operating income		(20,970)	9,473,785
Expenses			
Administrative and general		8,850,989	12,983,790
Interest and bank charges		<u>14,995</u>	<u>16,950</u>
		<u>8,865,984</u>	<u>13,000,740</u>
Loss before taxation		(8,886,954)	(3,526,955)
Taxation benefit	12	<u>2,085,006</u>	<u>383,310</u>
Net loss for the year		<u>(6,801,948)</u>	<u>(3,143,645)</u>

The notes on pages 8 to 19 form an integral part of these financial statements.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

	Stated Capital	Investment Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1st October 2014	301,790	(271,492)	44,943,648	44,973,946
Revaluation of investment	-	44,492	-	44,492
Loss for the year	-	-	(3,143,645)	(3,143,645)
Balance at 30th September 2015	301,790	(227,000)	41,800,003	41,874,793
Balance at 1st October 2015	301,790	(227,000)	41,800,003	41,874,793
Revaluation of investment	-	9,988	-	9,988
Loss for the year	-	-	(6,801,948)	(6,801,948)
Balance at 30th September 2016	301,790	(217,012)	34,998,055	35,082,833

The accompanying notes on pages 8 to 19 form an integral part of these financial statements.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

	Note	2016	2015
		\$	\$
Operating Activities			
Net loss before taxation		(8,886,954)	(3,526,955)
Adjustments for:			
Depreciation of property, plant and equipment		672,678	486,265
Loss on disposal of property, plant and equipment		<u>37,820</u>	<u>8,281</u>
Net loss before working capital changes		(8,176,456)	(3,032,409)
Movements in working capital			
(Increase)/decrease in accounts and other receivables		(145,432)	6,714,705
Increase in amounts due from related parties		(13,355,869)	(2,804,405)
Increase/(decrease) in accounts payable and accruals		12,003,590	(2,111,467)
Increase in amounts due to related parties		<u>341,124</u>	<u>445,961</u>
Cash utilized in operating activities		(9,333,043)	(787,615)
Taxation refund		1,018,013	-
Taxation paid		<u>(168,034)</u>	<u>(544,455)</u>
Net cash utilized in from operations		(8,483,064)	(1,332,070)
Investing activities			
Purchase of property, plant and equipment		(603,404)	(2,018,674)
Proceeds from disposal of property, plant and equipment		<u>41,933</u>	<u>6,057</u>
Cash utilized in investing activities		(561,471)	(2,012,617)
Net decrease in cash and cash equivalents		(9,044,535)	(3,344,687)
Cash and cash equivalents			
- at the beginning of the year		14,156,385	17,501,072
- at the end of the year	3	<u>5,111,850</u>	<u>14,156,385</u>
		<u>(9,044,535)</u>	<u>(3,344,687)</u>

The notes on pages 8 to 19 form an integral part of these financial statements.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2016

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 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 southern Trinidad, 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.

The financial statements were authorised for issue by the Board of Directors on 25th February 2016.

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.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

2. **Significant accounting policies (continued)**

(d) 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 statement of financial position date. Gains or losses thus arising are included in the Statement of Comprehensive Income.

(e) 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% - 16 2/3%
Machinery and equipment	20%
Computer equipment	33 1/3%

No depreciation is charged on freehold land.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

As 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 recognized in the Statement of Comprehensive Income.

2. Significant accounting policies (continued)

(f) Revenue

(i) Project management services rendered

Revenue from services rendered is recognised in Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the reporting 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 or associated costs.

(ii) Rental income

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

(g) Operating lease payments

Operating leases are classified as those where a significant portion of risks and rewards of ownership are retained by the lessor.

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

(h) Investments

(i) 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.

(ii) 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 recorded to the Investment Reserve on the Statement of Financial Position. For actively traded investments, fair value is determined by reference to Stock Exchange quoted market prices at the statement of financial position 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.

2. Significant accounting policies (continued)

(i) Deferred taxation

Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position 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 statement of financial position date.

(j) 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.

(k) Accounts payable

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

(l) 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 0.3% of gross revenue.

(m) Stated capital

Ordinary shares are classified as equity.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

3. **Cash and bank balances**

Cash and cash equivalents consist of cash on hand, balances with banks and short-term investments. Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2016	2015
	\$	\$
Cash on hand	6,850	199,333
Cash at bank	2,583,695	10,577,904
Short-term investments	<u>2,521,305</u>	<u>3,379,148</u>
	<u>5,111,850</u>	<u>14,156,385</u>

The short-term investments comprise mutual and income funds held at local financial institutions. Interest is earned at an average rate of 5.9% (2015: 1.3%) per annum.

Cash at bank is also held at local financial institutions.

4. **Accounts and other receivables**

	2016	2015
	\$	\$
Accounts receivables (Note 7)	202,695	80,600
Accrued income - Related parties (Note 7)	3,813,103	3,813,103
- Other	1,557	1,383
Other receivables and prepayments	<u>4,418,922</u>	<u>4,395,759</u>
	<u>8,436,277</u>	<u>8,290,845</u>

Included in Other receivables and prepayments is net Value Added Tax (VAT) receivable of \$4,408,944 (2015: \$4,315,917).

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable noted above. The company does not hold any collateral as security.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

5. Investments	2016	2015
	\$	\$
a) Available-for-sale investments		
i) Shares (unquoted)	<u>140,000</u>	<u>140,000</u>
ii) Shares (quoted)		

In November 2012, the Company redeemed the first tranche of Government Bonds (zero coupon) at a discount value of 85.6%, with the realised loss recorded to the Statement of Comprehensive Income.

The second tranche of Government Bonds were required to be converted to quoted shares in Clico Investment Fund (CIF), which are traded on the Trinidad & Tobago Stock Exchange. Unrealised gains and losses arising from revaluation of these shares are recorded to the Investment Reserve on the Statement of Financial Position.

Balance at beginning of year	2,043,000	1,998,508
Net gain due to revaluation (see below)	<u>9,988</u>	<u>44,492</u>
Balance at end of year	<u>2,052,988</u>	<u>2,043,000</u>
Total Available-for-sale investments	<u>2,192,988</u>	<u>2,183,000</u>

- Quoted shares are re-valued quarterly to market value (fair value) of the investments. Gains/losses are recorded to the Investment Reserve account.
- Unquoted shares are represented at cost, which represents the fair value of these investments.

b) Investment reserve	2016	2015
	\$	\$
Balance at beginning of year	(227,000)	(271,492)
Revaluation of quoted investment	<u>9,988</u>	<u>44,492</u>
Balance at end of year	<u>(217,012)</u>	<u>(227,000)</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

6. Property, plant and equipment

	Freehold Land	Leasehold Improvements	Buildings & Pastures	Furniture & Fittings	Machinery & Equipment	Computer Equipment	Total
	\$	\$	\$	\$	\$	\$	\$
At 30th September 2014							
Cost	132,414	1,880,298	4,893,803	1,782,375	897,938	1,882,677	11,469,505
Accumulated Depreciation	-	1,176,105	4,706,720	983,061	841,504	1,144,742	8,852,132
Net Book Value	132,414	704,193	187,083	799,314	56,434	737,935	2,617,373
Year ended 30 September 2015							
Opening net book value	132,414	704,193	187,083	799,314	56,434	737,935	2,617,373
Additions	-	1,667,650	-	117,928	-	233,096	2,018,674
Disposal	-	187,083	(187,083)	(2,165)	-	(12,173)	(14,338)
Depreciation charge	-	103,182	-	93,008	11,339	278,736	486,265
Net Book Value	132,414	2,455,744	-	822,069	45,095	680,122	4,135,444
At 30th September 2015							
Cost	132,414	3,736,603	4,705,148	1,893,952	897,938	2,099,572	13,465,627
Accumulated Depreciation	-	1,280,859	4,705,148	1,071,883	852,843	1,419,450	9,330,183
Net Book Value	132,414	2,455,744	-	822,069	45,095	680,122	4,135,444
Year ended 30 September 2016							
Opening net book value	132,414	2,455,744	-	822,069	45,095	680,122	4,135,444
Additions	-	95,000	-	131,680	-	376,724	603,404
Disposals/transfer	-	-	-	(5,757)	-	(73,996)	(79,753)
Depreciation charge	-	255,074	-	101,428	9,019	307,157	672,678
Net Book Value	132,414	2,295,670	-	846,564	36,076	675,693	3,986,417
At 30th September 2016							
Cost	132,414	3,831,603	4,705,148	2,008,842	897,938	2,290,357	13,866,302
Accumulated Depreciation	-	1,535,934	4,705,148	1,162,281	861,861	1,614,661	9,879,885
Net Book Value	132,414	2,295,669	-	846,561	36,077	675,696	3,986,417

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 2016

7. Related party balances	2016	2015
	\$	\$
<i>a) Amounts due from:</i>		
Trinidad & Tobago Oil Company Limited (TRINTOC)	3,465,784	3,509,349
Ministry of Local Government	33,484,214	34,887,352
Ministry of Works and Infrastructure	4,913,637	4,201,628
Ministry of Labour and Small and Micro Enterprises Development	58,104	505,101
Ministry of Science, Technology & Tertiary Education	2,682	(25,460)
Petroleum Company of Trinidad & Tobago (PETROTRIN)	5,567,529	5,615,095
The National Gas Company of Trinidad & Tobago Limited (NGC)	36,155,635	21,598,651
Community Improvement Services Limited (CISL)	3,397,768	3,397,768
Less: Provision for doubtful debts	(3,397,768)	(3,397,768)
	<u>83,647,585</u>	<u>70,291,716</u>
 <i>Amounts due to:</i>		
Petroleum Company of Trinidad & Tobago (PETROTRIN)	1,617,298	1,316,974
Trinidad & Tobago Oil Company Limited (TRINTOC)	40,800	-
	<u>1,658,098</u>	<u>1,316,974</u>
 <i>b) Amounts due from related parties and accounts receivable</i>		
	2016	2015
	\$	\$
Due from related parties	87,045,353	73,689,484
Less: provision for impairment	(3,397,768)	(3,397,768)
	83,647,585	70,291,716
Accounts receivable (Note 4)	<u>202,695</u>	<u>80,600</u>
Net amounts due from related parties and accounts receivable	<u>83,850,280</u>	<u>70,372,316</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

7. Related party balances (continued)

b) Amounts due from related parties and accounts receivables (continued)

i) As at 30 September 2015, due from related parties and accounts receivables of \$17,231,580 (2014:\$12,399,706) were fully performing (due less than 30 days).

ii) As at 30 September 2015, due from related parties and accounts receivables of \$53,140,736 (2014:\$55,156,705) were past due but not impaired.

iii) The analysis of these balances is as follows:	2016	2015
	\$	\$
0-30 days	34,530	17,231,580
31-60 days	26,203	5,325,410
61-90 days	132,947	223,262
Over 90 days	<u>83,656,600</u>	<u>47,592,064</u>
	<u>83,850,280</u>	<u>70,372,316</u>

As at 30 September due from related parties and accounts receivables of \$3,397,768 were impaired and provided for. This balance is due from related party Community Improvement Services Limited (CISL).

There was no movement in the provision for impairment of the due from related parties and accounts receivables from prior year.

	2016	2015
	\$	\$
c) Accrued income attributable to Related Parties:		
Petroleum Company of Trinidad & Tobago (PETROTRIN)	3,813,103	3,813,103
Ministry of Local Government	<u>-</u>	<u>-</u>
Total (Note 4)	<u>3,813,103</u>	<u>3,813,103</u>

d) Total sales to related parties are as follows:

Sales/income	<u>27,767,316</u>	<u>168,034,895</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 rental income to TRINTOC, which is charged at a nominal rate.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

8. Stated capital	2016	2015
	\$	\$
Authorized		
70,000 ordinary shares		
Issued		
60,358 ordinary shares	<u>301,790</u>	<u>301,790</u>
9. Accounts payable and accruals	2016	2015
	\$	\$
Trade payables	69,267,921	57,027,493
Accruals	1,919,130	2,216,526
Other payables	<u>218,018</u>	<u>157,460</u>
	<u>71,405,069</u>	<u>59,401,479</u>
10. Deferred taxation	2016	2015
	\$	\$
<i>i) Deferred Tax Asset</i>		
Accumulated tax losses	17,941,131	8,990,209
Deferred tax asset @ 25%	<u>4,485,283</u>	<u>2,247,552</u>
Deferred tax benefit	<u>2,237,731</u>	<u>893,105</u>
<i>ii) Deferred Tax Liability</i>		
Net book value per accounting records	3,986,417	4,135,444
Less: permanent differences	<u>(132,414)</u>	<u>(132,414)</u>
Adjusted net book value	3,854,003	4,003,030
Tax written down value	<u>(3,381,168)</u>	<u>(3,464,592)</u>
Temporary differences	472,835	538,438
Deferred tax liability @ 25%	<u>118,209</u>	<u>134,610</u>
Deferred tax benefit/(charge)	<u>16,401</u>	<u>(39,847)</u>
<i>Net Deferred Tax Benefit (Note 12)</i>	<u>2,254,132</u>	<u>853,258</u>
11. Employees	2016	2015
The number of employees at 30 th September:	<u>53</u>	<u>71</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

12. Taxation	2016	2015
	\$	\$
<i>Reconciliation between accounting loss and taxation benefit/(charge)</i>		
Accounting loss	(8,886,954)	(3,526,955)
Items (allowable)/disallowed	<u>(63,968)</u>	<u>(45,467)</u>
Allowable loss for the year	(8,950,922)	(3,572,422)
Allowable losses brought forward	(8,990,209)	(5,417,787)
Allowable losses carried forward	<u>(17,941,131)</u>	<u>(8,990,209)</u>
<i>Taxation benefit/(charge) is made up as follows:</i>		
Business levy - current year	(112,022)	(337,671)
- prior year	(1,092)	28,679
Green Fund levy - current year	(56,012)	(168,836)
- prior year	-	7,880
Deferred tax benefit (Note 10)	<u>2,254,132</u>	<u>853,258</u>
	<u>2,085,006</u>	<u>383,310</u>

13. Financial Instruments

As at 30th September 2016, the carrying amounts of the company's bank balances, receivables, amounts due to and from related parties and payables approximated to their fair values due to the short-term maturities of these assets and liabilities.

14. Financial Instruments by Category	2016	2015
	\$	\$
The accounting policies for financial instruments have been applied to the line items below:		
Loans and receivables		
Accounts and other receivables	8,437,112	8,290,845
Due from related parties	83,647,585	70,291,716
Cash and bank balances	<u>5,111,850</u>	<u>14,156,385</u>
	<u>97,196,547</u>	<u>92,738,946</u>
Other financial liabilities at amortised cost		
Accounts payable and accruals	69,918,069	59,401,479
Due to related parties	<u>1,658,098</u>	<u>1,316,974</u>
	<u>71,576,167</u>	<u>60,718,453</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

15. Contingent liabilities	2016	2015
	\$	\$
i) Performance and rehabilitation bonds	<u>415,788</u>	<u>415,788</u>

Performance and rehabilitation bonds require the Company to make payments to third parties in the event that the Company does not perform or rehabilitate what is expected of them, under the terms of the related contracts. The equivalent value of a current short-term investment, held with a local financial institution, has been placed as security for the bonds.

ii) Provision for legal matters	<u>1,487,000</u>	<u>-</u>
a. Legal action against the company by employee union (on behalf of former employee - SV), in relation to the claim of unfair dismissal, in the amount of \$275,000		
b. Legal action against the company by employee union (on behalf of former employee - SS), in relation to the claim of unfair dismissal, in the amount of \$275,000		
c. Legal action against the company by employee union (on behalf of former employee - ADE), in relation to the claim of unfair dismissal, in the amount of \$300,000		
d. Legal action against the company by former employee - SSL, in relation to the claim of unlawful discrimination (race), in the amount of \$165,000		
e. Legal action against the company by employee union (on behalf of former employee - DS), in relation to the claim of unfair dismissal, in the amount of \$472,000		
f. Legal action against the company by a third party supplier, in relation to breach of contract for work done/services rendered, in the amount of \$34.575 million. This claim is be addressed by the Ministry of Finance.		

The above provision has been recorded to Professional fees (under Administrative and General expenses) in the Statement of Comprehensive Income.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

Operating expenses	2016	2015
	\$	\$

Estate management and maintenance

Ground maintenance	-	4,062
Salaries and wages	-	-
Repairs and maintenance	-	(9,019)
Janitorial, horticultural and landscaping	-	(87,150)
Garbage collection/removal	-	(9,000)
Demolition and related works	-	23,300
Grass-cutting expenses	-	(52,200)
Professional and consultancy fees	-	1,040,031
Motor vehicle rental and expenses	-	-
	<hr/>	<hr/>
	-	910,024
	<hr/> <hr/>	<hr/> <hr/>

Project expenses and other

NGC Road Rehabilitation and Community Upgrade Projects	21,425,930	132,035,961
PETROTRIN Projects	128,068	526,590
Government Community Projects	626,067	18,989,342
Salaries and wages	3,028,830	-
Motor vehicle rental and expenses	155,264	-
	<hr/>	<hr/>
	25,364,159	151,551,893
	<hr/> <hr/>	<hr/> <hr/>

Other direct expenses

Motor vehicle rental and expenses	270,214	473,312
Salaries, benefits and national insurance	2,154,033	6,425,608
	<hr/>	<hr/>
	2,424,247	6,898,920
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PALO SECO AGRICULTURAL ENTERPRISES LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH SEPTEMBER 2016

Administrative and general	2016	2015
	\$	\$
Public relations and recruitment costs	115,189	345,953
Audit fees and expenses	96,800	108,100
Bad and doubtful debts	-	2,243,374
Computer and office equipment rental	224,899	350,775
Depreciation	672,678	486,266
Directors' fees and expenses	420,212	583,236
Donations and gifts	1,565	101,245
Insurance	49,521	56,719
Janitorial	442,556	636,234
Buildings rental expense	36,500	36,000
Motor vehicle rental and expenses	409,855	344,193
Office expenses	134,541	323,425
Professional fees	1,622,411	272,800
Repairs and maintenance	158,410	271,202
Safety expenses	16,255	28,312
Salaries, benefits and national insurance	3,989,445	6,267,567
Security	145,742	167,804
Training and seminars	17,418	77,958
Utilities	296,992	282,627
	<u>8,850,989</u>	<u>12,983,790</u>