

**PALO SECO AGRICULTURAL ENTERPRISES LIMITED**

FINANCIAL STATEMENTS

YEAR ENDED 30TH SEPTEMBER 2012

**Maharaj  
Mohammed  
& Co.**

Chartered Accountants

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2012

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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 comprises the statement of financial position as at 30<sup>th</sup> 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.

*Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30<sup>th</sup> 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

14<sup>th</sup> December 2012

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 30<sup>TH</sup> SEPTEMBER 2012

<b>ASSETS</b>	<b>Notes</b>	<b>2012</b> \$	<b>2011</b> \$
<b>Current assets</b>			
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>
<b>Non-current assets</b>			
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>
<b>Total Assets</b>		<b><u>109,552,088</u></b>	<b><u>68,899,028</u></b>
 <b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' Equity</b>			
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>
<b>Current liabilities</b>			
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>
<b>Non-current liabilities</b>			
Deferred tax liability	11	<u>65,714</u>	<u>56,366</u>
Total Liabilities		<u>67,687,979</u>	<u>14,806,441</u>
<b>Total Liabilities and Shareholders' Equity</b>		<b><u>109,552,088</u></b>	<b><u>68,899,028</u></b>

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

*Rishma Lammai* :Director



:Director

## PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2012

	Note	2012	2011
		\$	\$
<b>Revenues</b>			
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>
		96,049,953	55,634,131
<b>Operating expenditure</b>			
Estate management and maintenance		31,316,525	26,030,950
Project expenses and other		<u>57,419,898</u>	<u>4,320,535</u>
		88,736,423	30,351,485
<b>Operating income</b>		7,313,530	25,282,646
<b>Expenses</b>			
Administrative and general		23,199,312	11,545,295
Interest and bank charges		<u>14,156</u>	<u>10,499</u>
		23,213,468	11,555,794
<b>Net (loss)/income before taxation</b>		(15,899,938)	13,726,852
Taxation benefit/(charge)	13	<u>3,671,460</u>	<u>(2,363,698)</u>
<b>Net (loss)/income for the year</b>		(12,228,478)	<u>11,363,154</u>

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

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2012

	Stated Capital S	Retained Earnings S	Total S
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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2012

	Note	2012	2011
<b>Operating Activities</b>		\$	\$
Net (loss)/income before taxation		(15,899,938)	13,726,852
<b>Adjustments for:</b>			
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
<b>Movements in working capital</b>			
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>
<b>Cash (utilized in)/generated from operating activities</b>		(9,685,011)	2,653,319
Taxation paid		(1,246,928)	(2,543,238)
<b>Net cash (utilized in)/provided by operations</b>		<u>(10,931,939)</u>	<u>110,081</u>
<b>Investing activities</b>			
Purchase of fixed assets		(230,066)	(303,091)
<b>Cash utilized in investing activities</b>		<u>(230,066)</u>	<u>(309,091)</u>
<b>Financing activities</b>			
Payment of dividends		-	(19,000,000)
<b>Cash utilized in financing activities</b>		<u>-</u>	<u>(19,000,000)</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(11,162,005)</u>	<u>(19,193,010)</u>
<b>Cash and cash equivalents</b>			
- at the beginning of the year		27,438,325	46,631,335
- at the end of the year	3	<u>(16,276,320)</u>	<u>27,438,325</u>
		<u>(11,162,005)</u>	<u>(19,193,010)</u>

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2012

**1. Incorporation and principal activities**

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> 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:

Leaschold 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> 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 30<sup>TH</sup> SEPTEMBER 2012

## 7. Property, plant and equipment

Cost/Valuation	Freehold	Leasehold	Buildings & Pastures	Furniture & Fittings	Machinery & Equipment	Computer Equipment	Total
	Land	Improvements					
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
<b>Accumulated</b>							
<b>Depreciation</b>							
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
<b>Net Book Value 2011</b>	<b>132,414</b>	<b>965,971</b>	<b>-</b>	<b>863,432</b>	<b>78,049</b>	<b>490,831</b>	<b>2,530,697</b>
<b>Net Book Value 2012</b>	<b>132,414</b>	<b>869,374</b>	<b>-</b>	<b>810,966</b>	<b>81,035</b>	<b>458,470</b>	<b>2,352,259</b>

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> 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 30<sup>TH</sup> SEPTEMBER 2012

<b>9. Stated capital</b>	<b>2012</b>	<b>2011</b>
	\$	\$
Authorized		
70,000 ordinary shares		
Issued		
60,358 ordinary shares	<u>301,790</u>	<u>301,790</u>
<b>10. Accounts payable and accruals</b>	<b>2012</b>	<b>2011</b>
	\$	\$
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>
<b>11. Deferred taxation</b>	<b>2012</b>	<b>2011</b>
	\$	\$
<i>i) Deferred Tax Asset</i>		
Accumulated tax losses	(15,898,681)	-
Deferred tax asset @ 25%	<u>3,974,670</u>	-
Deferred tax benefit	<u>3,974,670</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>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> SEPTEMBER 2012

12. Employees	2012	2011
The number of employees at 30 <sup>th</sup> September :	<u>80</u>	<u>101</u>
13. Taxation	2012	2011
	\$	\$
<i>Reconciliation between accounting loss and taxation charge</i>		
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>
<i>Taxation charge is made up as follows:</i>		
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>



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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>