



Chartered Accountants
& Business Advisors

**THE SPORTS COMPANY OF
TRINIDAD AND TOBAGO LIMITED**

FINANCIAL STATEMENTS

30 SEPTEMBER 2017



Chartered Accountants
& Business Advisors

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

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The Sports Company of Trinidad and Tobago Ltd.

19th December 2017

Statement of Management Responsibilities

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of The Sports Company of Trinidad and Tobago Limited, which comprise the statement of financial position as at 30 September 2017, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Signed

Date 19/12/17



Signed

Date 19/12/17



Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholder
The Sports Company of Trinidad and Tobago Limited

Opinion

We have audited the financial statements of The Sports Company of Trinidad and Tobago Limited, which comprise the statement of financial position as at 30 September 2017, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Sports Company of Trinidad and Tobago Limited as at 30 September 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The Sports Company of Trinidad and Tobago Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

PKF Chartered Accountants and Business Advisors (Trinidad) is a member of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

19 December 2017
Barataria
TRINIDAD

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION

ASSETS

		30 September	
	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		(\$)	(\$)
Current Assets:			
Cash and cash equivalents	5	213,331,789	265,836,537
Trade and other receivables and prepayments	6	80,194,449	50,192,725
Other financial assets	7	<u>1,272</u>	<u>1,261</u>
Total Current Assets		<u>293,527,510</u>	<u>316,030,523</u>
Non-Current Assets:			
Bond receivable	8	393,832,721	423,005,515
Property, plant and equipment	9	<u>3,869,086</u>	<u>3,984,387</u>
Total Non-Current Assets		<u>397,701,807</u>	<u>426,989,902</u>
Total Assets		<u>691,229,317</u>	<u>743,020,425</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:			
Trade and other payables and accruals	10	104,818,694	74,190,428
Deferred income	11	<u>192,577,892</u>	<u>245,824,472</u>
Total Current Liabilities		297,396,586	320,014,900
Non-Current Liabilities:			
Bond payable	8	<u>393,832,721</u>	<u>423,005,515</u>
Total Liabilities		<u>691,229,307</u>	<u>743,020,415</u>
Shareholder's Equity:			
Stated capital	12	<u>10</u>	<u>10</u>
Total Shareholder's Equity		<u>10</u>	<u>10</u>
Total Liabilities and Shareholder's Equity		<u>691,229,317</u>	<u>743,020,425</u>

These financial statements were approved by the Board of Directors and authorised for issue on 19 December 2017 and signed on their behalf by:


Director


Director

(The accompanying notes form an integral part of these financial statements)

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

		For the year ended	
		30 September	
	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		(\$)	(\$)
Income:			
Government grant	13	174,655,084	272,873,024
Interest income		11	11
Gain on disposal of fixed assets		13,051	-
Other income	14	<u>328,615</u>	<u>52,315</u>
Total income		<u>174,996,761</u>	<u>272,925,350</u>
Expenditure:			
Audit fees		86,695	90,000
Books and periodicals		9,901	9,044
Building maintenance		77,138	850,706
Communities, athletes and other sporting organisations		448,394	1,783,466
Conference and seminars		47,662	38,030
Contract gratuities		2,659,903	3,088,920
Court settlement and expenses		-	955,795
Depreciation		796,482	1,012,178
Directors' stipend		547,622	735,537
Equipment rental		103,147	100,916
Facility expenses		73,417,712	42,771,714
Finance charges		15,910	17,732
Infrastructure development		48,208,870	156,734,347
Life Sport expenses		360	360
Loan interest		-	153,020
Loss on disposal of fixed assets		-	254,530
National governing bodies and other sporting initiatives	15	20,380,592	34,058,388
Office expenses		1,156,623	1,235,160
Official entertainment		-	1,794
Official overseas travel		(2,390)	86,839
Penalties and interest		87,090	-
Professional fees		3,259,959	2,555,219
Promotion		4,668,950	4,761,222
Rent		-	3,392,897
Salaries and staff benefits		18,042,817	17,045,577
Telephone		679,999	644,672
Training		3,565	19,926
Travelling and subsistence		63,362	61,503
Vehicle maintenance		83,285	81,632
Vehicle rental		<u>153,113</u>	<u>384,226</u>
Total expenditure		<u>174,996,761</u>	<u>272,925,350</u>
Total Comprehensive Income for the year		<u>-----</u>	<u>-----</u>

(The accompanying notes form an integral part of these financial statements)

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY****FOR THE YEAR ENDED 30 SEPTEMBER 2017**

	<u>Stated Capital</u> (\$)	<u>Shareholder's Equity</u> (\$)
Balance as at 1 October 2015	10	10
Total Comprehensive Income for the year	—	—
Balance as at 30 September 2016	<u>10</u>	<u>10</u>
Balance as at 1 October 2016	10	10
Total Comprehensive Income for the year	—	—
Balance as at 30 September 2017	<u>10</u>	<u>10</u>

(The accompanying notes form an integral part of these financial statements)

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS

	For the year ended 30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Operating Activities:		
Depreciation	796,482	1,012,178
(Gain)/loss on disposal of fixed assets	<u>(13,051)</u>	<u>254,530</u>
	783,431	1,266,708
Net change in trade and other receivables and prepayments	(30,001,724)	(6,374,907)
Net change in trade and other payables and accruals	30,628,266	8,809,767
Net change in other financial assets	(11)	(12)
Net change in deferred income	<u>(53,246,580)</u>	<u>(134,839,186)</u>
Funds used in Operating Activities	<u>(51,836,618)</u>	<u>(131,137,630)</u>
Investing Activities:		
Net change in bond receivable	29,172,794	29,172,784
Purchase of property, plant and equipment	(596,043)	(324,816)
Adjustments to fixed assets	(74,227)	-
Proceeds from the sale of fixed asset	<u>2,140</u>	<u>-</u>
Funds provided by Investing Activities	<u>28,504,664</u>	<u>28,847,968</u>
Financing Activities:		
Net change in bond payable	(29,172,794)	(29,172,784)
Net change in other financial liabilities	<u>-</u>	<u>(4,951,148)</u>
Fund used in Financing Activities	<u>(29,172,794)</u>	<u>(34,123,932)</u>
Net change in cash balances	(52,504,748)	(136,413,594)
Cash balances, beginning of year	<u>265,836,537</u>	<u>402,250,131</u>
Cash balances, end of year	<u><u>213,331,789</u></u>	<u><u>265,836,537</u></u>
Represented by:		
Cash and cash equivalents	<u><u>213,331,789</u></u>	<u><u>265,836,537</u></u>

(The accompanying notes form an integral part of these financial statements)

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****1. Incorporation and Principal Business Activity:**

The Sports Company of Trinidad and Tobago Limited was incorporated in the Republic of Trinidad and Tobago on the 27 September 2004. The principal business activity of the company is to act as an agent on behalf of the Government of Trinidad and Tobago to enhance local sporting ventures. The principal place of business was 111 – 117 Henry Street, Port of Spain however on 26 September 2016 the company moved to National Cycling Velodrome, Couva Main Road, Balmain Couva.

2. Summary of Significant Accounting Policies:**(a) Basis of financial statements preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and are stated in Trinidad and Tobago dollars rounded to the nearest whole dollar. These financial statements have been prepared on the historical cost basis, except for the measurement at fair value of available-for-sale investments.

(b) Use of estimates -

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

(c) New Accounting Standards and Interpretations -

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

IFRS 1 First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018).

IFRS 2 Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018).

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Summary of Significant Accounting Policies (Cont'd):****(c) New Accounting Standards and Interpretations (cont'd) -**

- | | |
|---------|--|
| IFRS 4 | Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 12 | Disclosure of Interest in Other Entities - Amendments regarding the specification of the disclosure requirements for an entity's interest classified as held-for-sale, held for distribution or as a discontinued operation (effective for accounting periods beginning on or after 1 January 2017). |
| IFRS 15 | Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 16 | Leases (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 17 | Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021). |
| IAS 7 | Statement of Cash Flows - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2017). |
| IAS 12 | Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017). |
| IAS 28 | Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019). |

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

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

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

- IAS 40 Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

(d) Property, plant and equipment -

Plant and equipment are stated at cost. Depreciation is provided at varying rates sufficient to write off the cost of the assets over their estimated useful economic lives as follows:

Gym equipment	-	12.5%	Reducing balance
Furniture and fixtures	-	10%	Reducing balance
Computer equipment	-	33%	Reducing balance
Office equipment	-	12.5%-33 1/3%	Reducing balance
Motor vehicles	-	20%	Reducing balance
Equipment & machinery	-	20%	Reducing balance

Leasehold improvements are being depreciated over the life of the initial lease of three (3) years.

Depreciation is charged on a pro rata basis in the year of acquisition as well as in the year of disposal.

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

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining the total comprehensive income for the year.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Summary of Significant Accounting Policies (Cont'd):****(e) Trade receivables -**

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

(f) Investments -

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

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

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

(g) Income recognition -**Investment Income**

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

(h) Provisions -

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(i) Foreign currencies -

Foreign currency transactions during the year are recorded in Trinidad and Tobago Dollars at the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies at the reporting date are translated into Trinidad and Tobago dollars at the exchange rate ruling at that date. Gains or losses thus arising are dealt with in the current year's Statement of Comprehensive Income.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Summary of Significant Accounting Policies (Cont'd):****(j) Comparative information -**

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

(k) Going concern -

These financial statements have been prepared on the going concern basis despite the excess of current liabilities over current assets. This basis has been deemed appropriate in view of the company's ability to continue its operation using funding from its shareholder.

(l) Government grant -

Grants from the Government of the Republic of Trinidad and Tobago are recognised at their fair values, where there is a reasonable assurance that the grant will be received, and the company will comply with all conditions attached.

Grants relating to operating expenses are deferred and included in non-current liabilities. They are recognised in the Statement of Comprehensive Income over the period necessary to match them with net expenses they are intended to compensate.

Grants relating to infrastructure development are deferred and included in non-current liabilities. They are recognised in the Statement of Comprehensive Income over the period necessary to match them with net expenses they are intended to compensate.

Grants relating to the purchase and construction of property and plant and equipment are credited to the Statement of Comprehensive Income in an amount equal to the period's depreciation of acquired assets, over the expected useful lives of these assets.

Grants intended for on-lending purposes are recorded as capital grants and presented as equity in the company's Statement of Financial Position.

(m) Financial instruments -

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the company's Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Significant Accounting Policies (Cont'd):****(m) Financial instruments (cont'd) -**

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset. Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

The company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

- i) Significant financial difficulty of the issuer or obligor.
- ii) A breach of contract, such as default or delinquency in interest or principal payments.
- iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- iv) The disappearance of an active market for that financial asset because of financial difficulties.
- v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the company or national or economic conditions that correlate with defaults on assets in the company.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Significant Accounting Policies (Cont'd):****(m) Financial instruments (cont'd) -**

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

i) Financial assets measured at amortised cost

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. Loans, receivables and held-to-maturity financial assets are measured at amortised cost.

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate is recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****2. Significant Accounting Policies (Cont'd):****(m) Financial instruments (cont'd) -****ii) Financial assets measured at cost**

Similar to financial assets measured at amortised cost, the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. However, unlike financial assets measured at amortised cost, these losses cannot be reversed. Cash and cash equivalents and Investments in equity instruments that do not have a quoted price in an active market and whose fair values cannot be reliably measured are carried at cost.

iii) Financial liabilities

A financial liability is a contractual obligation to deliver cash or similar to another entity. Trade payables, loans from other entities, and debt instruments issued are examples of financial liabilities.

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

3. Financial Risk Management:

Financial risk factors

The following table summarizes the carrying amounts and fair values of the company's financial assets and liabilities:

	30 September <u>2017</u>	
	Carrying Value (\$)	Fair Value (\$)
Financial Assets		
Cash and cash equivalents	213,331,789	213,331,789
Trade and other receivable and prepayments	80,194,449	80,194,449
Other financial assets	1,272	1,272
Bond receivable	393,832,721	393,832,721
Financial Liabilities		
Trade and other payables and accruals	104,818,694	104,818,694
Bond payable	393,832,721	393,832,721

	30 September <u>2016</u>	
	Carrying Value (\$)	Fair Value (\$)
Financial Assets		
Cash and cash equivalents	265,836,537	265,836,537
Trade and other receivable and prepayments	50,192,725	50,192,725
Other financial assets	1,261	1,261
Bond receivable	423,005,515	423,005,515
Financial Liabilities		
Trade and other payables and accruals	74,190,428	74,190,428
Bond payable	423,005,515	423,005,515

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

3. Financial Risk Management (Cont'd):

The company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the company to manage these risks are discussed below:

(a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The company's exposure to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities is minimal and is monitored closely by management. Interest rate risk is not considered a material risk.

Interest rate sensitivity analysis

The company's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

		30 September 2017					
	Effective Rate	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Non - Interest Bearing (\$)	Total (\$)	
Financial Assets							
Cash and cash equivalents	0.5 – 1.5%	213,317,289	-	-	14,500	213,331,789	
Trade and other receivables and prepayments	0 – 3.8%	4,198,694	-	-	75,995,755	80,194,449	
Other financial assets	0 – 2%	1,272	-	-	-	1,272	
Bond receivable	3.8%	-	-	393,832,721	-	393,832,721	
		<u>217,517,255</u>	<u>-</u>	<u>393,832,721</u>	<u>76,010,255</u>	<u>687,360,231</u>	
Financial Liabilities							
Trade and other payables and accruals	0 – 3.8%	4,198,694	-	-	100,620,000	104,818,694	
Bond payable	3.8%	-	-	393,832,721	-	393,832,721	
		<u>4,198,694</u>	<u>-</u>	<u>393,832,721</u>	<u>100,620,000</u>	<u>498,651,415</u>	

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

3. **Financial Risk Management (Cont'd):**(a) **Interest rate risk (cont'd) -**

	Effective Rate	30 September 2016				Total (\$)
		Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Non - Interest Bearing (\$)	
Financial Assets						
Cash and cash equivalents	0.5 – 1.5%	265,822,037	-	-	14,500	265,836,537
Trade and other receivables and prepayments	0 – 3.8%	4,509,709	-	-	45,683,016	50,192,725
Other financial assets	0 – 2%	1,261	-	-	-	1,261
Bond receivable	3.8%	-	-	423,005,515	-	423,005,515
		<u>270,333,007</u>	<u>-</u>	<u>423,005,515</u>	<u>45,697,516</u>	<u>739,036,038</u>
Financial Liabilities						
Trade and other payables and accruals	0 – 3.8%	4,509,709	-	-	69,680,719	74,190,428
Bond payable	3.8%	-	-	423,005,515	-	423,005,515
		<u>4,509,709</u>	<u>-</u>	<u>423,005,515</u>	<u>69,680,719</u>	<u>497,195,943</u>

(b) **Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The company relies heavily on its written Policies and Procedures Manuals, which sets out in detail the current policies governing the granting of credit function and provides a comprehensive framework for prudent risk management of the credit function. Adherence to these guidelines is expected to communicate the company's credit philosophy; provide policy guidelines to team members; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; as well as create the foundation for a sound credit portfolio.

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

The company also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

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3. Financial Risk Management (Cont'd):

(c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

The company is able to make daily calls on its available cash resources to settle financial and other liabilities. Liquidity risk is not considered a material risk.

Liquidity gap

The company's exposures to liquidity risk is summarized in the table below which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date.

	2017			
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents	213,331,789	-	-	213,331,789
Trade and other receivables and prepayments	80,194,449	-	-	80,194,449
Other financial assets	1,272	-	-	1,272
Bond receivable	<u>-</u>	<u>-</u>	<u>393,832,721</u>	<u>393,832,721</u>
	<u>293,527,510</u>	<u>-</u>	<u>393,832,721</u>	<u>687,360,231</u>
Financial Liabilities				
Trade and other payables and accruals	104,818,694	-	-	104,818,694
Bond payable	<u>-</u>	<u>-</u>	<u>393,832,721</u>	<u>393,832,721</u>
	<u>104,818,694</u>	<u>-</u>	<u>393,832,721</u>	<u>498,651,415</u>

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

3. Financial Risk Management (Cont'd):

(c) Liquidity risk (cont'd)

	2016			
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	Total (\$)
Financial Assets				
Cash and cash equivalents	265,836,537	-	-	265,836,537
Trade and other receivables and prepayments	50,192,725	-	-	50,192,725
Other financial assets	1,261	-	-	1,261
Bond receivable	<u>-</u>	<u>-</u>	<u>423,005,515</u>	<u>423,005,515</u>
	<u>316,030,523</u>	<u>-</u>	<u>423,005,515</u>	<u>739,036,038</u>
Financial Liabilities				
Trade and other payables and accruals	74,190,428	-	-	74,190,428
Bond payable	<u>-</u>	<u>-</u>	<u>423,005,515</u>	<u>423,005,515</u>
	<u>74,190,428</u>	<u>-</u>	<u>423,005,515</u>	<u>497,195,943</u>

(d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The company's exposure to foreign exchange risk is minimal and the company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. Currency risk is not considered a material risk.

(e) Operational risk -

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

(f) Compliance risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the strong monitoring controls applied by the company's management.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****3. Financial Risk Management (Cont'd):****(g) Reputation risk -**

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

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the company's accounting policies. See Note 2 (b).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The company makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

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

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

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

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

4. Critical Accounting Estimates and Judgments (Cont'd):

i) Impairment of assets

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

ii) Fixed assets

Management exercises judgment in determining whether future economic benefits can be derived from expenditures to be capitalised and in estimating the useful lives and residual values of these assets.

5. Cash and Cash Equivalents:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
First Citizens Bank Limited – Operations	11,396,731	10,453,678
First Citizens Bank Limited – Infrastructure Development	7,386,716	7,587,577
First Citizens Bank Limited – Life Sport	1,955,950	1,956,310
First Citizens Bank Limited – ANSA Bond	192,577,892	245,824,472
Petty Cash	<u>14,500</u>	<u>14,500</u>
	<u>213,331,789</u>	<u>265,836,537</u>

6. Trade and Other Receivable and Prepayments:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Accounts receivable -Other	561,000	4,860,478
Recoverable expenses - Ministry of Sport – Life Sport	9,393,249	9,392,889
Recoverable expenses - Ministry of Sport – Recurrent*	45,330,541	4,551,617
Recoverable expenses - Infrastructure Development Fund*	20,675,780	26,610,696
Prepayments	35,185	18,550
Security deposit	-	248,786
3.8% Bond interest receivable	<u>4,198,694</u>	<u>4,509,709</u>
	<u>80,194,449</u>	<u>50,192,725</u>

*Recoverable expenses represent the excess of expenses incurred over the subventions received. These are deemed reimbursable from the Ministry of Sport.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2017****7. Other Financial Assets:**

This balance represents an investment held with the Abercrombie Fund at First Citizens Bank Limited.

8. Bond Receivable/(Payable):

This held-to-maturity financial instrument is measured to amortised cost and represents a **TT\$495.94 million** 3.80% Fixed Rate Bond issued by The Sports Company of Trinidad and Tobago Limited on 19 December 2014 to be repaid by 19 December 2030. Principal and interest are payable semi-annually on 19 June and 19 December. The principal and interest are guaranteed irrevocably and unconditionally by the Government of the Republic of Trinidad and Tobago. The purpose of the bond is to finance the development of the following nine (9) recreational facilities:

- Irvin Park, Siparia
- Penal Recreation Ground, Penal
- India Recreation Ground, Malabar
- Buen Intento Recreation Ground, Princes Town
- Eddie Hart Recreation Ground, Tacarigua
- Brian Lara Recreation Ground, Santa Cruz
- Dass Trace Recreation Ground, Cunupia
- Carapo Recreation Ground, Carapo
- Northern Recreation Ground, Diego Martin.
- India

In 2016, the bond was repurposed to allow for the payments to the following National facilities.

- Cycling Velodome
- Aquatic Centre
- National Tennis Centre

In 2017, the bond was repurposed to finance the development of the Diego Martin Regional Complex – UDECOTT/SRI Construction.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. Property, Plant and Equipment:

Cost:	<u>Motor Vehicle (\$)</u>	<u>Furniture & Fixtures (\$)</u>	<u>Office Equipment (\$)</u>	<u>Computer Equipment (\$)</u>	<u>Leasehold Improvements (\$)</u>	<u>Gym Equipment (\$)</u>	<u>Equipment and Machinery (\$)</u>	<u>Total (\$)</u>
Balance, 1 October 2016	-	1,975,060	1,225,122	3,366,785	4,594,554	1,275,660	580,975	13,018,156
Additions	32,743	185,355	143,562	234,383	-	-	-	596,043
Disposals	-	-	(9,222)	-	-	-	-	(9,222)
Adjustments	283,387	-	29,000	246,315	-	-	-	558,702
Balance, 30 September 2017	<u>316,130</u>	<u>2,160,415</u>	<u>1,388,462</u>	<u>3,847,483</u>	<u>4,594,554</u>	<u>1,275,660</u>	<u>580,975</u>	<u>14,163,679</u>
Accumulated Depreciation:								
Balance, 1 October 2016	-	939,371	625,453	2,131,519	4,594,554	470,021	272,851	9,033,769
Charge for the year	5,992	107,058	90,169	430,933	-	100,705	61,625	796,482
Disposals	-	-	(2,999)	-	-	-	-	(2,999)
Adjustments	209,159	-	19,213	238,969	-	-	-	467,341
Balance, 30 September 2017	<u>215,151</u>	<u>1,046,429</u>	<u>731,836</u>	<u>2,801,421</u>	<u>4,594,554</u>	<u>570,726</u>	<u>334,476</u>	<u>10,294,593</u>
Net Book Value								
Balance, 30 September 2017	<u>100,979</u>	<u>1,113,986</u>	<u>656,626</u>	<u>1,046,062</u>	<u>-</u>	<u>704,934</u>	<u>246,499</u>	<u>3,869,086</u>
Balance, 30 September 2016	<u>-</u>	<u>1,035,689</u>	<u>599,669</u>	<u>1,235,266</u>	<u>-</u>	<u>805,639</u>	<u>308,124</u>	<u>3,984,387</u>

Note: The adjustments in the current year relates to correcting entries posted for non-current assets understated in the prior financial year.

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

9. Property, Plant and Equipment (Cont'd):

	<u>Furniture & Fixtures (\$)</u>	<u>Office Equipment (\$)</u>	<u>Computer Equipment (\$)</u>	<u>Leasehold Improvements (\$)</u>	<u>Gym Equipment (\$)</u>	<u>Equipment and Machinery (\$)</u>	<u>Total (\$)</u>
Cost							
Balance, 1 October 2015	1,893,149	1,498,706	4,437,265	4,594,554	1,275,660	552,738	14,252,072
Additions	81,911	43,806	170,862	-	-	28,237	324,816
Disposals	-	(317,390)	(1,241,342)	-	-	-	(1,558,732)
Balance, 30 September 2016	<u>1,975,060</u>	<u>1,225,122</u>	<u>3,366,785</u>	<u>4,594,554</u>	<u>1,275,660</u>	<u>580,975</u>	<u>13,018,156</u>
Accumulated Depreciation							
Balance, 1 October 2015	831,327	720,511	2,626,423	4,594,554	354,930	198,048	9,325,793
Charge for the year	108,044	83,791	630,449	-	115,091	74,803	1,012,178
Disposals	-	(178,849)	(1,125,353)	-	-	-	(1,304,202)
Balance, 30 September 2016	<u>939,371</u>	<u>625,453</u>	<u>2,131,519</u>	<u>4,594,554</u>	<u>470,021</u>	<u>272,851</u>	<u>9,033,769</u>
Net Book Value							
Balance, 30 September 2016	<u>1,035,689</u>	<u>599,669</u>	<u>1,235,266</u>	<u>-</u>	<u>805,639</u>	<u>308,124</u>	<u>3,984,387</u>
Balance, 30 September 2015	<u>1,061,822</u>	<u>778,195</u>	<u>1,810,842</u>	<u>-</u>	<u>920,730</u>	<u>354,690</u>	<u>4,926,279</u>

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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10. Trade and Other Payable and Accruals:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Audit fees payable	85,000	90,000
Accruals – Other	59,130,067	21,168,758
Refundable deposit	581,276	295,838
Retention fees – Infrastructure Development Fund	7,776,262	8,168,722
Accounts payable – Operations	33,047,395	39,957,401
3.80% Bond interest payable	<u>4,198,694</u>	<u>4,509,709</u>
	<u>104,818,694</u>	<u>74,190,428</u>

11. Deferred Income:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Infrastructure Development Fund	<u>192,577,892</u>	<u>245,824,472</u>

The above balances relate to the proceeds from the TT\$495.94 million bond issued on 19 December 2014, to finance the development of nine (9) recreational facilities (Infrastructure Development Fund).

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

12. Stated Capital:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
10 ordinary shares of no par value	<u>10</u>	<u>10</u>

13. Government Grant:

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Infrastructure Development Fund	48,208,870	156,681,661
Recurrent expenditure	126,445,854	116,191,003
Life Sport	<u>360</u>	<u>360</u>
	<u>174,655,084</u>	<u>272,873,024</u>

14. Other Income:

Other sources of revenues for the Company are receipts from purchase of pre-qualification and tender packages in addition to funds received from rental of facilities. The main contributor to the increase in the current financial period is income received from the issuance of pre-qualification packages.”

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2017

15. National Governing Bodies and Other Sporting Initiatives:

	30 September	
	<u>2017</u> (\$)	<u>2016</u> (\$)
Athletics	1,984,634	2,541,103
Basketball	247,534	932,866
Boxing	791,865	922,035
Cricket	531,291	1,104,378
Cycling	1,711,024	1,761,980
Draughts	30,000	295,353
Football	5,728,627	13,543,976
Golf	430,662	370,924
Gymnastics	-	289,317
Hockey	1,676,079	1,290,611
Lawn Tennis	602,836	629,464
Netball	593,706	817,836
Other - EDPU	701,617	1,143,056
Rugby	824,682	949,447
Sailing	293,600	314,554
Swimming	2,944,691	1,683,281
Trinidad Youth Sports Camps	26,432	4,104,451
Volleyball	1,261,312	1,363,756
	<u>20,380,592</u>	<u>34,058,388</u>

16. Contingent Liabilities:

As at 30 September 2017 the company had contingent liabilities in respect to pending litigation. The potential liability amounts to **\$43,978,914**. No provision has been made for this amount in the financial statements.

17. Related Party Transactions:

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

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

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

THE SPORTS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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17. Related Party Transactions (Cont'd):

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

	30 September	
	<u>2017</u>	<u>2016</u>
	(\$)	(\$)
Expenses		
Directors' stipend	<u>547,622</u>	<u>735,537</u>
Key management compensation		
Short-term benefits	2,050,560	2,253,447
Post employment benefits	<u>347,640</u>	<u>194,400</u>
	<u>2,398,200</u>	<u>2,447,847</u>

18. Contractual Commitments

Contracts approved and committed amounted to **\$965,720,263** as at 30 September 2017.

19. Capital Risk Management:

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholder, whilst providing value to the clients. The company's overall strategy remains unchanged from previous years.

The capital structure of the company consists of equity attributable to its shareholder, and comprises capital grants.