



Trinidad and Tobago

Tourism Business Development Limited

**TRINIDAD AND TOBAGO TOURISM
BUSINESS DEVELOPMENT LIMITED
(TTBDL)**

ADMINISTRATIVE REPORT 2015

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TRINIDAD AND TOBAGO TOURISM BUSINESS DEVELOPMENT LIMITED (TTTBDL)

OVERVIEW

Establishment of Government Loan Guarantee Programme for Tobago: under 50 rooms

On July 5 2012, Cabinet by Minute No. 1848 established the Trinidad and Tobago Tourism Business Development Limited (TTTBDL) with a mandate to administer the Trinidad and Tobago Tourism Development Fund which would provide guarantees to financial institutions in Tobago as they seek to restructure debt relating to tourism and tourism-related businesses as well as to upgrade and maintain hotels and ancillary businesses with a cap valued at the equivalent of 50 rooms.

The implementation of a policy for restructuring debt or for advancing new credit took place in an environment which needed to strike a balance between the liquidation of non-viable businesses and the reorganization of viable ones with consideration for the protection of rights of creditors and other stakeholders.

- Company was incorporated on August 3 2012, under the Companies Act, Chap 81:01; and
- Guarantees are being provided by the TTTBDL on the basis of an agreed capital contribution over a three year (3) period amounting to \$250.0 million.

The Export-Import Bank of Trinidad and Tobago Limited (EXIMBANK) was assigned the responsibility for administering the Trinidad and Tobago Tourism Development Fund under an Agency Agreement with the Trinidad and Tobago Tourism Business Development Limited.

The four (4) financial institutions which executed the Agreement are:

- Republic Bank Limited
- RBC Royal Bank (Trinidad and Tobago) Limited
- Scotia Bank Trinidad and Tobago Limited
- First Citizens Bank Limited

The four (4) banks executed the Guarantee Agreement with the TTTBDL with the aim to revitalize the tourism sector in Tobago and by extension the Tobago economy.

Benefits to Trinidad and Tobago

- Improvement in Guest/Hotel Room Stock
- Creation of Employment
- Foreign Exchange Earnings

Organizational Structure

Mr. Jerry Hospedales	Chairman (Technical Advisor, Strategic Management and Execution Office (SMEO) Ministry of Finance)
Ms. Edwina Leacock	Director (Chief Technical and Operations Advisor Ministry of Trade and Industry)
Mr. Brian Awang	Director – (CEO Eximbank of Trinidad and Tobago Limited)
Agency	The Export-Import Bank of Trinidad & Tobago (EXIMBANK) Limited (Agency) Administers the Fund

Administration of the Fund

The Export-Import Bank of Trinidad and Tobago Limited (EXIMBANK) Limited was assigned the responsibility for administering the Trinidad and Tobago Development Fund under an Agency Agreement with the Trinidad and Tobago Tourism Business Development Limited. The Agency is paid a management fee per month for services provided. In addition, an Account Executive was hired in January 2013, to provide technical and administrative support with respect to the operations of Facility 1, inclusive of liaising with Banks and clients, analyzing and recommending facilities for approval, processing and following up as required.

Performance of the Fund

The implementation effectiveness of Facility 1, the Government Loan Guarantee Programme, depended critically on each stakeholder discharging its function in an effective and efficient manner.

Under Facility 1, the capital contribution from Government is placed in a separate account and forms the Guarantee Fund. On the basis of cash availability and for the benefit of the borrowers, the Fund issues Letters of Undertaking to those four (4) financial institutions.

Letters of Undertaking which represent security to the lender are provided up to a maximum of \$10.0 million for each borrower, with up to 50.0 percent of the outstanding principal and interest balance on existing loan facilities and 100.0 percent of new loan facilities. Capital contributions from Government amounted to \$60.0 million as at April 30, 2016.

As at December 31 2015 there have been 15 facilities approved and disbursed totaling \$30,565,056.50.

Performance of Facility 1

Status of Applications Assessed	Guest Houses/Hotels	Tourism Related Businesses	TOTAL \$TTD
Approved & Disbursed	5	10	30,565,056.50
Recommended for Approval	3	4	8,255,289.00
Awaiting Additional Documents	3	1	14,750,000.00
No Longer Interested	11	9	48,493,797.00
Declined	7	4	21,795,868.00

Tourism Related Accounts Approved & Disbursed

Since inception only one facility had not been serviced as arranged, and in keeping with the terms and conditions of the Agreement, First Citizens Bank Limited submitted a claim on the Guarantee in the amount of \$1,407,774.23. This was settled on August 19 2015.

The call on the Guarantee did not reflect any deterioration in the existing portfolio of guarantees held by the financial institutions, given that of the fifteen (15) guarantees approved, only one had failed, one had been repaid in full and thirteen (13) are performing satisfactorily with payments being made as stipulated under the banking arrangements.

Tourism Related Accounts Approved & Disbursed

No. of Accounts	Types of Accounts	Loan Value
3	Dive Shops	807,500.00
1	Ice Dispenser Provider	823,879.50
3	Car Rental	1,351,362.00
1	Tour Guide Operator	1,407,800.00
1	Stainless Steel Fabricator	798,227.00
1	Printing/Publishing Advertising	3,100,000.00

Employee Complement for Hotels and Guest Houses

No.	Company	No. of Employees
1	Company 1 **	7
2	Company 2	40
3	Company 3	20
4	Company 4	20
	TOTAL	87

** Company has two (2) loans

Employee Complement for Tourism Related Businesses

No.	Company	No. of Employees
1	Company 5	6
2	Company 6	5
3	Company 7	5
4	Company 8	5
5	Company 9**	5
6	Company 10	7
7	Company 11	5
8	Company 12	5
9	Company 13	8
	TOTAL	51

** Company has two (2) loans

FUND OPERATIONS

The Trinidad and Tobago Tourism Business Development Limited (TTTBDL) recorded another successful year of operation, resulting in new clients being added to the existing portfolio. This growth resulted in increased Guarantees of \$11,059,727.00.

First Citizens Bank Limited submitted a claim on the guarantee in the amount of \$1,407,774.23 which was granted on July 17 2013 to a Company (Tourism-Related Tours), as a new loan facility for the purchase of assets, which included furniture and fittings, three vehicles and office space renovations.

As at December 2015, a total of fifteen (15) guarantees in the amount of \$30,565,056.50 have been approved of which thirteen (13) accounts are being serviced as arranged, one has been repaid in full and the tourism-related tour company represents the first facility which had defaulted.

Business Activity Highlights 2015

TTTBDL	Applications	Hoteliers	Tourism Related Business
Debt Restructuring	0	0	0
New Funds	3	1	2
Total	3	1	2

New Business Activity 2015

Company	Category	Guarantee Amount (\$)
Company 1	Hotel/Restaurant	10,000,000.00
Company 2	Tourism Related Car Rental	261,500.00
Company 3	Tourism Related Fabrication	798,227.00
	Total	11,059,727.00

Challenges for Execution/Solutions

Mandate of the TTTBDL Revisited

In light of the low-level utilization of the facility, a mechanism for improving access to the Tobago Tourism Development Fund was required. It became evident that the cash flows from restructured loans or for new loans were insufficient to meet the debt service payments and the operational expenditure for the business.

1. Extension of Maturity Period

For this reason, the Bankers' Association of Trinidad and Tobago (BATT) proposed that the extension of maturities beyond the guarantee period of seven (7) years could improve the cash flows from the affected businesses and to that end, BATT agreed to extend the maturities of restructured loans and new loans as appropriate beyond the guarantee period of seven (7) years of the guarantee. The Government approved the extension of maturities for all loans whether restructured or new, to periods as the banks might wish to determine; but the maturity will not exceed fourteen (14) years.

2. Reduction in Interest Rates

The Government agreed that the extension in maturities as provided by the financial institutions should be complemented with a reduction in the interest rates and to that end, agreed that the Government would provide a 2.5 percent interest rate subsidy on restructured loans and new loans whatever the interest rates charged by the banks.

- The subsidization by Government of 2.5 percentage points of the interest charged by the financial institutions for new and restructured loans;
- The Tobago Tourism Development Fund meeting the cost of the interest rate subsidy in the amount of \$43.75 million over a nine (9) year period 2014 - 2022 with the payments in each year being:

Year	Payments per Year
Year 1	2.50 million
Year 2	5.00 million
Year 3	6.25 million
Year 4	6.25 million
Year 5	6.25 million
Year 6	6.25 million
Year 7	6.25 million
Year 8	3.75 million
Year 9	1.25 million

- In the event the prime lending rate increased, the Government would maintain the 2.5 percent interest rate subsidy;
- The Fund would now be extended to tourism and tourism-related businesses in Trinidad for debt restructuring and hotels for upgrade and maintenance in respect of values in equivalence of less than 50 rooms.

The Bankers Association of Trinidad and Tobago Limited (BATT) and the TTTBDL have not yet implemented the changes.

3. Relaxation of the CBTT Rules in Respect of Impaired Assets

The CBTT agreed to relax three (3) limitations in its Impaired Assets Guidelines in respect of loans:

- (i.) During the two year period before the TTTBDL or the Government Loan Guarantee Programme (GLG) guarantee is accessed, non-performing facilities would be exempted from the classification/provisioning requirements.
- (ii.) Allowing the restructuring of facilities under the agreement more than twice in a five year period.
- (iii.) Waiving of the classification criteria in the period prior to accessing the guarantee. Consequently, where a loan is non-performing prior to accessing the guarantee, no provisions would be required.

Execution of the Amended Services Agreement

In March 2015, Cabinet agreed to the amendment of the Services Agreement executed between the TTTBDL and the four (4) financial institutions with respect to the guarantees provided by the TTTBDL under the Tobago Tourism Development Fund; but the Agreement has not yet been executed between the banks and the TTTBDL.

Reporting Functions

1. Departmental Reports

The following reports are prepared for use by Management and the Board of Directors:-

REPORT NAME	PREPARED BY:	FREQUENCY	USED BY:
Performance of Facility 1	Account Executive	Monthly	Board of Directors
Status of Proposals <ul style="list-style-type: none">• Disbursed Facilities• Recommended Facilities• Facilities Awaiting Documents• Facilities Lacking Customers Interest• Declined Applications	Account Executive	Monthly	Board of Directors
Visitations Weekly Report	Account Executive	Weekly	Management
Weekly Deliverables Report	Account Executive	Weekly	Management
Monthly Activity Report	Account Executive	Monthly	Management
Proposed Work Schedule	Account Executive	Weekly	Board of Directors
Internal Auditors Report	Account Executive	Once Per Year	Board of Directors
Financial Statements	Finance	Monthly	Management/Board of Directors

2. Reports to External Parties:- Ministries

The following standard reports are prepared for submission to external parties: -

REPORT NAME	SUBMISSION DATE:	RECEIVING AGENCY
Strategic Plan	3 months prior to start of Financial Year	Investments Division
Annual Budget	2 months prior to commencement of Financial Year	Investments Division
Annual Financial Statements	3 months after end of Financial Year	Investments Division
Board Minutes	1 week following confirmation	Investments Division
Cash Statements of Operations	Within 3 weeks after month end	Investments Division
Administrative Report	3 months after the end of the Financial Year	Investments Division
Quarterly Return on Status of Litigation Proceedings against Company	Quarterly	Investments Division
Quarterly Reports	End of First month after Quarter	Investments Division

APPENDIX

TRINIDAD AND TOBAGO TOURISM BUSINESS DEVELOPMENT LIMITED FINANCIAL PERFORMANCE 2015

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2015

ASSETS

	<u>Notes</u>	<u>31 December</u>	
		<u>2015</u>	<u>2014</u>
Current Assets:			
Cash and cash equivalent	5	\$ 57,169,663	\$ 60,097,333
Accounts receivable and prepayments	6	64,340	138
Government subventions receivable	7	<u>-</u>	<u>2,080,622</u>
Total Current Assets		<u>57,234,003</u>	<u>62,178,093</u>
Non-Current Assets:			
Intangible asset	8	5,667	8,226
Property, plant and equipment	9	<u>6,282</u>	<u>9,999</u>
Total Non-Current Assets		<u>11,949</u>	<u>18,225</u>
Total Assets		<u>\$ 57,245,952</u>	<u>\$ 62,196,318</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:			
Accounts payable and accruals	10	\$ <u>548,595</u>	\$ <u>1,196,318</u>
Total Current Liabilities		<u>548,595</u>	<u>1,196,318</u>
Non-Current Liabilities:			
Government guarantee	11	43,450,612	60,000,000
Deferred income	12	12,105,131	-
Guarantee liability	13	<u>141,614</u>	<u>-</u>
Total Non-Current Liabilities		<u>55,697,357</u>	<u>60,000,000</u>
Total Liabilities		<u>56,245,952</u>	<u>61,196,318</u>
Shareholder's Equity:			
Stated capital	14	<u>1,000,000</u>	<u>1,000,000</u>
Total Shareholder's Equity		<u>1,000,000</u>	<u>1,000,000</u>
Total Liabilities and Shareholder's Equity		<u>\$ 57,245,952</u>	<u>\$ 62,196,318</u>

Figure 1.0

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	For the year ended 31 December	
	<u>2015</u>	<u>2014</u>
Income:		
Guarantee fees	\$ 156,462	\$ 30,612
Government subvention - guarantee	1,549,388	-
Government subvention - recurrent	<u>814,247</u>	<u>990,694</u>
Total income	<u>2,520,097</u>	<u>1,021,306</u>
Expenditure:		
Administrative expenses (Note 15)	<u>2,520,097</u>	<u>1,021,306</u>
Total expenditure	<u>2,520,097</u>	<u>1,021,306</u>
Net surplus for the year	<u>\$ -</u>	<u>\$ -</u>

Figure 1.1

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>Stated Capital</u>
Balance as at 1 January 2015	\$ 1,000,000
Net surplus for the year	_____ -
Balance as at 31 December 2015	<u>\$ 1,000,000</u>
Balance as at 1 January 2014	\$ 1,000,000
Net surplus for the year	_____ -
Balance as at 31 December 2014	<u>\$ 1,000,000</u>

Figure 1.2

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	For the year ended 31 December	
	<u>2015</u>	<u>2014</u>
Operating Activities:		
Net surplus for the year	\$ -	\$ -
Adjustments for:		
Amortisation of intangible asset	2,559	2,560
Guarantee expense	141,614	-
Depreciation	<u>3,717</u>	<u>3,717</u>
Operating surplus before working capital changes	147,890	6,277
Net change in accounts receivable and prepayments	(64,202)	(990,695)
Net change in government subvention receivable	2,080,622	-
Net change in accounts payable and accruals	<u>(647,723)</u>	<u>1,009,809</u>
Cash provided by operating activities	<u>1,516,587</u>	<u>25,391</u>
Investing Activities:		
Purchase of intangible asset	-	-
Purchase of fixed assets	<u>-</u>	<u>-</u>
Cash used in investing activities	<u>-</u>	<u>-</u>
Financing Activities:		
Net changes in deferred income	12,105,131	-
Net change in Government guarantee	<u>(16,549,388)</u>	<u>-</u>
Cash used in financing activities	<u>(4,444,257)</u>	<u>-</u>
Net change in cash resources	(2,927,670)	25,391
Cash resources, beginning of year	<u>60,097,333</u>	<u>60,071,942</u>
Cash resources, end of year	<u>\$ 57,169,663</u>	<u>\$ 60,097,333</u>
Represented by:		
Cash and cash equivalent	<u>\$ 57,169,663</u>	<u>\$ 60,097,333</u>

Figure 1.3

1. Incorporation and Principal Business Activity:

Trinidad and Tobago Tourism Business Development Limited (TTTBDL) was incorporated on 3 August 2012 in the Republic of Trinidad and Tobago and commenced operations in October 2012 as a special purpose company of the Government of the Republic of Trinidad and Tobago (GORTT). Its registered office is level 16, Ministry of Finance and the Economy, Eric Williams Financial Complex, Independence Square, Port of Spain. Its principal business activity is the provision of guarantees to tourism and tourism related businesses.

2. Summary of the Significant Accounting Policies:

(a) Basis of financial statements preparation -

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS's) and are stated in Trinidad and Tobago dollars rounded to the nearest whole dollar. These financial statements are stated on the historical cost basis, except for the measurement at fair value of certain financial instruments.

(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 income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(c) New Accounting Standards and Interpretations -

i) The company has not applied the standards, interpretations or amendments to existing standards that are effective for accounting periods beginning on or after 1 July 2015 that would be expected to have a material impact on the company.

ii) The company has not applied the following standards, interpretations and amendments that became effective during the current year, as they do not apply to its activities:

IFRS 2	Share-based payment – Amendment to the definition of vesting condition (effective for accounting periods beginning on or after 1 July 2014).
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IFRS 3	Business Combinations – Amendment re: accounting for a contingent consideration in a business combination (effective for accounting periods beginning on or after 1 July 2014).
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Figure 1.4

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

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

IFRS 8	Operating Segments – Amendment re: disclosure of the aggregation of operating segments and the reconciliation of assets (effective for accounting periods beginning on or after 1 July 2014).
IFRS 13	Fair Value Measurement – Amendment re: clarification of portfolio exception (effective for accounting periods beginning on or after 1 July 2014).
IAS 16	Property, Plant and Equipment – Amendment re: proportionate restatement of accumulated depreciation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014).
IAS 24	Related Party Disclosures – Amendment on disclosures for entities providing key management personnel services (effective for accounting periods beginning on or after 1 July 2014).
IAS 24	Intangible Assets – Amendment re: the proportionate restatement of accumulated amortisation under the revaluation method (effective for accounting periods beginning on or after 1 July 2014)
IAS 40	Investment Property – Amendment re: clarification of specific transactions that are both business combinations and investment property (effective for accounting periods beginning on or after 1 July 2014).

iii) 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 5	Non-current Assets Held for Sale and Discontinued Operations – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
IFRS 7	Financial Instruments: Disclosures – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
IFRS 9	Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).

Figure 1.4 Cont'd

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

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

IFRS 10	Consolidated Financial Statements – Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016).
IFRS 10	Consolidated Financial Statements – Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
IFRS 11	Joint Arrangements – Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for accounting periods beginning on or after 1 January 2016).
IFRS 12	Disclosure of Interest in Other Entities – Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).
IFRS 14	Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016).
IFRS 15	Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017).
IAS 1	Presentation of Financial Statements – Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2016).
IAS 16	Property, Plant and Equipment – Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016).
IAS 16	Property, Plant and Equipment – Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016).
IAS 19	Employee Benefits: Disclosures – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016).
IAS 27	Separate Financial Statements – Amendments reinstalling the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for accounting periods beginning on or after 1 January 2016).

Figure 1.4 Cont'd

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

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

- | | |
|--------|---|
| IAS 28 | Investment in Associates – Amendments regarding the sale or contribution of assets between investor and its associate or joint venture (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 28 | Investment in Associates – Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 34 | Interim Financial Reporting – 2014 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 38 | Intangible Assets – Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 41 | Agriculture – Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016). |

(d) Comparative information -

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

(e) Foreign currency -

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling at the reporting date. All revenue and expenditure transactions denominated in foreign currencies are translated at the average rate and the resulting profits and losses on exchange from these trading activities are recorded in the Statement of Comprehensive Income.

(f) Cash and cash equivalent -

For the purposes of the cash flow statements, cash and cash equivalent comprise of cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdraft.

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

(g) **Fixed assets -**

Fixed assets are stated at historical cost or valuation less accumulated depreciation and impairment in value. Depreciation is provided for on a straight-line basis.

The following rates considered appropriate to write-off the assets over their estimated useful lives are applied:

Office furniture	-	20%
Office equipment	-	20%
Computer hardware	-	25%

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 at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amounts and are taken into account in determining the net (deficit)/surplus for the year.

Repairs and maintenance costs are charged to the Statement of Comprehensive Income when expenditure is incurred.

(h) **Taxation -**

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided in full, using the liability method, on all temporary differences at the reporting 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 year when the asset is realised or the liability is settled, based on the enacted tax rate at the reporting date. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. In the opinion of management, the effect of temporary differences at 31 December 2015 is not considered material.

Figure 1.4 Cont'd

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

**(i) Income recognition -
Guarantee Income**

Income from guarantees is accounted for on the accruals basis.

(j) Government grant -

Grants from GORTT are recognised at 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 against relevant expenses.

(k) 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.

(l) 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.

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 recognized initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

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

(I) Financial instruments (cont'd) -

Financial assets are derecognized 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.

Figure 1.4 Cont'd

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

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

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

ii) Financial assets measured at cost

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed.

Figure 1.4 Cont'd

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

(I) Financial instruments (cont'd) -

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.

Cash and cash equivalent

Cash and cash equivalent consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

Accounts receivable and prepayments

Accounts receivable and prepayments are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounts payable and accruals

Trade and other payables and accruals are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Stated capital

The company's shares are classified as equity and are recorded at fair value of consideration less direct costs associated with the share issue.

3. Financial Risk Management:

Financial risk factors

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

Financial Instruments

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

	2015	
	<u>Carrying Value</u>	<u>Fair Value</u>
Financial Assets		
Cash and cash equivalent	\$ 57,169,663	\$ 57,169,663
Accounts receivable and prepayments	64,340	64,340
Financial Liabilities		
Accounts payable and accruals	548,595	548,595
Government guarantee	18,450,612	18,450,612
Deferred income	37,105,131	37,105,131
	2014	
	<u>Carrying Value</u>	<u>Fair Value</u>
Financial Assets		
Cash and cash equivalent	\$ 60,097,333	\$ 60,097,333
Accounts receivable and prepayments	138	138
Government subventions receivable	2,080,622	2,080,622
Financial Liabilities		
Accounts payable and accruals	1,196,318	1,196,318
Government guarantee	60,000,000	60,000,000

Figure 1.4 Cont'd

3. **Financial Risk Management (Cont'd):**

(a) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in mutual funds and loans. The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

	Effective Rate	Up to 1 year	1 to 5 years	2015 Over 5 years	Non-Interest Bearing	Total
Financial Assets						
Cash and cash equivalent	0.0%	\$ -	\$ -	\$ -	\$ 57,169,663	\$ 57,169,663
Accounts receivable and prepayments	0.0%	-	-	-	64,340	64,340
Government subventions receivable	0.0%	-	-	-	-	-
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,234,003</u>	<u>\$ 57,234,003</u>
Financial Liabilities						
Accounts payable and accruals	0.0%	\$ -	\$ -	\$ -	\$ 548,595	\$ 548,595
Government guarantee		-	-	-	18,450,612	18,450,612
Deferred income		-	-	-	37,105,131	37,105,131
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,104,338</u>	<u>\$ 56,104,338</u>
2014						
	Effective Rate	Up to 1 year	1 to 5 years	Over 5 years	Non-Interest Bearing	Total
Financial Assets						
Cash and cash equivalent	0.0%	\$ -	\$ -	\$ -	\$ 60,097,333	\$ 60,097,333
Accounts receivable and prepayments		-	-	-	138	138
Government subventions receivable	0.0%	-	-	-	2,080,622	2,080,622
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,178,093</u>	<u>\$ 62,178,093</u>
Financial Liabilities						
Accounts payable and accruals	0.0%	\$ -	\$ -	\$ -	\$ 1,196,318	\$ 1,196,318
Government guarantee		-	-	-	60,000,000	60,000,000
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,196,318</u>	<u>\$ 61,196,318</u>

Figure 1.4 Cont'd

3. Financial Risk Management (Cont'd):

(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.

(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.

i. Risk management

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the company. The company employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the company's assets as well as generating sufficient cash from government grants and loan repayments.

To manage and reduce liquidity risk the company's management actively seeks to match cash inflows with liability requirements.

Figure 1.4 Cont'd

3. **Financial Risk Management (Cont'd):**

(c) **Liquidity risk (cont'd) -**

i. **Liquidity gap**

	Up to 1 year	1 to 5 years	2015 Over 5 years	Total
Financial Assets				
Cash and cash equivalent	\$57,169,663	\$ -	\$ -	\$ 57,169,663
Accounts receivable and prepayments	64,340	-	-	64,340
Government subventions receivable	-	-	-	-
	<u>\$57,234,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,234,003</u>
Financial Liabilities				
Accounts payable and accruals	\$ 548,595	\$ -	\$ -	\$ 548,595
Government guarantee	-	-	18,450,612	18,450,612
Deferred income	-	-	37,105,131	37,105,131
	<u>\$ 548,595</u>	<u>\$ -</u>	<u>\$ 55,555,743</u>	<u>\$ 56,104,338</u>
2014				
	Up to 1 year	1 to 5 years	Over 5 years	Total
Financial Assets				
Cash and cash equivalent	\$60,097,333	\$ -	\$ -	\$ 60,097,333
Accounts receivable and prepayments	138	-	-	138
Government subventions receivables	2,080,622	-	-	2,080,622
	<u>\$62,178,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,178,093</u>
Financial Liabilities				
Accounts payable and accruals	\$ 1,196,318	\$ -	\$ -	\$ 1,196,318
Government guarantee	-	-	60,000,000	60,000,000
	<u>\$ 1,196,318</u>	<u>\$ -</u>	<u>\$ 60,000,000</u>	<u>\$ 61,196,318</u>

Figure 1.4 Cont'd

3. Financial Risk Management (Cont'd):

(d) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the company's measurement currency. The company is exposed to minimal foreign exchange risk. The company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(e) Operational risk -

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

(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 monitoring controls applied by the company.

(g) Reputation risk -

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

4. Critical Accounting Estimates and Judgements:

The preparation of financial statements in accordance IFRS 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.

Figure 1.4 Cont'd

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

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 judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- i) Whether leases are classified as operating leases or finance leases.
- ii) Which depreciation method for property, plant and equipment 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 judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each 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) Property, plant and equipment

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

5. Cash and Cash Equivalent:

	31 December	
	<u>2015</u>	<u>2014</u>
First Citizens Bank Limited – TT\$ Guarantee Account (i)	\$ 56,924,571	\$ 59,999,750
First Citizens Bank Limited – Operational Account	<u>245,092</u>	<u>97,583</u>
	<u>\$ 57,169,663</u>	<u>\$ 60,097,333</u>

- (i) During the year ended 31 December 2015, \$1,667,044 were utilised from the First Citizens Bank Limited – TT\$ Guarantee Account for purposes other than honouring guarantees.

Figure 1.4 Cont'd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

6. **Accounts Receivable and Prepayments:**

	31 December	
	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 64,202	\$ -
Prepayments	<u>138</u>	<u>138</u>
	<u>\$ 64,340</u>	<u>\$ 138</u>

7. **Government Subventions Receivable:**

This balance represents any excess of recurrent expenditure over subventions received from GORTT for that purpose.

	31 December	
	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 2,080,622	\$ 1,089,928
Transferred to deferred income	2,080,622	-
Subventions received	-	-
Program expenses	<u>-</u>	<u>990,694</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 2,080,622</u>

8. **Intangible Asset:**

	<u>Computer Software</u>	<u>Total</u>
Cost		
Balance, 1 January 2015	\$ 12,797	\$ 12,797
Additions	<u>-</u>	<u>-</u>
Balance, 31 December 2015	<u>12,797</u>	<u>12,797</u>
Accumulated Amortisation		
Balance, 1 January 2015	4,571	4,571
Charge for the year	<u>2,559</u>	<u>2,559</u>
Balance, 31 December 2015	<u>7,130</u>	<u>7,130</u>
Net Book Value		
Balance, 31 December 2015	<u>\$ 5,667</u>	<u>\$ 5,667</u>
Balance, 31 December 2014	<u>\$ 8,226</u>	<u>\$ 8,226</u>

Figure 1.4 Cont'd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

8. **Intangible Asset (Cont'd):**

	Computer Software	<u>Total</u>
Cost		
Balance, 1 January 2014		
Additions	\$ 12,797	\$ 12,797
	<u>-</u>	<u>-</u>
Balance, 31 December 2014	<u>12,797</u>	<u>12,797</u>
Accumulated Amortisation		
Balance, 1 January 2014		
Charge for the year	2,011	2,011
	<u>2,560</u>	<u>2,560</u>
Balance, 31 December 2014	<u>4,571</u>	<u>4,571</u>
Net Book Value		
Balance, 31 December 2014	<u>\$ 8,226</u>	<u>\$ 8,226</u>
Balance, 31 December 2013	<u>\$ 10,786</u>	<u>\$ 10,786</u>

9. **Property, Plant and Equipment:**

	<u>Office Furniture</u>	<u>Office Equipment</u>	<u>Computer Hardware</u>	<u>Total</u>
Cost				
Balance, 1 January 2015	\$ 6,440	\$ 2,271	\$ 7,900	\$ 16,611
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, 31 December 2015	<u>6,440</u>	<u>2,271</u>	<u>7,900</u>	<u>16,611</u>
Accumulated Depreciation				
Balance, 1 January 2015	2,361	795	3,456	6,612
Charge for the year	<u>1,288</u>	<u>454</u>	<u>1,975</u>	<u>3,717</u>
Balance, 31 December 2015	<u>3,649</u>	<u>1,249</u>	<u>5,431</u>	<u>10,329</u>
Net Book Value				
Balance, 31 December 2015	<u>\$ 2,791</u>	<u>\$ 1,022</u>	<u>\$ 2,469</u>	<u>\$ 6,282</u>
Balance as at 31 December 2014	<u>\$ 4,079</u>	<u>\$ 1,476</u>	<u>\$ 4,444</u>	<u>\$ 9,999</u>

Figure 1.4 Cont'd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	<u>Office Furniture</u>	<u>Office Equipment</u>	<u>Computer Hardware</u>	<u>Total</u>
Cost				
Balance, 1 January 2014	\$ 6,440	\$ 2,271	\$ 7,900	\$ 16,611
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, 31 December 2014	<u>6,440</u>	<u>2,271</u>	<u>7,900</u>	<u>16,611</u>
Accumulated Depreciation				
Balance, 1 January 2014	1,073	341	1,481	2,895
Charge for the year	<u>1,288</u>	<u>454</u>	<u>1,975</u>	<u>3,717</u>
Balance, 31 December 2014	<u>2,361</u>	<u>795</u>	<u>3,456</u>	<u>6,612</u>
Net Book Value				
Balance, 31 December 2014	<u>\$ 4,079</u>	<u>\$ 1,476</u>	<u>\$ 4,444</u>	<u>\$ 9,999</u>
Balance, 31 December 2013	<u>\$ 5,367</u>	<u>\$ 1,930</u>	<u>\$ 6,419</u>	<u>\$ 13,716</u>

10. **Accounts Payable and Accruals:**

	31 December	
	<u>2015</u>	<u>2014</u>
Audit fees payable	\$ 54,000	\$ 55,200
Amounts due to Export Import Bank of T&T Limited	260,280	1,128,729
Other payable	<u>234,315</u>	<u>12,389</u>
	<u>\$ 548,595</u>	<u>\$ 1,196,318</u>

Figure 1.4 Cont'd

11. Government Guarantee:

This balance represents funds forwarded to the company from GORTT to execute the loan guarantee programme.

	31 December	
	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 60,000,000	\$ 60,000,000
GORTT funds for recurrent expenditure transferred to deferred income	(15,000,000)	-
Guarantee expense	(141,614)	-
Guarantees paid	<u>(1,407,774)</u>	<u>-</u>
Balance, end of year	<u>\$ 43,450,612</u>	<u>\$ 60,000,000</u>

12. Deferred Income:

This balance represents funds from GORTT for the purpose of covering the recurrent expenditure of the company.

	31 December	
	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ -	\$ -
GORTT funds for recurrent expenditure transferred from government guarantee	15,000,000	-
Subventions receivable brought forward	(2,080,622)	-
Program expenses	<u>(814,247)</u>	<u>-</u>
Balance, end of year	<u>\$ 12,105,131</u>	<u>\$ -</u>

13. Guarantee Liability:

This balance represents the present value of future defaults on loans guaranteed by the company and has been measured at fair value through profit and loss in accordance with IAS 39. Fair value was determined by discounting future expected defaults using a rate equivalent to the difference between the current loan rate and the unguaranteed loan rate.

Figure 1.4 Cont'd

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

14. **Stated Capital:**

	31 December	
	<u>2015</u>	<u>2014</u>
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
1,000,000 ordinary shares of no par value	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>

15. **Administrative Expenses:**

	31 December	
	<u>2015</u>	<u>2014</u>
Advertising expense	\$ 8,577	\$ 40,572
Agency fees	420,000	420,000
Guarantee expense	141,614	-
Guarantee paid	1,407,774	-
General expenses	<u>542,132</u>	<u>560,734</u>
	<u>\$ 2,520,097</u>	<u>\$ 1,021,306</u>

16. **Contingent Liabilities:**

As at 31 December 2015, Trinidad and Tobago Tourism Business Development Limited (TTTBDL) gave bank guarantees of **\$29,095,257**. It is considered unlikely that the company will be held liable as a result of their commitment. At the reporting date the fair value of these is **\$141,614**, and the liability was recognised in the Statement of Financial Position. The Board of Directors is not aware of any other commitment with any material effect on the financial position and performance of the company.

Figure 1.4 Cont'd

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.

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

	31 December	
	<u>2015</u>	<u>2014</u>
Expenses		
Directors' fees	<u>\$ 216,000</u>	<u>\$ 216,000</u>

Figure 1.4 Cont'd

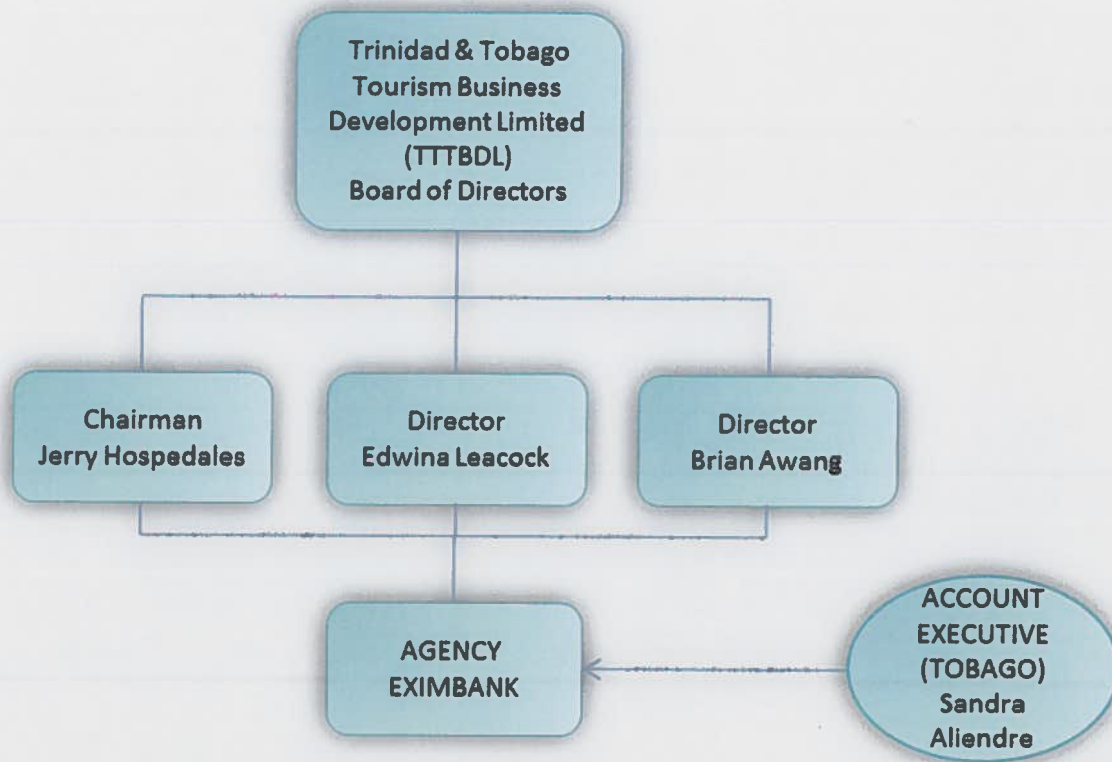


Figure 1.5