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Please address your response to the Auditor General and quote the reference particulars below.

Ref No: XI 134/4/2007/50

30th April, 2013

The Speaker
House of Representatives
Office of the Parliament
Tower D
Levels G - 7
Port of Spain International Waterfront Centre
1A, Wrightson Road
PORT OF SPAIN



Dear Sir,

Second Report of the Auditor General of the Republic of Trinidad and Tobago on the Financial Statements of the Trinidad and Tobago Postal Corporation for the year ended September 30, 2007

In accordance with section 116 (4) of the Constitution of the Republic of Trinidad and Tobago, forwarded herewith is my Second Report on the Financial Statements of the Trinidad and Tobago Postal Corporation for the year ended September 30, 2007 for presentation to the House of Representatives.

Section 116 (5) of the Constitution stipulates that the Report should be laid before the House of Representatives at the next sitting of the House after the receipt of the Report by you. I shall be grateful if you will arrange to inform me of the date that it is laid.

A similar Report has been forwarded to the President of the Senate and the Minister of Finance and the Economy respectively.

Yours faithfully,

Original Signed By
SHARMAN OTTLEY
SHARMAN OTTLEY
AUDITOR GENERAL

"championing good governance"



SECOND REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE TRINIDAD AND TOBAGO POSTAL CORPORATION FOR THE YEAR ENDED SEPTEMBER 30, 2007

The First Report of the Auditor General on the non-receipt of Financial Statements of the Trinidad and Tobago Postal Corporation for the year ended September 30, 2007 was signed by the Auditor General on 4th November, 2009 and forwarded to the Speaker of the House of Representatives and the President of the Senate for presentation to the House of Representatives and the Senate respectively and to the Minister of Finance.

2. The accompanying Financial Statements of the Trinidad and Tobago Postal Corporation for the year ended September 30, 2007 have been audited. The Statements comprise a Balance Sheet at September 30, 2007 an Income Statement, a Statement of Changes in Equity and a Statement of Cash Flows for the year ended September 30 2007, Significant Accounting Policies referenced (a) to (q), Notes to the Financial Statements numbered 1 to 21 and Schedule 1.

3. The audit was conducted by a firm of Accountants authorized by the Auditor General in accordance with section 23 (1) of the Trinidad and Tobago Postal Corporation Act, Chapter 47:02. Their Report dated March 29, 2012 which is attached refers.

OTHER MATTER

Errors and Omissions

4. At page 19 of the Financial Statements, the column headings "2010" and "2009" should read "2007" and "2006" respectively. Other minor errors in and omissions from the financial statements have been referred to the management of the Trinidad and Tobago Postal Corporation.

SUBMISSION OF REPORT

5. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance and the Economy in accordance with the provisions of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

30th April, 2013



Sharmar Ottley
SHARMAN OTTLEY
AUDITOR GENERAL



6 rec'd, 1 sent
in mail.
* No covering
memo rec'd.



Financial Statements of

TRINIDAD AND TOBAGO POSTAL CORPORATION

September 30, 2007



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Independent Auditors' Report to the Members Trinidad and Tobago Postal Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Trinidad and Tobago Postal Corporation (the Corporation) which comprise the balance sheet as at September 30, 2007, and the statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis of qualification

We were unable to obtain sufficient appropriate audit evidence about the completeness of the accounts payable and accruals balance at the year end because there were inadequate financial reporting and internal control systems in place to capture and record all liabilities. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Opinion

In our opinion, except for the possible effects of the matter described in the basis of qualification paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

March 29, 2012
Port of Spain
Trinidad and Tobago

TRINIDAD AND TOBAGO POSTAL CORPORATION

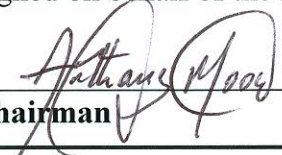
Balance Sheet

September 30, 2007

	Notes	2007	2006
Assets			
Non-current assets			
Property, plant and equipment	1	\$ 48,302,773	49,181,441
Investment in associate	2	555,170	300,000
Total non-current assets		<u>48,857,942</u>	<u>49,481,441</u>
Current assets			
Inventories	3	785,286	2,253,262
Trade and other receivables	4	29,319,954	35,765,340
Short term investments	5	11,482,848	-
Cash in hand and at bank	6	17,283,562	14,913,640
Total current assets		<u>58,871,650</u>	<u>52,932,242</u>
Total assets		\$ <u>107,729,592</u>	<u>102,413,683</u>
Equity and Liabilities			
Equity			
Reserve fund	7	\$ 78,224,644	70,146,142
Revaluation reserve		9,248,325	-
Accumulated deficit		(50,350,367)	(5,557,544)
Total equity		<u>37,122,602</u>	<u>64,588,598</u>
Non-current liabilities			
Deferred income	8	6,844,118	-
Interest-bearing borrowings	9	9,462,137	12,624,959
		16,306,255	12,624,959
Current liabilities			
Bank overdrafts	10	-	833,063
Taxes payable		3,427,019	3,427,105
Interest-bearing borrowings	9	3,162,822	2,858,083
Trade and other payables	11	47,710,893	18,081,875
Total current liabilities		<u>54,300,735</u>	<u>25,200,126</u>
Total equity and liabilities		\$ <u>107,729,592</u>	<u>102,413,683</u>

The accompanying notes form an integral part of these unconsolidated financial statements.

Signed on behalf of the Board



Chairman



Managing Director

TRINIDAD AND TOBAGO POSTAL CORPORATION

Income Statement

September 30, 2007

	Notes	2007	2006
Revenue		\$ 80,036,127	72,483,670
Cost of sales	12	<u>(13,858,073)</u>	<u>(10,673,377)</u>
Gross profit		<u>66,178,054</u>	<u>61,810,293</u>
Other operating income	13	4,164,264	7,807,993
Administrative and operating expenses (Schedule 1)		<u>(146,213,441)</u>	<u>(90,335,692)</u>
Operating loss before net financing costs and government subvention		<u>(75,871,123)</u>	<u>(20,717,406)</u>
Financial income		548,691	125,204
Financial expenses		<u>(2,684,632)</u>	<u>(4,040,322)</u>
Net financing costs		<u>(2,135,941)</u>	<u>(3,915,118)</u>
Operating loss before government subvention		<u>(78,007,064)</u>	<u>(24,632,524)</u>
Government subvention		<u>33,000,000</u>	<u>33,597,452</u>
(Loss) profit for the year after subvention		<u>(45,007,064)</u>	<u>8,964,928</u>
Share of profits from associates		<u>411,975</u>	<u>-</u>
(Loss) profit for the year before taxation		<u>(44,595,089)</u>	<u>8,964,928</u>
Taxation	15	<u>(197,734)</u>	<u>(341,667)</u>
Net (loss) profit for the year after provision for taxation		<u>\$ (44,792,823)</u>	<u>8,623,261</u>

The accompanying notes form an integral part of these unconsolidated financial statements.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Statement of Changes in Equity

For the year ended September 30, 2007

	Reserve Fund	Revaluation Reserve	Accumulated Deficit	Total Equity
Year ended September 30, 2006				
Balance at October 1, 2005	\$ 61,875,120	-	(14,180,805)	47,694,315
Contribution from World Bank for the year	8,271,022	-	-	8,271,022
Net profit for the year	-	-	8,623,261	8,623,261
Balance at September 30, 2006	\$ <u>70,146,142</u>	-	<u>(5,557,544)</u>	<u>64,588,598</u>
Year ended September 30, 2007				
Balance at October 1, 2006	\$ 70,146,142	-	(5,557,544)	64,588,598
Contribution from World Bank for the year	8,078,502	-	-	8,078,502
Revaluation of land and building	-	9,248,325	-	9,248,325
Net loss for the year	-	-	(44,792,823)	(44,792,823)
Balance at September 30, 2007	\$ <u>78,224,644</u>	<u>9,248,325</u>	<u>(50,350,367)</u>	<u>37,122,602</u>

The accompanying notes form an integral part of these unconsolidated financial statements.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Statement of Cash Flows

September 30, 2007

	2007	2006
Cash flows from operating activities		
(Loss) profit before provision for taxation	\$ (44,595,089)	8,964,928
Adjustments to reconcile (loss) profit before provision for taxation to cash from operating activities:		
Gain on sale of property, plant and equipment	-	(359,375)
Depreciation and amortisation	4,769,791	4,293,417
Derecognition of property, plant and equipment	12,670,289	-
Obsolescence of inventory	-	912,200
Change in inventories	1,467,976	(611,983)
Change in trade and other receivables	6,445,386	(8,390,212)
Change in trade and other payables	29,629,018	1,841,428
Income taxes paid	(197,648)	(167,434)
Net cash from operating activities	<u>10,189,723</u>	<u>6,482,969</u>
Cash flows from investing activities		
Change in short term investment	(11,482,848)	-
Change in investment in associate	(255,170)	-
Proceeds from sale of property, plant and equipment	-	359,375
Purchase of property, plant and equipment	(7,313,257)	(7,675,544)
Net cash used in investing activities	<u>(19,051,275)</u>	<u>(7,316,169)</u>
Cash flows from financing activities		
Increase in reserve fund	8,078,502	8,271,022
Deferred income	6,844,118	-
Repayment of borrowings	(2,858,083)	(2,582,535)
Net cash from financing activities	<u>12,064,537</u>	<u>5,688,487</u>
Net increase in cash and cash equivalents for the year	3,202,985	4,855,287
Cash and cash equivalents at the beginning of the year	<u>14,080,577</u>	<u>9,225,290</u>
Cash and cash equivalents at the end of the year	\$ <u>17,283,562</u>	<u>14,080,577</u>
Cash and cash equivalents comprise:		
Cash	\$ 17,283,562	14,913,640
Bank overdraft	-	(833,063)
	\$ <u>17,283,562</u>	<u>14,080,577</u>

The accompanying notes form an integral part of these unconsolidated financial statements.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

Incorporation and principal activities

Trinidad and Tobago Postal Corporation (**TTPost**) was established as a body corporate by the Trinidad and Tobago Postal Corporation Act No. 1 of 1999 (**the Act**), on 10 February 1999. TTPost took over the functions of the former Post Office Division of the then Ministry of Public Utilities.

These financial statements were authorised for issue by the directors on March 29, 2012.

Significant accounting policies

(a) *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations issued and adopted by the International Accounting Standards Board (IASB).

(b) *Basis of preparation*

These financial statements have been prepared on the historical cost basis except for land and buildings which are revalued.

(c) *Reporting currency*

These financial statements are expressed in Trinidad and Tobago dollars.

(d) *Use of estimates*

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(e) *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Trinidad and Tobago dollars at the foreign exchange rate ruling at that date. Foreign currency translation differences are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

Significant accounting policies (continued)

(f) *Property, plant and equipment*

(i) *Owned assets*

Items of property, plant and equipment, except land and buildings, are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy p).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) *Subsequent costs*

TTPost recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to TTPost and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) *Depreciation*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. No depreciation is charged in the year of disposal. Full year's depreciation is charged in the year of acquisition. Land is not depreciated. The estimated useful lives are as follows:

Buildings	40 years
Furniture and fixtures	10 years
Computer equipment	3 years
Vehicles	4 years
Other equipment	15 years

The residual value, if not insignificant, is reassessed annually.

(g) *Investment in associate*

The investment in the associated company is stated at equity less impairment losses (see accounting policy p).

(h) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

Significant accounting policies (continued)

(i) *Trade and other receivables*

Trade and other receivables are stated net of any specific provision established to recognise anticipated losses for bad and doubtful debts. Bad debts are written off during the year in which they are identified.

(j) *Cash and cash equivalents*

For the purposes of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft.

(k) *Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(l) *Trade and other payables*

Trade and other payables are stated at cost.

(m) *Provisions*

A provision is recognised in the balance sheet when TTPost has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments at the time value of money and, where appropriate, the risks specific to the liability.

(n) *Revenue recognition*

(i) *Goods sold and services rendered*

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

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

Significant accounting policies (continued)

(n) *Revenue recognition* (continued)

(ii) *Government grants*

Government grants are unconditional and are either capital or relate to the ongoing operations of TTPost. Grants relating to recurrent expenditure are recognised in the income statement when the grant becomes receivable. When the period to which the grant relates is indeterminable the grant is recognised in the income statement in the period in which it is received. Grants relating to capital expenditure are recognised in the income statement over the life of the assets acquired by these funds. The amounts recognised is equal to the amount charged as depreciation on the related asset in the income statement.

(o) *Expenses*

(i) *Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(ii) *Net financing costs*

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains and losses that are recognised in the income statement (see accounting policy e) and interest and commitment fees paid by the Government of Trinidad and Tobago on a loan facility obtained from the International Bank for Reconstruction and Development.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(p) *Impairment*

The carrying amounts of TTPost's assets, other than property (see accounting policy f), inventories (see accounting policy h) and cash, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

Significant accounting policies (continued)

(p) Impairment (continued)

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Taxation

The Act provided for the exemption from taxes by TTPost for a period of three (3) years from the proclamation date of July 1, 1999. In April 2004 the Act was amended to extend the tax-exempt status to June 30, 2004. Consequently, with effect from July 1, 2004 TTPost became liable to taxation.

The Act also provided for the exemption of Value Added Tax (VAT) on imports and commercial sale of goods and services to TTPost. VAT paid on purchases during the exempt period has been claimed from the Commissioner of VAT and included in Trade and other receivables.

Income tax expense comprises current tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset has not been recognised since it is not probable that there will be future taxable profits against which the asset can be utilised.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

1. Property, plant and equipment

	Land and Buildings	Furniture and fixtures	Computer equipment	Vehicles	Other equipment	Work in progress	Total
Cost							
Balance at October 1, 2006	\$ 29,280,397	12,885,120	5,622,041	4,335,681	7,891,907	8,387,321	68,402,468
Additions	-	798,841	581,373	3,285,897	2,647,146	-	7,313,257
Revaluation adjustment	9,248,325	-	-	-	-	-	9,248,325
Disposals and transfers	-	(6,237,144)	(1,469,053)	-	(2,154,384)	(8,387,321)	(18,247,902)
Balance at September 30, 2007	\$ <u>38,528,722</u>	<u>7,446,817</u>	<u>4,734,361</u>	<u>7,621,578</u>	<u>8,384,670</u>	-	<u>66,716,147</u>
Accumulated depreciation and impairment losses							
Balance at October 1, 2006	\$ 3,107,382	5,388,353	5,370,017	3,649,233	1,706,043	-	19,221,026
Charge for the year	621,340	744,682	283,989	2,577,478	542,302	-	4,769,791
Adjustments	-	(3,614,181)	(1,335,229)	-	(628,031)	-	(5,577,441)
Balance at September 30, 2007	\$ <u>3,728,722</u>	<u>2,518,854</u>	<u>4,318,776</u>	<u>6,226,711</u>	<u>1,620,313</u>	-	<u>18,413,376</u>
Net book value							
At September 30, 2006	\$ <u>26,173,015</u>	<u>7,496,768</u>	<u>252,024</u>	<u>686,448</u>	<u>6,185,865</u>	<u>8,387,321</u>	<u>49,181,441</u>
At September 30, 2007	\$ <u>34,800,000</u>	<u>4,927,963</u>	<u>415,585</u>	<u>1,394,867</u>	<u>6,764,357</u>	-	<u>48,302,773</u>

The land and building were re-valued as at June 27, 2007 by G.A. Farrell & Associates Limited, Chartered Valuation Surveyors, Financial & Property Consultants.

The land was re-valued at \$15,000,000 while the building was re-valued at \$20,000,000. The difference on revaluation of land and building was taken to the revaluation reserve.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

2. Investment in associate

Investment in associate represents TTPost's 30% equity interest in Trinidad and Tobago Mailing Systems Limited.

3. Inventories

	2007	2006
Stamps	\$ 745,094	1,789,923
Supplies	<u>1,325,240</u>	<u>1,748,388</u>
	2,070,335	3,538,311
Impairment	<u>(1,285,049)</u>	<u>(1,285,049)</u>
	<u>\$ 785,286</u>	<u>2,253,262</u>

4. Trade and other receivables

Trade receivables	\$ 30,527,797	37,082,488
Security deposits	217,517	219,314
Employee loans	-	48,980
VAT	2,297,053	-
Prepayments	<u>519,759</u>	<u>464,880</u>
	33,562,126	37,815,662
Impairment	<u>(4,242,172)</u>	<u>(2,050,322)</u>
	<u>\$ 29,319,954</u>	<u>35,765,340</u>

5. Short term investments

Short term investments comprise deposits with a commercial bank with a tenor of less than one year.

6. Cash in hand and at bank

	2007	2006
Citibank (Trinidad and Tobago) Limited	\$ 749,349	(49,657)
First Citizens Bank Limited	103,311	136,164
Republic Bank Limited	2,072,165	351,434
RBTT Bank Limited	13,068,949	10,908,010
Scotiabank Trinidad and Tobago Limited	1,289,788	2,559,559
Ministry of Finance	-	40,000
Cash in hand	<u>-</u>	<u>135,067</u>
	17,283,562	14,080,577
Bank overdrafts	<u>-</u>	<u>833,063</u>
	<u>\$ 17,283,562</u>	<u>14,913,640</u>

Included in the various bank accounts are funds collected on behalf of other agencies under the Billpay facility totalling \$4,285,327 (2006 - \$6,356,557).

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

7. Reserve fund

On June 14, 1999 the Government of Trinidad and Tobago signed a loan agreement for US\$11,450,000 with the International Bank for Reconstruction and Development to secure funding for the Postal Services Reform Project (**the Project**). The implementing agency is the Ministry of Public Utilities and the Environment. The total cost of the Project is US\$23,200,000 with the remainder of the cost being funded by the Government of Trinidad and Tobago.

The stated objectives of the Project are:

- a. to improve postal service in Trinidad and Tobago by expanding its coverage and quality, while achieving major efficiency gains and introducing new products and services in response to growing client needs; and
- b. to increase private sector participation of postal services.

In its execution, the direct beneficiary of the Project is TTPost, however, there is no contractual arrangement between the Government of Trinidad and Tobago and TTPost regarding the nature of the support provided by the Government of Trinidad and Tobago in its capacity as borrower under the loan facility.

In the absence of a formal arrangement with the Government of Trinidad and Tobago, management has decided to treat all drawdowns on the loan facility as a reserve fund under equity. The reserve fund also includes interest cost and commitment fees paid by the Government of Trinidad and Tobago under the loan facility to September 30, 2006.

8. Deferred income

Deferred income represents the unamortized portion of grants received for capital expenditure.

9. Interest-bearing borrowing

		2007	2006
Total borrowing	\$	12,624,959	15,483,042
Current portion		(3,162,822)	(2,858,083)
	\$	<u>9,462,137</u>	<u>12,624,959</u>

The interest bearing loan is a United States Dollar denominated mortgage loan for US\$4,275,977 received from First Citizens Trust and Asset Management Limited (previously called First Citizens Trust and Merchant Bank Limited) for the construction of the National Mail Centre. The loan, which was received in two amounts of US\$4,000,000 and US\$275,977 on May 23, 2000 and October 19, 2001, respectively, is secured by the property situated at Golden Grove Road, Piarco and bears interest at 10.25% per annum. The loan is payable over ten years which commenced September 2001 via semi-annual instalments of principal and interest totalling \$2,197,730 (US\$348,846).

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

10. Bank overdrafts

In the prior year bank overdrafts were unsecured.

11. Trade and other payables

	<u>2007</u>	<u>2006</u>
Trade payables	\$ 10,286,170	5,316,193
Deferred revenue	178,200	178,151
Other payables	5,818,382	1,943,594
Accrued liabilities	<u>31,428,141</u>	<u>10,643,937</u>
	\$ <u>47,710,893</u>	<u>18,081,875</u>

12. Cost of sales

Cost of sales - Materials	\$ 3,549,493	6,887,326
Franchise Expense	2,298,022	-
Philatelic	368,563	676,919
Courier expenses	<u>7,641,995</u>	<u>3,109,132</u>
	\$ <u>13,858,073</u>	<u>10,673,377</u>

13. Other operating income

Commissions	\$ 3,401,096	3,889,043
Terminal dues	-	-
Gain on foreign exchange	467,431	925,482
Gain on disposal of property, plant and equipment	-	359,375
Other	<u>295,736</u>	<u>2,634,089</u>
	\$ <u>4,164,264</u>	<u>7,807,993</u>

14. Management operator fees

Transend International (previously called New Zealand Post International) was initially given a five-year contract to reform the postal services of Trinidad and Tobago. This agreement came into effect on February 25, 1999. The contracted fee for the services, of US\$5,300,000, was funded partly by the Postal Services Reform Loan (US\$2,800,000) and partly by the resources of TTPost (US\$2,500,000). The contract came to an end on December 31, 2006.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

15. Provision for taxation

		2007	2006
Corporation tax	\$	-	-
Business levy		166,583	227,778
Green fund levy		83,291	113,889
VAT		<u>(52,140)</u>	
Total tax charge	\$	<u>197,734</u>	<u>341,667</u>

16. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

		2007	2006
Less than one year	\$	2,991,931	1,581,874
Between one and five years		<u>-</u>	<u>855,860</u>
	\$	<u>2,991,931</u>	<u>2,437,734</u>

TTPost leases a number of facilities under operating leases. The leases typically run for a period of 1 to 4 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

During the year ended September 30, 2007, \$3,534,030 was recognised as an expense in the income statement in respect of operating leases (2006: \$2,788,581).

17. Contingent liability

The Act requires TTPost to establish a pension fund plan for all employees by 10 February 2001; however, to date this statutory requirement has not been fulfilled. The Act preserves the benefits that accrued to employees by virtue of their employment in the Government Postal Services, up to their date of employment by TTPost based on their salary immediately prior to their employment by TTPost (**the Public Service salary**). That benefit is payable by the Government of Trinidad and Tobago.

The Act states that death or retirement benefits that accrue to employees prior to the establishment of the pension fund plan shall be based on their TTPost salary, if higher than the Public Service salary, and difference between the benefits payable based on their TTPost salary and Public Service salary is TTPost's liability.

TRINIDAD AND TOBAGO POSTAL CORPORATION

Notes to the Financial Statements

September 30, 2007

17. **Contingent liability** (continued)

An actuarial valuation was performed on the basis that the pension fund plan was established as at September 30, 2005. The valuation revealed that had the pension fund plan been established, the initial past service liability would have been \$86,300,000 as at September 30, 2005 and, TTPost's contribution rates in respect of current service cost for ex-Public Servants and new employees should be 20.7% and 15.7% of employees' salaries, respectively. This approximates to a total contribution cost of \$674,000 per month.

The funding mechanism for the pension fund plan has not yet been decided so it is uncertain how much, if any, of the initial past service liability will be paid by TTPost.

18. **Capital commitments**

At the balance sheet date, TTPost had entered into various contracts to purchase property, plant and equipment for \$6,844,118. These commitments are expected to be settled in the following financial year.

19. **Comparative figures**

Certain comparative figures have been restated to conform with the current year's presentation.

20. **Accounting estimates and judgements**

Management has considered the development, selection and disclosure of TTPost's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are shown below:

- Provision for obsolescence
- Provision for bad and doubtful debts
- Impairment of assets

Accounting policies (h), (i) and (p) contain information about the assumptions and their risk factors relating to the provision for obsolescence, bad and doubtful debts and the impairment of assets.

21. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of TTPost's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. TTPost does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Foreign currency risk

TTPost is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than Trinidad and Tobago dollars. The currency giving rise to this risk is United States Dollars.

Fair values

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Interest-bearing loan

Fair value is calculated based on discounted expected future principal and interest cash flows.

Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables and payables are discounted to determine the fair value.

Notes to the Financial Statements

September 30, 2007

	Notes	2010	2009
Salaries and employee costs including arrears		\$ 90,899,064	63,072,345
NIS contribution		3,102,806	3,161,829
Travel, meals and accommodation		732,963	331,881
Training		495,725	568,643
Subscriptions and memberships		38,185	35,713
Management operator fees	14	-	202,040
Directors' fees		145,404	189,307
Board of directors' expenses		36,326	36,652
Mail carriage		-	2,683,562
Legal and professional fees		1,999,001	2,057,856
Audit fees		630,943	458,396
Security		1,632,035	1,901,875
Rent	16	3,534,030	2,788,581
Telephone		1,463,717	1,755,397
Advertising		906,927	577,756
Electricity		973,869	924,199
Utilities, rates and taxes		196,783	134,823
Insurance		600,791	633,610
Repairs and maintenance		1,593,107	1,234,937
Motor vehicle		573,278	713,162
Stationery and supplies		1,632,043	1,234,959
IT Support		149,759	239,410
Donations		48,579	49,613
Depreciation and amortisation		4,769,791	4,293,417
Provision for obsolescence		-	912,200
Derecognition of property, plant and equipment		12,670,289	
Bad debt		5,501,752	-
Other		11,886,274	2,827,091
		\$ <u>146,213,441</u>	<u>90,335,692</u>