

Trinidad and Tobago Postal Corporation

Financial Statements

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

Trinidad and Tobago Postal Corporation

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Independent Auditor's Report

To the shareholders of
Trinidad and Tobago Postal Corporation

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Trinidad and Tobago Postal Corporation (the "Company"), which comprise the statement of financial position as at 30 September 2008, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

We were appointed as auditor of the Company on 4 June 2012 and, for the reasons described below, were unable to obtain sufficient appropriate audit evidence in a number of areas.

Internal Controls Relevant to the Audit

International Standards on Auditing require that the auditor obtain an understanding of the internal control relevant to the audit, including evaluating the design of those controls and determining whether they have been implemented. This understanding assists the auditor in identifying the types of potential misstatements and factors that affect the risks of material misstatement, and in designing the nature, timing and extent of further audit procedures. At the time we performed our audit, we were unable to obtain the necessary understanding of the key business processes and related internal controls relevant to the audit as management at the time did not maintain sufficient and appropriate internal documentation over the processes and related controls. Current management and senior employees were not employed by the company at the time and were not able to provide the required information to assist in our understanding of the processes and controls.

Financial Reporting Process and Journal Entries

International Standards on Auditing 240 "The Auditor's Responsibility To Consider Fraud in an Audit of Financial Statements", requires that an auditor conducting an audit in accordance with ISAs should obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud error.

**BA Hackett (Senior Partner), L Awai, F Aziz Mohammed, H Mohammed, NA Panchoo,
SW Ramirez, A West**

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Independent Auditor's Report (Continued)

Financial Reporting Process and Journal Entries (continued)

An auditor cannot obtain absolute assurance that material misstatements in the financial statements will be detected because of such factors as the use of judgement, the use of testing, the inherent limitations of internal control and the fact that much of the audit evidence available to the auditor is persuasive rather than conclusive in nature. At the time we performed our audit, we were unable to obtain the necessary understanding of the financial reporting process and a complete listing of the journal entries posted during the year as management at the time did not maintain sufficient and appropriate internal documentation over the process and related controls and could not extract the required population for us to conduct our test.

Allegations of Fraud

Our review of the approved minutes of the board of directors of the Company, revealed discussions surrounding a letter addressed to the Honourable Prime Minister of Trinidad and Tobago. The letter which was circulated to those charged with governance, raised concerns of serious allegations of fraud within the company. We were unable to obtain a copy of this letter, management was unable to provide information on the allegations and there was insufficient documentation contained within the minutes to allow us to assess the allegations. As a result we are unable to determine the impact of the allegations on the financial statements and whether these matters were investigated and the appropriate action taken by management.

Report on Special Investigation

Our review of the approved minutes of the board of directors of the Company revealed that a Security/ Risk Assessment/ Audit special investigation report on the Courier operations for the period 14 November 2007 to 8 September 2008 was commissioned by the Managing Director of the Company. The report was prepared by a forensic expert and was submitted to management. The report provided to us indicated that there were inadequate controls within the courier department which could have resulted in the misappropriation of the assets of the Company. To date we are unaware of the actions taken by management to address the control deficiencies contained within the report and as such we are unable to determine the impact of the control deficiencies on the financial statements.

Revenue – Corporate Post Shops and Franchises

Included within revenue are sales made by the Company's corporate post shops and franchises. These sales are recorded by the corporate post shops and franchises on a cash basis and are subsequently updated into the Company's accounting system manually. Management was unable to provide us with appropriate evidence to support the corporate shops and franchises cash sales being reconciled and deposited to the bank. Corporate shops and franchises account for \$24,734,716 or 28% of total revenues. We were unable to satisfy ourselves by alternative means concerning the completeness and occurrence of the revenue recorded from the corporate post shops and franchises as at 30 September 2008 which are included in the statement of comprehensive income.

We were also unable to verify sales made on credit terms during the period by the Company as we were not provided with the subsequent receipts or other supporting documents to verify that these sales occurred and were accurately recorded during the year ended 30 September 2008. As a result, we were unable to satisfy ourselves by alternative means concerning the occurrence of the revenue recorded from credit sales.

Independent Auditor's Report (Continued)

Administrative and Operating Expenses

We were unable to obtain sufficient appropriate audit evidence over the administrative and operating expenses included within the statement of comprehensive income. Management was unable to provide invoices and other supporting documentation required to verify the expenses recorded in the financial statements following a water leak in their storage department which destroyed these records. We were unable to satisfy ourselves by alternative means concerning administrative and operating expenses of \$122,689,385 recorded in the statement of comprehensive income for the year ended 30 September 2008.

The prior year's predecessor auditor's report was also qualified relating to administrative and operating expenses due to auditor's inability to obtain appropriate audit evidence over the completeness of accounts payables and accruals.

Non-attendance at Inventory Count and Cost of Sales

We were not appointed as auditors of the Company until after 30 September 2008 and thus were unable to observe the counting of physical inventories at either the beginning or end of the year ended 30 September 2008. We were also unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 September 2008 and 30 September 2007, which are measured in the statement of financial position at \$1,630,782 and \$2,070,335 respectively.

Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether any adjustments may be necessary in respect cost of sales and profits for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

The prior year's predecessor auditor's report was qualified relating to cost of sales due to auditor's inability to obtain appropriate audit evidence over the completeness of accounts payables and accruals.

Management was unable to provide detailed analyses for accounts receivable balances totalling \$18,530,686 and accounts payable balances totalling \$841,331. We were also unable to obtain supporting documentation to verify accounts payable balances amounting to \$20,124,307. As a result, we were unable to obtain sufficient audit evidence over the completeness of the accounts payables and accruals, which impacted our work over cost of sales and administrative and operating expenses. There were no alternative procedures that could have been performed to confirm or verify the accounts payable and accounts receivable balances included in the statement of financial position as at 30 September 2008.

In addition, our audit procedures over the opening balances over accounts receivables did not provide sufficient appropriate evidence over the existence and valuation of receivables as at 30 September 2007.

Provision for Doubtful Debts

We were unable to obtain sufficient and appropriate audit evidence to substantiate the provision for doubtful debts for trade and other receivables included in the financial statements as at 30 September 2008. We were unable to determine how much of the payments made by customers after the year end related to the receivable balances as at 30 September 2008 since management did not maintain this information. Management took the position that all receipts after the year end related to receivable balances as at 30 September 2008.

Independent Auditor's Report (Continued)

Accounts Receivable and Payable

Valuation of Property Plant and Equipment

During the financial year 2012 management engaged an expert to perform a valuation of its land and building as at 30 September 2008. The valuation which was accepted by management resulted in a decrease in the value of land and buildings from \$34,800,000 to \$31,000,000 (land \$13,500,000 and building \$17,500,000). International Standards on Auditing requires the auditor to consider the need for an auditor's expert to assist in obtaining audit evidence over significant transactions and account balances such as property valuations. Based on the audit procedures that were possible, including the use of an auditor's expert, we were unable to obtain sufficient and appropriate audit evidence to support the valuation of property plant and equipment recorded in the financial statements as at the year-end. As a result, we were unable to determine whether any adjustments may be necessary in respect of the revaluation reserve and property, plant and equipment balances included in the financial statements

Cash in Transit

Included within the cash balance in the financial statements is a credit amount totalling \$11,421,163. This balance is a net amount comprising of a reversal of amounts due to bill pay principals totalling \$14,691,866 (credit balance) and other transactions totalling a net debit of \$3,270,703. The Company provides certain services (bill pay) in which they collect and remit payments by customers to bill pay principals. As at 30 September 2008, management reversed the liability of \$11,421,163 payable to bill pay principals from accounts payable with the corresponding credit entry to the cash in transit account. Management was unable to provide sufficient and appropriate audit evidence for reversing this liability. Had management continue to recognise this liability, both cash and accounts payable balances would increase by \$11,421,163. In addition, management was unable to provide sufficient and appropriate audit evidence to support the amount of \$3,270,703 also included in the cash in transit account.

Employee Benefits

The Trinidad and Tobago Postal Corporation Act (the "Act"), requires the Company to create a pension plan for all employees. As at 30 September 2008, the creation of this pension plan is still outstanding as management is unable to determine the funding strategy for the plan. This represents a breach of the requirements of the Act. If the Plan is required to be implemented, it is uncertain whether the Company would be required to create a defined benefit or a defined contribution plan. As at the year end, there was insufficient audit evidence available to determine the impact of this breach on the financial statements.

Disposals of Property Plant and Equipment

The prior year's statement of comprehensive income includes a write-off of property plant and equipment valued at \$12,670,460. As management did not perform a physical count of its property, plant and equipment prior to 30 September 2007, we are unable to determine whether the entire amount should have been written off in the 2007 financial statements.

Independent Auditor's Report (Continued)

Correction of Prior Period Error

Management corrected a prior period error in the 2008 financial statements by restating the 2007 comparative information. This error resulted from a duplicate recording of a receipt from a customer totalling \$4,605,578. While the duplicated credit entry was corrected against the customer account, management was unable ascertain where the corresponding debit entry was recorded and a decision was made to write off the duplicated amount to administrative and operating expenses for 2007. Due to the lack of information available regarding the adjustment, we were unable to determine the appropriateness of this adjustment included in the financial statements.

As a result of all of the matters identified above, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded revenues, expenses, inventories, receivables and payables, and the elements making up the statement of financial position, statement of comprehensive income, and statement of changes in equity and cash flow statement.

Additional Matters

Impairment of Assets

International Accounting Standards 36 requires that at each statement of financial position date, the entity assesses whether its assets may be impaired. This assessment was not performed by management, and as a result we are unable to determine whether any adjustments are required to the assets and the statement of comprehensive income in respect of property, plant and equipment.

Classification of Borrowed Funds

At the start of the Company's operations in 1999, the Government of the Republic of Trinidad and Tobago, borrowed funds from the World Bank and provided these funds to the Company to fund its start-up operations. The Company accounted for this funding as equity, however based on the requirements of International Accounting Standard 32 'Financial Instruments', this amount may be required to be classified as a financial liability until the Government of the Republic of Trinidad and Tobago formally communicates to the Company that this funding is not required to be repaid. As a result of the treatment of the funds received from the Government of the Republic of Trinidad and Tobago in the financial statements as equity, the Company may not be in compliance with the requirements of IAS 32.

Revaluations of Property Plant and Equipment

Management changed their accounting policy for property, plant and equipment in 2007 from the historical cost model to the revaluation model for the valuation of land and buildings. However, the change in accounting policy was not reflected in accordance with International Accounting Standards 8 'Accounting Policies, Changes in Accounting Estimates and Errors', which requires that the change in policy to be reflected from the earliest comparative period. Management did not perform a valuation as at the earliest comparative period and as a result, we were unable to determine the adjustments that may be required to the financial statements for this matter.

Capitalisation of Interest

The Company, during the start-up phase, obtained a loan to construct the building which currently houses its main operations. The Company did not comply with the requirements of International Accounting Standards 23 'Borrowing Costs' which requires that interest on the loan to construct a qualifying asset be capitalised. Since management did not assess the amount of the interest that was available for capitalisation, we were unable to determine the extent of the adjustments that may be required to the financial statements.

Independent Auditor's Report (Continued)

Disclaimer of Opinion

Because of the significance of the matters described in the Basis of disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Other Matters

The financial statements of the Company for the year ended 30 September, 2007, were audited by another auditor who expressed a qualified opinion on those financial statements on 29 March 2012. The qualification related to the inability 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. The qualification related to all financial statements line items related to payables and accruals; these include cost of sales and administrative and operating expenses.

PricewaterhouseCoopers

17 October 2014
Port of Spain,
Trinidad, West Indies

Trinidad and Tobago Postal Corporation

Statement of Financial Position

30 September 2008

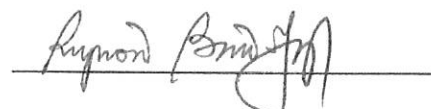
(Expressed in Trinidad and Tobago Dollars)

	Notes	2008 \$	2007 \$ (Restated)
Assets			
Non-current Assets			
Property, plant and equipment	5	46,908,515	47,576,131
Investment in associate	6	1,159,557	823,214
Deferred tax asset	15	312,455	345,635
Trade and other receivables	9	<u>5,793,068</u>	<u>5,292,751</u>
Total Non-current Assets		<u>54,173,595</u>	<u>54,037,731</u>
Current Assets			
Inventories	8	1,630,782	2,070,335
Trade and other receivables	9	20,882,080	25,768,212
Short term investments	10	20,903,642	11,482,848
Cash in hand and at bank	11	<u>7,707,364</u>	<u>17,283,562</u>
Total Current Assets		<u>51,123,868</u>	<u>56,604,957</u>
Total Assets		<u>105,297,463</u>	<u>110,642,688</u>
Equity And Liabilities			
Equity			
Reserve fund	12	77,752,262	77,752,262
Revaluation reserve	13	9,500,000	11,000,000
Accumulated deficit		<u>(22,518,674)</u>	<u>(42,280,439)</u>
Total Equity		<u>64,733,588</u>	<u>46,471,823</u>
Deferred revenue	14	3,830,069	4,140,040
Deferred tax liability	15	312,455	345,635
Interest-bearing loan	16	<u>5,962,083</u>	<u>9,462,137</u>
Non-current Liabilities		<u>10,104,607</u>	<u>13,947,812</u>
Current Liabilities			
Taxes payable		79,434	75,774
Interest-bearing loan	16	3,500,054	3,162,822
Trade and other payables	18	<u>26,879,780</u>	<u>46,984,457</u>
Total Current Liabilities		<u>30,459,268</u>	<u>50,223,053</u>
Total Equity And Liabilities		<u>105,297,463</u>	<u>110,642,688</u>

The notes on pages 11 to 39 are an integral part of these financial statements.

On 10 October 2014, the Board of Directors of Trinidad and Tobago Postal Corporation authorised these financial statements for issue.

 Director

 Managing Director

Trinidad and Tobago Postal Corporation

Statement of Comprehensive Income

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

	Notes	2008 \$	2007 \$ (Restated)
Revenue		84,189,724	80,036,127
Cost of Sales	19	<u>(13,363,909)</u>	<u>(13,858,073)</u>
		70,825,815	66,178,054
Other operating income	20	3,250,521	4,164,264
Government subventions	23	<u>68,900,000</u>	<u>33,000,000</u>
		142,976,336	103,342,318
Administrative and operating expenses	21	<u>(122,689,385)</u>	<u>(138,992,668)</u>
Operating Profit/(Loss)		<u>20,286,951</u>	<u>(35,650,350)</u>
Financial income		1,406,808	548,691
Financial expenses		<u>(2,190,700)</u>	<u>(5,272,650)</u>
Finance Costs - Net		<u>(783,892)</u>	<u>(4,723,959)</u>
Share Of Profit From Associates	6	<u>518,149</u>	<u>411,975</u>
Profit/(Loss) Before Taxation		20,021,208	(39,962,334)
Taxation	24	<u>(259,443)</u>	<u>(166,583)</u>
Profit/(Loss) After Taxation		<u>19,761,765</u>	<u>(40,128,917)</u>
Total Comprehensive Income/(Loss) For The Year		19,761,765	(40,128,917)
Other Comprehensive Income			
Valuation Of Land		<u>(1,500,000)</u>	<u>11,000,000</u>
Total Recognised Income/(Loss) For The Year		<u>18,261,765</u>	<u>(29,128,917)</u>

The notes on pages 11 to 39 are an integral part of these financial statements.

Trinidad and Tobago Postal Corporation

Statement of Changes In Equity 30 September 2008

(Expressed in Trinidad and Tobago Dollars)

	Reserve Fund \$	Revaluation Reserve \$	Accumulated Deficit \$	Total Equity \$
Balance at 1 October 2006 as previously reported	70,146,142	--	(5,557,544)	64,588,598
Prior year adjustments (Note 29)	--	--	3,406,022	3,406,022
Balance at 1 October 2006 (Restated)	70,146,142	--	(2,151,522)	67,994,620
Additional funding received from Government of the Republic of Trinidad and Tobago	8,078,502	--	--	8,078,502
Valuation of land	--	11,000,000	--	11,000,000
Transfer to deferred income	(472,382)	--	--	(472,382)
Total comprehensive loss for the year (Restated)	--	--	(40,128,917)	(40,128,917)
Balance at 30 September 2007 (Restated)	<u>77,752,262</u>	<u>11,000,000</u>	<u>(42,280,439)</u>	<u>46,471,823</u>
Year ended 30 September 2008				
Balance at 1 October 2007 (Restated)	77,752,262	11,000,000	(42,280,439)	46,471,823
Valuation of land	--	(1,500,000)	--	(1,500,000)
Total comprehensive income for the year	--	--	19,761,765	19,761,765
Balance at 30 September 2008	<u>77,752,262</u>	<u>9,500,000</u>	<u>(22,518,674)</u>	<u>64,733,588</u>

The notes on pages 11 to 39 are an integral part of these financial statements.

Trinidad and Tobago Postal Corporation

Statement of Cash Flow

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

	2008 \$	2007 \$ (Restated)
Cash Flows From Operating Activities		
Profit/(loss) before provision for taxation	20,021,208	(39,962,334)
Adjustments to reconcile profit before taxation to net cash from operating activities:		
Depreciation and amortisation	4,466,410	5,207,390
Finance income	(1,406,808)	(548,691)
Finance expense	2,190,700	5,272,650
Impairment and de-recognition of property plant & equipment	1,700,000	14,422,135
Share of profits	<u>(518,149)</u>	<u>(411,975)</u>
Operating profit before changes in working capital	26,453,361	(16,020,825)
Change in inventories	439,553	182,927
Change in trade and other receivables	4,385,815	7,849,255
Change in trade and other payables	<u>(20,104,677)</u>	<u>25,835,841</u>
Cash Generated From Operations	11,174,052	17,847,198
Income taxes paid	<u>(255,783)</u>	<u>(169,029)</u>
Net Cash Flow From Operating Activities	<u>10,918,269</u>	<u>17,678,169</u>
Cash Flows From Investing Activities		
Dividends received	181,806	156,805
Interest received	1,406,808	548,691
Change in short-term investments	(9,420,794)	(11,482,848)
Purchase of property, plant and equipment	<u>(6,998,794)</u>	<u>(7,313,259)</u>
Net Cash Used In Investing Activities	<u>(14,830,974)</u>	<u>(18,090,611)</u>
Cash Flows From Financing Activities		
Interest paid	(2,190,700)	(5,272,650)
Increase in reserve funds	--	7,606,120
(Decrease)/increase in funding	(309,971)	4,140,040
Repayment of borrowings	<u>(3,162,822)</u>	<u>(2,858,083)</u>
Net Cash (Used In)/From Financing Activities	<u>(5,663,493)</u>	<u>3,615,427</u>
Net (Decrease)/Increase In Cash		
And Cash Equivalents For The Year	(9,576,198)	3,202,985
Cash And Cash Equivalents At The Beginning Of The Year	<u>17,283,562</u>	<u>14,080,577</u>
Cash And Cash Equivalents At The End Of The Year	<u>7,707,364</u>	<u>17,283,562</u>
Cash And Cash Equivalents Comprise:		
Cash at bank	<u>7,707,364</u>	<u>17,283,562</u>

The notes on pages 11 to 39 are an integral part of these financial statements.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

1 Incorporation And Principal Activities

Trinidad and Tobago Postal Corporation (TTPOST or the Company) was established as a corporate body by the Trinidad and Tobago Postal Corporation Act No. 1 of 1999 (the Act), on 10 February 1999, and amended by Trinidad and Tobago Postal Corporation Act No. 6 of 2012.

TTPOST was set up to take over the functions of the former Government Post Office Division of the then Ministry of Public Utilities. The address of its principal place of business is 240-250 Golden Grove Road Parco.

2 Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements these are disclosed in Note 4.

Changes in accounting policies

(a) Standards, amendments and interpretations effective 1 January 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard did not have any impact on the Company's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard did not have any impact on the Company's financial statements.

IFRIC 11, 'IFRS 2 – Group and treasury share transactions' provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation did not have an impact on the Company's financial statements.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(b) *Standards, amendments and interpretations effective in 2007 but not relevant*

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

- IFRS 4, 'Insurance contracts'
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'
- IFRIC 9, 'Re-assessment of embedded derivatives'.

(c) *Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods, but the Company has not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IFRIC 17, 'Distribution of non-cash assets to owners' - effective on or after 1 July 2009. This is not expected to have a material impact to the Company's financial statements.
- IFRS 9, 'Financial Instruments' – effective from 1 January 2018. The objective of this IFRS is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. This is not expected to have a significant impact to the Company's financial statements.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(d) *Standards, amendments and interpretations to existing standards that are not yet effective and to relevant to the Company's operations*

- IFRS 3 (revised), 'Business combinations' - effective from 1 July 2009
- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'.
- IAS 1 (amendment), 'Presentation of financial statements'.
- IAS 19, 'Employee benefits', was amended in June 2011. The impact on the group will be as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is yet to assess the full impact of the amendments.
- IAS 27 (revised 2011) 'Separate Financial Statement' includes the provision on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised 2011) 'Associate and Joint Ventures' includes the requirements for joint ventures as well as associates to be equity accounted following the issue of IFRS 11.
- IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of Company's arrangements that were not covered by that interpretation.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Company will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Company's accounts.
- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess IFRS 10's impact but it is not expected to have a significant impact on the Company's accounts.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.1 Basis of preparation (continued)

(d) *Standards, amendments and interpretations to existing standards that are not yet effective and to relevant to the Company's operations.*

- IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. See note 43 for the impact of adoption on the financial statements.
- IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

2.2 Consolidation

(a) *Associates*

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.2 Consolidation (continued)

(a) *Associates*

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements are expressed in Trinidad and Tobago dollars which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.4 Property, plant and equipment

Land and building comprises in the main assets at Piarco. Land and building are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and building are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve in equity. All other decreases are charged to the statement of comprehensive income.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.4 Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other assets is calculated using straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	40 years
Furniture and fixtures	10 years
Computer equipment	3 years
Vehicles	4 years
Other equipment	15 years
Air Conditioning Units	5 years

The assets residual value and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative and operating expenses' in the statement of comprehensive income. When revalued assets are sold, the amounts included in 'revaluation reserve' are transferred to retained earnings.

2.5 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables and held to maturity. The classification depends on the purpose for which financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

(b) *Held-to-maturity investments*

Held-to-maturity investments are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. The Company follows IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires a significant judgement. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity.

2.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. It includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.7 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer) they are classified as current assets. If not they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Act also provided for the exemption from Value Added Tax (VAT) on imports and commercial sale of goods and services of the postal services operations of TTPOST. The commercial services are not exempt. VAT paid on purchases has been claimed from the Commissioner of VAT and included in other receivables.

2.8 Cash and cash equivalents

Cash and cash equivalents include includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdraft. Bank overdrafts are shown separately in current liabilities on the statement of financial position.

2.9 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Current and deferred income tax

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

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.10 Current and deferred income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised for tax losses to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. The principal temporary differences arise from depreciation on property, plant and equipment and unutilised tax losses.

2.11 Provisions

A provision is recognised in the statement of financial position when the Company 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 and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.12 Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Company's business activities. Revenue is shown net of VAT, returns, rebates and discounts. The Company recognises revenue when the amount can be reliably measured; it is probable that future economic benefits will flow to the entity and when specific criteria have been met. Revenue is recognised as follows:

(a) *Sale of goods and services*

The Company operates through a chain of its own postal retail shops (Corporate Shops) and in partnership through a number of franchise arrangements. Services leveraged through the network on behalf of other principals, attracts commission income which is recorded on the accruals basis.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

2 Significant Accounting Policies (Continued)

2.12 Revenue recognition (continued)

(b) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) *Dividend Income*

Dividend income from the associate is recognised when received. It is recognised in the statement of comprehensive income by reducing the share of profits from the associates in the period received.

2.13 Leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.14 Government grants

Government grants are unconditional and are either capital in nature or related to the ongoing operations of TTPOST. The ongoing operational grants are recognised in the statement of comprehensive income when received. Capital grants are recognised in the statement of financial position as deferred income and are released to the statement of comprehensive income in the manner consistent with the depreciation of the asset to which it relates.

The Company is dependent on government funding to defray both capital and period costs. This funding is treated in accordance with IAS 20 Government Grants, except where there is an agreement between the GORTT and the TTPOST that specific injections of funds will be treated as equity in the statement of financial position.

The Government of the Republic of Trinidad and Tobago supports the recurrent expenses of the Company by subventions as approved by the Parliament of Trinidad and Tobago in the Annual Budget. Subventions are received monthly and are recognised in the statement of comprehensive income when received. Subventions are deemed non-taxable income.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

2.16 Reserve fund

Additional funding received from the GORTT is treated as an injection of funds and included in equity.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

3 Financial Risk Management

3.1 Financial risk factors

The Company's activity exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's performance.

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally with and through other international postal administrations, within the Universal Postal Union (UPU). It is exposed to foreign exchange risk arising from various currency exposures, primarily the US dollar.

At September 30 2008 if the TT dollar had weakened/strengthened by 1% against the US dollar with all other variables being constant post-tax profits for the year would have been \$65,520 (2007: \$97,545) higher/lower as a result of foreign exchange losses on translation of US dollar-denominated cash balances, trade receivables and payables.

(ii) Price risk

The Company is not exposed to equity security or commodity price risk.

(iii) Cash flow and fair value interest rate risk

As the Company has no significant interest bearing assets, income and operation cash flows are substantially independent of changes in market interest rates. The current borrowings are at fixed rate and were repaid in 2011.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers. The utilisation of credit limits is regularly monitored and management does not expect any non-performance by these counterparties.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Management monitors rolling forecast of the Company's liquidity reserves. Due to the nature of the business, the Company maintains its funding through available committed credit lines which include the subventions received from the Government of the Republic of Trinidad and Tobago.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

3 Financial Risk Management (Continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year \$	Between 1 and 5 years \$	Contractual Cash Flows \$	Carrying Amount \$
At 30 September 2008				
Trade and other payables	26,879,780	--	26,879,780	26,879,780
Interest bearing loan	4,394,761	8,789,523	13,184,284	9,462,137
At 30 September 2007				
Trade and other payables	46,761,392	--	46,761,392	46,761,392
Interest bearing loan	4,394,761	13,184,285	17,579,046	12,624,959

3.2 Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders. The Company's capital structure is presently not share based and is dependent on strategic injections by the Government of the Republic of Trinidad and Tobago. The Company obtains funding from the GORTT to fund its capital and expenses. There have been no changes in the Company's objectives of managing capital from the prior year.

3.3 Fair value estimations

The carrying value less impairment provision of current trade receivables and payables are assumed to approximate their fair value. Non-current trade receivables were discounted to determine its fair value.

4 Critical Accounting Estimates and Judgements

Estimates and judgements 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.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. 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 addressed below.

(a) *Income taxes*

Significant estimates are required in determining the Company's provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Management has made estimates of tax deductions based on current information available. If these tax deductions claimed were to be different from management's estimate, such differences may impact the current and deferred income tax in the period in which such determination is made.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

4 Critical Accounting Estimates and Judgements (Continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) *Estimated impairment of non-current trade receivables*

The impairment provision is determined by discounting the expected future cash flows associated with the receivable. A major assumption used to estimate the impairment is the discount rate. If the estimated discount rate had been 1% higher than management's estimate then the Company would have recognised a further impairment on receivables in the amount of \$104,969 (2007: \$122,379).

Had the rate been 1% lower than management's estimate then the Company would have recognised a reduced impairment on receivables in the amount of \$108,546 (2007: \$131,225).

4.2 Critical judgements in applying accounting policies

The Company has recognised PSIP funding in accordance with IAS 20 Government Grants whereby, amounts are set up as deferred income and released to statement of comprehensive income in the manner consistent with the asset it funds. It is management's view that the GORTT is providing this funding to the Company similar to funding that is also available to other similar state-owned entities.

The Company accounts for injection of additional funding as equity, since in management's view the amounts are not to be repaid by the Company. Should this change the treatment could have a significant impact on the Company's financial statements.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

5 Property, Plant And Equipment

	Land and Buildings \$	Furniture and Fixtures \$	Computer \$	Vehicles \$	Other Equipment \$	Air Condition \$	Capital Work-In-Progress \$	Total \$
At 1 October 2006								
Cost	29,280,397	12,885,120	5,622,041	4,335,681	5,521,033	2,370,875	8,387,320	68,402,467
Accumulated depreciation	(3,107,382)	(5,388,353)	(5,370,017)	(3,649,233)	(1,331,932)	(663,153)	--	(19,510,070)
Net book amount (Restated)	26,173,015	7,496,767	252,024	686,448	4,189,101	1,707,722	8,387,320	48,892,397
Year ended 30 September 2007								
Opening net book value	26,173,015	7,496,767	252,024	686,448	4,189,101	1,707,722	8,387,320	48,892,397
Revaluation reserve (Note 13)	11,000,000	--	--	--	--	--	--	11,000,000
Impairment	(1,751,675)	--	--	--	--	--	--	(1,751,675)
Additions	--	798,842	581,373	3,285,897	2,605,305	41,842	--	7,313,259
Disposal & transfers	--	(2,622,963)	(133,824)	--	(1,526,353)	--	(8,387,320)	(12,670,460)
Depreciation charge	(621,340)	(744,682)	(283,989)	(2,577,478)	(542,302)	(437,599)	--	(5,207,390)
Closing net book amount (Restated)	34,800,000	4,927,964	415,584	1,394,867	4,725,751	1,311,965	--	47,576,131
At October 2007								
Cost	38,528,722	7,446,818	4,734,361	7,621,578	5,971,954	2,412,717	--	66,716,150
Accumulated depreciation	(3,728,722)	(2,518,854)	(4,318,777)	(6,226,711)	(1,246,203)	(1,100,752)	--	(19,140,019)
Net book amount (Restated)	34,800,000	4,927,964	415,584	1,394,867	4,725,751	1,311,965	--	47,576,131
Year ended 30 September 2008								
Opening net book value	34,800,000	4,927,964	415,584	1,394,867	4,725,751	1,311,965	--	47,576,131
Revaluation reserve (Note 13)	(1,500,000)	--	--	--	--	--	--	(1,500,000)
Impairment	(1,700,000)	--	--	--	--	--	--	(1,700,000)
Additions	--	1,381,567	1,309,830	2,373,943	1,933,454	--	--	6,998,794
Depreciation charge	(600,000)	(877,087)	(682,235)	(1,699,354)	(170,135)	(437,599)	--	(4,466,410)
Closing net book amount	31,000,000	5,432,444	1,043,179	2,069,456	6,489,070	874,366	--	46,908,515
At 30 September 2008								
Cost	35,328,722	8,828,385	6,044,191	9,995,521	7,905,407	2,412,717	--	70,514,943
Accumulated depreciation	(4,328,722)	(3,395,941)	(5,001,012)	(7,926,065)	(1,416,337)	(1,538,351)	--	(23,606,428)
Net book amount	31,000,000	5,432,444	1,043,179	2,069,456	6,489,070	874,366	--	46,908,515

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

5 Property, Plant And Equipment (Continued)

The Company's land and building were revalued in June 2007 by independent valuers, G.A.Farrell & Associates. The revaluations were made on the basis of 2007 market conditions. The revaluation on the land at National Mailing Centre (NMC) was \$11,000,000, while the impairment on the building at NMC was \$1,751,675 amounting to a net revaluation surplus of \$9,248,325. This impairment was originally credited to the revaluation reserve in shareholders' equity. The restatement of 2007 resulted in the impairment of building being charged to the statement of comprehensive income.

In 2008 a desk valuation was done on land and building by independent valuers G. A. Farrell and Associates. Based on the revaluation, there was an impairment of building \$1,700,000 and impairment of land \$1,500,000. The impairment of land was charged to revaluation reserve in equity, while the impairment of building was debited to the statement of comprehensive income.

In 2008 an assessment of the useful life of air conditioning units was done and it was determined that a restatement needed to be made to adjust the useful life from fifteen to five years. See note 29.

6 Investment In Associate

Investment in Associate represents TTPOST's 30% equity interest in Trinidad Mailing Systems Limited now renamed 'Streamlined Solutions'. Streamline Solutions is a limited liability Company incorporated in the Republic of Trinidad and Tobago, whose principal activity is the provision of mailing processing solutions as well as sales and servicing of mailing equipment. The investment of 52,322 ordinary shares at \$1.00 par value was acquired in September 2001 at a cost of \$300,000. In 2007 the Company accounted for the investment on the equity basis but did not apply the treatment retrospectively from the date of acquisition.

	2007 \$ Restated
Balance as previously reported 30 September 2006	300,000
Share of the fair value adjustment on acquisition	(247,678)
Add share of profits 2002 to 2006	<u>515,722</u>
Adjusted balance as at 30 September 2006	<u>568,044</u>

	2008 \$	2007 \$ Restated
Balance at the start of the year	823,214	568,044
Share of profits	518,149	411,975
Less dividends received	<u>(181,806)</u>	<u>(156,805)</u>
Balance at the end of the year	<u>1,159,557</u>	<u>823,214</u>

The share of profits in associate is after tax and adjusting for difference in financial year end of the Company 30 September and the Associate – 31 December). The Company's share of the results of the Associate, which is unlisted is as follows:

	2008 \$	2007 \$
Revenue	2,704,798	1,837,863
Assets	1,815,129	1,355,169
Liabilities	814,181	665,111
Profit	518,149	411,975

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

7 Financial Instruments By Category

	Loans & receivables \$	Held to maturity \$	Total \$
As at 30 September 2008			
Assets as per statement of financial position			
Investments - short term	--	20,903,642	20,903,642
Trade and other receivables (excluding prepayment)	26,216,902	--	26,216,902
Cash	7,707,364	--	7,707,364
Total	<u>33,924,266</u>	<u>20,903,642</u>	<u>54,827,908</u>

	Financial liabilities at amortised cost \$	Total \$
As at 30 September 2008		
Assets as per statement of financial position		
Borrowings	9,462,137	9,462,137
Trade and other payables (excluding statutory liability)	<u>26,879,780</u>	<u>26,879,780</u>
Total	<u>36,341,917</u>	<u>36,341,917</u>

	Loans & receivables \$	Held to maturity \$	Total \$
As at 30 September 2007			
Assets as per statement of financial position			
Investments - short term	--	11,482,848	11,482,848
Trade and other receivables	28,244,151	--	28,244,151
Cash	17,283,562	--	17,283,562
Total	<u>45,527,713</u>	<u>11,482,848</u>	<u>57,010,561</u>

	Financial liabilities at amortised cost \$	Total \$
As at 30 September 2007		
Assets as per statement of financial position		
Borrowings	12,624,959	12,624,959
Trade and other payables	<u>46,761,392</u>	<u>46,761,392</u>
Total	<u>59,386,351</u>	<u>59,386,351</u>

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

8 Inventories	2008 \$	2007 \$ Restated
Stamps	633,570	745,095
Supplies	<u>997,212</u>	<u>1,325,240</u>
	<u>1,630,782</u>	<u>2,070,335</u>

In 2006, management made a provision for stock obsolescence in the amount \$1,285,049. In 2007, the inventory for which the provision was made against in 2006 was no longer included as stock at as 30 September 2007. Therefore the impact was an understatement in the net realisable value of stock and as such management made the decision to write back the provision of \$1,285,049 in 2007. See note 29.

9 Trade And Other Receivables

Trade receivables	27,307,957	32,285,588
Provision for doubtful debts	<u>(1,514,100)</u>	<u>(4,242,172)</u>
Net trade receivables	25,793,857	28,043,416
Other receivables and prepayments	<u>881,291</u>	<u>3,017,547</u>
	26,675,148	31,060,963
Less non-current portion - trade receivables	<u>(5,793,068)</u>	<u>(5,292,751)</u>
Current portion - trade and other receivables	<u>20,882,080</u>	<u>25,768,212</u>

Trade receivables include the results from local trade, international trade, franchisee operations, customs receivables and money order operations. Other receivables and prepayments include security deposits for rental of properties, prepayments and employee receivables.

Trade receivables comprises local customers, local franchisees and international postal administrations. Other trade receivables are made up of money orders and employee receivables.

Non-current trade receivables have been discounted and the fair value shown below:

	2008 \$	2007 \$
Trade receivables	25,793,857	28,043,416
Other receivables and prepayments	<u>881,291</u>	<u>3,017,547</u>
	<u>26,675,148</u>	<u>31,060,963</u>

As at 30 September 2008 trade receivables of \$15,795,443 (2007: \$20,888,501) were fully performing.

As at 30 September 2008 trade receivables of \$9,998,414 (2007: \$7,154,915) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

Up to 12 months	3,999,366	2,861,966
12 to 24 months	<u>5,999,048</u>	<u>4,292,949</u>
	<u>9,998,414</u>	<u>7,154,915</u>

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

9 Trade And Other Receivables (Continued)

Past due receivables include terminal dues from international administrations as well as money order balances from international administrations. These are collectable annually and are therefore not impaired.

As at 30 September 2008 trade receivables of \$1,514,100 (2007: \$4,242,172) were impaired and provided for. These relate to receivables that in view of the length of the post statement of financial position period and all efforts to collect having been exhorted, they were deemed impaired.

Non-current trade receivables were discounted and the impact on carrying value was a decrease in 2007 and an increase in 2008 amounting to \$2,588,018 and \$199,282 respectively.

The carrying amounts of the Company's trade and other receivables are denoted in the following currencies:

	2008	2007
	\$	\$
Trinidad & Tobago dollar	16,328,907	19,036,806
US dollar	9,029,682	9,754,455
Euro	697,549	1,581,194
UK pound	619,010	688,508
	<u>26,675,148</u>	<u>31,060,963</u>

Movement on the Company's impairment of trade receivables is as follows:

As at 1 October	4,242,172	2,050,323
Increase in provision	807,674	2,191,849
Write off	<u>(3,535,746)</u>	<u>--</u>
As at 30 September	<u>1,514,100</u>	<u>4,242,172</u>

The creation and release of the provision for impaired receivables have been included in "administrative and operating expenses" in the statement of comprehensive income. The other classes within trade and other receivables do not contain impaired assets.

The Company does not hold any collateral to cover the credit risks associated with its financial assets. Maximum exposure to credit risk is \$54,404,864 (2007: \$56,809,826).

10 Short Term Investments

Royal Bank of Canada - Call Deposits	12,219,348	11,482,848
First Citizens Bank Limited – Paria Fund	3,591,424	--
CMMB Investment Fund	<u>5,092,870</u>	<u>--</u>
	<u>20,903,642</u>	<u>11,482,848</u>

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

11 Cash And Cash Equivalents	2008 \$	2007 \$
Citibank of Trinidad and Tobago Limited	1,575,087	749,349
First Citizens Bank Limited	121,686	103,311
Republic Bank Limited	7,040,677	2,072,165
RBTT Bank Limited	10,238,908	13,068,949
Scotiabank of Trinidad and Tobago Limited	147,169	1,289,788
Cash in transit	(11,421,163)	--
Cash in hand	5,000	--
	<u>7,707,364</u>	<u>17,283,562</u>

Included in the various bank accounts are funds collected on behalf of other agencies under the Billpay facility totalling \$2,823,428 (2007: \$4,242,172). In respect of the cash in transit this amount includes a credit balance of \$14.7m and other balances which net to an overall credit balance of \$11.5m. The Company provides certain services in which they collect and remit payments by customers to bill pay principals. As at the 30 September 2008 management reversed a liability of \$14.7m payable to bill pay principals with the corresponding entry to cash in transit. In respect of the remaining debit balance of \$3.2m, this represents the net of other transactions which were also in most instances duplicated in error.

12 Reserve Fund

On 14 June 1999 the Government of the Republic 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 the Republic 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 the Republic 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 nor has any repayment been agreed or executed in the post statement of financial position period.

In the absence of a formal arrangement with the Government of the Republic of Trinidad and Tobago, management has decided to treat all draw-downs on the loan facility as a reserve fund under equity.

	2008 \$	2007 \$ Restated
As at 1 October	77,752,262	70,146,142
Amounts drawn down	--	8,078,502
Transfer from equity to deferred income - Quality of Service Fund (QSF) – Note 29	--	(472,382)
As at 30 September	<u>77,752,262</u>	<u>77,752,262</u>

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

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13 Revaluation Reserve

In 2007 a valuation was done on the land and building owned by the Company at the National Mailing Center. See Note 29.

	2008 \$	2007 \$ Restated
As at 1 October	11,000,000	--
Revaluation surplus - land	--	11,000,000
Impairment - land	<u>(1,500,000)</u>	<u>--</u>
As at 30 September	<u>9,500,000</u>	<u>11,000,000</u>

14 Deferred Revenue

Under IAS 20 – Accounting for Government grants and Quality of Service Fund is accounted for using the alternate treatment by holding the asset for which the grant pertains on the Statement of financial position at cost, and the grant to which it refers as deferred revenue. The latter is then amortised to the statement of comprehensive income in the manner of use as the asset for which it was given.

The deferred revenue is composed of Quality of Service Fund or QSF and Public Sector Investment Program Funds or PSIP. The following shows the movement on the grants and its amortisation.

As at 1 October	4,140,040	--
Public Sector Investment Program (PSIP) receipts	1,222,000	6,844,118
Quality of Service Fund (QSF)	--	944,764
Amortisation - QSF	(236,191)	(472,382)
Amortisation - PSIP	<u>(1,295,780)</u>	<u>(3,176,460)</u>
As at 30 September	<u>3,830,069</u>	<u>4,140,040</u>

As at September 2008 there were no further conditions of the grants to be met by the Company.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

15 Deferred Income Taxes

Deferred tax asset recognised in the period is limited to the deferred tax liability effective at the end of tax shelter in June 2004. Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 25%. The movement on the deferred income tax account is as follows:

	2008 \$	2007 \$
At beginning of year	--	--
Charge/credit to statement of comprehensive income	<u> --</u>	<u> --</u>
At end of year	<u> --</u>	<u> --</u>

Deferred tax liability and the deferred tax charge in the statement of comprehensive income are attributable to the property plant and equipment and tax losses. The movement in the deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

	2007 \$ Restated	Charge for the year \$	2008 \$
Deferred income tax liability			
Accelerated tax depreciation	<u>345,635</u>	<u>(33,180)</u>	<u>312,455</u>
Deferred income tax asset			
Tax losses	<u>(345,635)</u>	<u>33,180</u>	<u>(312,455)</u>
	2006 \$ Restated	Credit for the year \$	2007 \$ Restated
Deferred income tax liability			
Accelerated tax depreciation	<u>756,558</u>	<u>(410,923)</u>	<u>345,635</u>
Deferred income tax asset			
Tax losses	<u>(756,558)</u>	<u>410,923</u>	<u>(345,635)</u>

Deferred income tax assets are recognised for tax losses to the extent of the Company's taxable temporary differences. The Company recognised deferred income tax assets of \$312,455 (2007: \$345,635) in respect of unused of tax losses amounting to \$1,249,820 (2007:\$1,382,540). Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The tax losses have not been agreed by the Board of Inland Revenue. The Company's tax losses not recognised is \$66.5m (2007: \$54.7m).

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

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16 Interest-bearing Loan

The interest bearing loan is in respect of land and building at NMC. The movement on which is as follows:

	2008 \$	2007 \$
Loan principal		
As at 1 October	12,624,959	15,483,042
Instalments paid	<u>(3,162,822)</u>	<u>(2,858,083)</u>
As at 30 September	9,462,137	12,624,959
Current portion	<u>(3,500,054)</u>	<u>(3,162,822)</u>
Non-current portion	<u>5,962,083</u>	<u>9,462,137</u>

The interest bearing loan is a United States Dollar denominated mortgage loan for US\$4,275,977 received from First Citizens 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 23 May 2000 and 19 October 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).

17 Bank Overdraft

There was no bank overdraft as at 30 September 2008 and 2007.

18 Trade And Other Payables

	2008 \$	2007 \$ Restated
Trade payables	8,999,917	10,032,958
Deferred revenue	--	178,200
Other payables	7,535,901	5,345,158
Accrued liabilities	<u>10,343,962</u>	<u>31,428,141</u>
	<u>26,879,780</u>	<u>46,984,457</u>

Other payables include vacation payable to staff \$6,694,569 (2007: \$4,718,816). Accrued liabilities of 2007 include \$30,255,547 being arrears of salaries paid in 2008.

19 Cost Of Sales

	2008 \$	2007 \$
Materials	7,360,551	3,549,493
Franchise expenses	1,094,479	2,298,022
Philatelic expenses	191,381	368,563
Courier expenses	<u>4,717,498</u>	<u>7,641,995</u>
	<u>13,363,909</u>	<u>13,858,073</u>

Courier expenses include local administration cost, transportation and other cost of international mail.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

20	Other Operating Income	2008	2007
		\$	\$
	Commissions	3,022,605	3,401,096
	Gain on foreign exchange	26,024	467,431
	Other	<u>201,892</u>	<u>295,737</u>
		<u>3,250,521</u>	<u>4,164,264</u>

Commissions include bill-pay commissions from principals based on volume of transactions, as well as commissions recognised on money orders and encashment of pension cheques.

21	Expenses by Nature		
	Salaries and employee costs	79,230,817	90,899,064
	NIS contribution	4,312,223	3,102,806
	Travel, meals and accommodation	605,309	732,963
	Training	274,769	495,725
	Subscriptions and memberships	5,388	38,185
	Directors fees	215,926	145,404
	Board of directors expenses	107,905	36,326
	Legal and professional fees	800,220	1,999,001
	Audit fees	560,000	630,943
	Security	2,758,803	1,632,035
	Rent	4,456,587	3,534,030
	Telephone	1,994,246	1,463,717
	Advertising	1,150,016	906,927
	Electricity	1,272,452	973,869
	Utilities, rates and taxes	216,476	196,783
	Duties & charges	99,677	--
	Insurance	615,028	600,791
	Repairs and maintenance	3,549,887	1,593,107
	Motor vehicle	341,558	573,278
	Stationery and supplies	2,207,700	1,632,043
	IT support	294,351	149,759
	Donations	122,322	48,579
	Depreciation and amortisation	4,466,410	5,207,390
	De-recognition of property, plant and equipment	--	12,670,461
	Bad debt	807,674	2,191,849
	Lease expenses	4,177,726	3,305,012
	Other expenses	<u>8,045,915</u>	<u>4,232,621</u>
	Administrative and operating expenses	<u>122,689,385</u>	<u>138,992,668</u>
	Cost of sales	<u>13,363,909</u>	<u>13,858,073</u>
	Total Expenses by nature	<u>136,053,294</u>	<u>152,850,741</u>

22	Employee Benefit Expenditure		
	Salaries and employee costs	79,230,817	90,899,064
	NIS contribution	<u>4,312,223</u>	<u>3,102,806</u>
		<u>83,543,040</u>	<u>94,001,870</u>
	Number of employees	1,564	1,522

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

23	Government Subvention	2008 \$	2007 \$
	Government subvention received in the period is as follows:		
	Recurrent expenditure support	33,000,000	33,000,000
	Arrears of wages (BU #1 - 2005 to 2007)	<u>35,900,000</u>	<u>--</u>
	Total subventions received	<u>68,900,000</u>	<u>33,000,000</u>

In 2008 the union agreement for bargaining unit (BU) #1 and &3 was signed and settled. Additional subvention was received for mitigating this liability. These were paid on 30 September 2008.

24	Income Tax Expense	2008 \$	2007 \$ Restated
	Business levy	<u>259,443</u>	<u>166,583</u>
		<u>259,443</u>	<u>166,583</u>

Reconciliation between the Company's tax expense and theoretical amounts that would arise using average tax rate applicable to profits are as follows:

	2008 \$	2007 \$
Profit/(loss) before tax	<u>20,021,208</u>	<u>(39,962,334)</u>
Tax calculated at domestic tax rates applicable to profits	5,005,302	(9,990,584)
Tax effects of:		
- Associates results	182,670	117,121
- Income not subject to tax	(17,225,000)	(8,250,000)
- Expenses not deductible for tax purposes	655,061	485,232
- Unrecognised tax losses carried forward	11,381,967	17,638,231
- Business levy	<u>259,443</u>	<u>166,583</u>
Tax refundable	<u>259,443</u>	<u>166,583</u>

25 Operating Leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

Less than one year	4,177,726	3,305,012
Between one and five years	2,991,931	4,177,726

TTPOST leases a number of facilities for the Delivery and Retail Network under operating leases. The leases typically run for a period of 1 to 3 years, with an option to renew the lease after that date. None of the leases includes contingent rentals. The network of Delivery and Retail locations are subject to rationalisation as per market demands.

During the year ended 30 September 2008 \$4,177,726 (2007:\$3,305,012) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

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26 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 the Republic 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.

However, the TTPOST Act did not envisage the following:

- a) a gap period of 15 years and more before the establishment of a Pension Fund, and its implication for Public Service Salaries uplift from 1999 to present and;
- b) employment positions in the Company's current organisation structure that are not all covered in the Pension Extension's Act of Trinidad and Tobago.

An actuarial valuation was performed on the basis that the pension fund plan was established as at 30 September 2005. Another actuarial valuation was done as at September 2007. The valuation revealed that had the pension fund plan been established at September 2007, the initial past service liability would have been \$116,300,000 and, TTPOST's contribution rates in respect of current service cost for ex-Public Servants and new employees should be 18.6% of employees' salaries. This approximates to a total contribution cost of \$777,000 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.

27 Capital Commitments

At the statement of position date, the Company had entered into various contracts to purchase property, plant and equipment in the amount of \$5,118,048. These commitments are expected to be settled in the following financial year.

28 Related Party Transactions

The Company has 30% of the equity of Trinidad Mailing Systems Limited now renamed 'Streamlined Solutions'. The controlling interest of 70% is held by other parties. Government and government related entities are considered related parties.

The following transactions were carried out with related parties:

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

28 Related Party Transactions (Continued)

	2008 \$	2007 \$
a) Sale of goods and services:		
Associate-Trinidad and Tobago Mailing Services limited	943,228	890,303
Government and governmental agencies	31,304,310	27,168,272
b) Purchase of goods and services		
Government and governmental agencies	13,901,787	12,706,231
c) Year-end balances arising from sales/ purchases of goods/services		
Receivable from related parties		
Associate- Trinidad and Tobago Mailing Services limited	147,121	221,444
Government and governmental agencies	9,177,319	10,346,204
Payable to related parties		
First Citizen Bank Limited- Mortgage Loan	9,462,137	12,624,959
d) Key management compensation		
Key management includes the Company's directors, the Senior Management Team (SMT), the Corporate Secretary and the Internal Audit Manager.		
Directors fees	215,926	145,404
Salaries and other short-term employee benefits	<u>1,601,015</u>	<u>1,580,240</u>
	<u>1,816,941</u>	<u>1,725,644</u>

29 Prior Period Adjustments

Comparative information were restated to take into account the following prior year errors included in the financial statements:

(i) Change in useful lives of air-condition units

Prior to 2008 "air conditioning equipment" was treated as part of the "other equipment" category in PPE and depreciated over a period of 15 years. In 2008, having reviewed the useful lives of all categories of assets in accordance IAS 16 'Property, Plant and Equipment', management determined that due to its significance within the "other equipment" category and the history of replacements that "air-conditioning equipment" should be separated and depreciated over a period of 5 years. The impact of this was a decrease in retained earnings and net book value amounting to \$289,041 in 2006 and an increase in depreciation and a decrease in net book value amounting to \$437,601 net book value in 2007.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

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29 Prior Period Adjustments (Continued)

(ii) Corporation Tax Provision – Write Back

In June 2004, the Company's tax shelter in accordance with the TTPOST Act 1999 came to an end. During the period 2005 to 2007, corporation tax provisions were being made without consideration for tax exempt income, in particular government subventions. As at 30 September 2006, there was an overprovision of corporation tax in the amount of \$3,427,019 and in 2008, management made the decision to write back this amount after re-computing the tax calculations. The impact of this was a decrease in taxes payable and an increase in retained earnings at the end of 2006. In addition, the business levy payable balance was re-classed from trade and other payables to taxes payable in the amount of \$75,774.

(iii) Write back of provision for stock obsolescence

In 2006, management made a provision for stock obsolescence in the amount \$1,285,049. In 2007, the inventory for which the provision was made against in 2006 was no longer included as stock as at 30 September 2007. Therefore the impact was an understatement in the net realisable value of stock and as such management made the decision to write back the provision of \$1,285,049 in 2007. The impact of this was an increase in inventory and a decrease in administrative and operating expenses.

(iv) Money Order Receipt Duplicated

In 2008, money order receipts from the US Administration were found to be duplicated in 2007. While the impact of the duplication was an understatement of the trade receivables amounting to \$4,605,578, management was unable to ascertain where the corresponding overstatement was recorded. In addition, when the amount was duplicated in error, the credit balances were re-classed to trade and other payables in 2007. In 2008 a decision was made to write off the duplicated amount to administrative expenses of 2007. The impact of this correction by management was a decrease in administrative and operating expenses and a decrease in trade and other payables in 2007.

(v) PSIP Amortisation

The Company is in receipt of funding from the government, which is used in subsidising expenses and also for the purpose of investing in property, plant and equipment. In 2007, management performed a review of all its property plant and equipment which resulted in assets being de-recognised.

A review of the 2008 amortisation schedule for government grants revealed that the grants relating to assets derecognised in the prior year had not been adjusted along with those assets that were derecognised. Management decided to correct this error by restating the financial statements to account for the accelerated amortisation on the grants. The value of the grants relating to assets derecognised in 2007 was \$3,176,460. The impact of the restatement was a decrease in deferred income and a decrease in administrative and operating expenses in 2007.

(vi) Reclassification of Accounts Receivable and Accounts Payable

Prior to 2008, the total of international trade receivables and payables administration accounts were disclosed as a net position instead of each administration account being analysed separately and disclosed in the respective asset or liability position. In 2008, management made a decision to reclassify the balances and to appropriately reflect the true position of the administration accounts on the statement of financial statements. The financial effect was that account receivable and payables balances increased by \$4,329,027 in 2007.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

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29 Prior Period Adjustments (Continued)

(vii) **Reclassification of accounts receivable from current to non-current and discounting of the non-current receivables**

Prior to 2008, there was no distinction made with respect to non-current and current trade receivables in the statement of financial position as required by IAS 1 'Presentation of Financial Statements'. The non-current trade receivables were not being discounted to determine the fair value of the financial asset. In 2008, management made the decision to reclassify the non-current assets from current assets and to discount the non-current assets to determine the fair value of the asset in accordance with IAS 39. The impact of the reclassification before the discounting was \$7,880,769 in 2007. The impact of the discounting was a decrease in trade and other receivables of \$2,588,018 and increase in finance costs in 2007.

(viii) **Investment in associate accounted for using the cost basis to equity basis**

In 2007 the Company accounted for the investment on the equity basis but did not apply the treatment retrospectively from the date of acquisition or appropriately in 2007. With this change, the share of the fair value on acquisition along with the share of profits needed to be recognised. The impact of this change on the opening position of investment in associate and retained earnings for 2007 was an increase of \$268,044.

(ix) **Revaluation reserve fund**

In 2007, the Company conducted its first valuation of its land and building. The valuation revealed an increase in land of \$11,000,000 and a decrease in building of \$1,751,675. The net of this revaluation of \$9,248,325 was accounted for as a surplus in the revaluation reserve instead of accounting for the \$1,751,675 as an impairment in the statement in comprehensive income and \$11,000,000 in the revaluation reserve. The restatement of the 2007 balances has separated land and building, taking the impairment relating to the building to the statement of comprehensive income for 2007.

(x) **Deferred taxes**

Prior to 2008, there was no consideration of deferred tax liability or asset arising on PPE and tax losses. In 2008, management recomputed the Company's taxes from the end of the tax shelter period to determine the impact on deferred taxes similar to the corporation tax as noted above in (ii). Based on this calculation, a decision was made to account for the deferred tax liability and assets arising on PPE and tax losses respectively. The impact of this was an increase in the deferred tax asset and liability of \$345,635 in 2007. There was no impact on the statement of comprehensive income or retained earnings.

(xi) **Reclassification as Deferred Income - Quality of Service Fund (QSF)**

Prior to 2007, the QSF Funding was recognised against the cost of the asset. In 2007 an attempt was made to implement the alternate treatment under IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance' which was not fully effected and an amount of \$472,382 was credited to equity instead of deferred income. The restatement led to a reduction in equity and an increase in deferred income by \$472,382 in 2007.

(xii) **Other adjustments**

This represents a reduction in trade and other payables of \$374,111, administrative and operating expense of \$342,962 and taxes of \$31,151.

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

29 Prior Period Adjustments (Continued)

The following is a summary of the adjustment made to the following balances:

Accumulated deficit	Reference	\$
Balance as at 1 October 2006 as previously reported		5,557,544
Property Plant and Equipment - Change in useful life of air conditioning units	(i)	289,041
Corporation tax payable - write back	(ii)	(3,427,019)
Investment in Associate - change to equity basis	(viii)	(268,044)
Balance as at 1 October 2006 - Restated		2,151,522

Statement of Financial Position 2007	2007 Previously Reported Debit/(Credit) \$	Adjustments \$	Adjustments \$	Adjustments \$	Reclass Adjustments \$	2007 Amounts Restated Debit/(Credit) \$
Property Plant and Equipment (i)	48,302,773	(726,642)	--	--	--	47,576,131
Inventory (iii)	785,286	1,285,049	--	--	--	2,070,335
Investment in Associate (vii)	555,170	268,044	--	--	--	823,214
Trade and other accounts payables (ii); (iv); (xi); (vi)	--	--	--	--	75,774	--
Deferred Income (iv), (xi)	(6,844,118)	3,176,460	--	--	(472,382)	(4,140,040)
Deferred tax asset (x)	--	345,635	--	--	--	345,635
Deferred tax liability (x)	--	(345,635)	--	--	--	(345,635)
Trade and other receivables (current) (vii); (v); (vi)	--	--	--	--	(7,880,769)	--
Trade and other receivables (non-current) (vi); (vii)	29,319,954	--	--	--	4,329,027	25,768,212
Trade and other receivables (non-current) (vi); (vii)	--	(2,588,018)	--	--	7,880,769	5,292,751
Corporation Tax Payable (ii)	--	--	--	--	(75,774)	(75,774)
Reserve Fund (xi)	(78,224,644)	--	--	--	472,382	(77,752,262)

Trinidad and Tobago Postal Corporation

Notes to The Financial Statements (Continued)

30 September 2008

(Expressed in Trinidad and Tobago Dollars)

29 Prior Period Adjustments (Continued)

Statement of Comprehensive Income				
	Administrative and operating expenses \$	Finance Costs \$	Taxation Expense \$	Other Comprehensive income \$
Balance as at 30 September 2007 previously reported	146,213,441	2,684,632	197,734	9,248,325
Inventory write back (iii)	(1,285,049)	--	--	--
Trade accounts receivables and payables (Money Order duplicated) (iv)	(4,605,578)	--	--	--
Deferred Income - PSIP amortisation and QSF (v)	(3,176,460)	--	--	--
Property Plant and Equipment - Change in useful life of air conditioning units (i)	437,601	--	--	--
Revaluation reserve – (ix)	1,751,675	--	--	1,751,675
Trade and other accounts receivables - Discounting of non-current amounts (vii)		2,588,018	--	--
Other	(342,962)	--	(31,151)	--
Balance as at 30 September 2007 Restated	138,992,668	5,272,650	166,583	11,000,000

30 Subsequent Events

Subsequent to the year end the Company entered into an agreement with RBC Royal Bank (Trinidad and Tobago) Limited (formally RBTT Bank Limited, to act as a guarantor on a loan taken by the Trinidad and Tobago Mailing Systems Limited (TTMSL). Based on the agreement TTPOST is liable to pay 30% or \$340,000 of the loan if TTMSL defaults.