

Consolidated Financial Statements of

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

December 31, 2011

(Presented in Trinidad and Tobago Dollars)

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated financial Statements

December 31, 2011

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**Independent Auditors' Report
To the shareholder of
Urban Development Corporation of Trinidad and Tobago Limited**

We have audited the accompanying consolidated financial statements Urban Development Corporation of Trinidad and Tobago Limited (the "Corporation" or "UDeCOTT"), which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated 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.

Auditors' Responsibility

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

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

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



Basis for Qualified Opinion

Effect of possible adjustments from the Commission for Enquiry, when finalised, on opening balances

On May 23, 2008, the Government of the Republic of Trinidad and Tobago appointed a Commission of Enquiry (the 'Commission') into the construction sector and the Corporation. While management has taken action to implement certain recommendations, as at the date of approval of these separate financial statements, the investigations into the other findings of the Commission have not been concluded. We were therefore unable to determine the effect of possible adjustments from the Commission for Enquiry, when finalised, on balances at December 31, 2007 for which a disclaimer of opinion was issued. While our procedures for the audit of the financial statements for the year ended December 31, 2011 enabled us to conclude on the completeness, existence and accuracy of balances at that date, we were unable to satisfy ourselves by alternative means concerning opening balances and their effect on amounts charged to the profit and loss account.

Valuation of Investment Property

As explained in Note 3(d) to the financial statements, investment properties include several properties that were not valued at the current year end in accordance with International Accounting Standard 40 – Investment Property. This constitutes non-compliance with the applicable accounting framework. At the year end the effect of this matter, which may be material to the financial statements, could not be quantified. Consequently we are unable to determine the impact of adjustments necessary to the carrying amounts and changes in fair values of investment properties.

Recoverable amounts of construction-in-progress and property, plant and equipment

As explained in Note 3(l) to the financial statements, assets that are subject to depreciation and/or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Management was unable to provide a valuation of the assets fair value and consequently the recoverable amount of these assets could not be determined. At the year end the effect of this matter, which may be material to the financial statements, could not be quantified. Consequently we are unable to determine the impact of adjustments necessary to the carrying amounts for construction-in-progress and property, plant and equipment and changes in accumulated deficits



Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material respects, the financial position of Urban Development Corporation of Trinidad and Tobago Limited as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

K P M G

Chartered Accountants
Port of Spain
Trinidad and Tobago
March 26, 2019

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Financial Position

December 31, 2011

	Notes	2011	2010
		\$	\$
ASSETS			
Non-current assets			
Investment properties	7	1,267,064,698	1,238,627,008
Construction-in-progress	8	3,920,181,702	3,690,718,128
Property, plant and equipment	9	2,102,650,892	2,231,733,901
Value added tax recoverable	10	458,805,418	422,464,751
Restricted cash	11	<u>13,815,674</u>	<u>7,076,477</u>
		<u>7,762,518,384</u>	<u>7,590,620,265</u>
Current assets			
Project receivables	13	28,157,814	104,769,659
Accounts receivable and prepayments	12	554,071,673	663,031,210
Cash and cash equivalents	14	<u>418,051,679</u>	<u>316,920,913</u>
		<u>1,000,281,166</u>	<u>1,084,721,782</u>
Total Assets		<u>8,762,799,550</u>	<u>8,675,342,047</u>
EQUITY AND LIABILITIES			
Capital and reserve			
Share capital	16	999,602	999,602
Accumulated deficit		(1,058,772,489)	(824,812,150)
Revaluation reserve		13,019,241	7,796,567
Contributed capital	17	<u>746,813,524</u>	<u>698,752,024</u>
		<u>(297,940,122)</u>	<u>(117,263,957)</u>
Non-current liabilities			
Borrowings	18	7,972,310,907	7,598,524,353
Other liability	19	10,350,000	10,350,000
Deferred tax liability	20	<u>40,927,335</u>	<u>40,020,370</u>
		<u>8,023,588,242</u>	<u>7,648,894,723</u>

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Financial Position (continued)

December 31, 2011

	Notes	2011 \$	2010 \$
Current liabilities			
Accounts payable and accruals	21	695,148,176	788,023,190
Borrowings	18	234,468,409	248,970,131
Reserve development fund	22	103,619,852	103,619,852
Deposit on account	23	1,111,200	1,089,470
Tax payable		<u>2,803,793</u>	<u>2,008,638</u>
		<u>1,037,151,430</u>	<u>1,143,711,281</u>
Total Equity and Liabilities		<u>8,762,799,550</u>	<u>8,675,342,047</u>

The accompanying notes are an integral part of these consolidated financial statements.



Director



Director

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Comprehensive Income

Year ended December 31, 2011

	Notes	2011 \$	2010 \$
Income – Hotel Operations	24	228,077,767	205,683,021
Rental income	25	271,661,134	270,085,720
Project management fees		9,592,242	9,128,563
Other income	26	<u>9,047,705</u>	<u>9,259,508</u>
		518,378,848	494,156,812
Administrative expenses	27	<u>(554,535,624)</u>	<u>(616,415,298)</u>
Operating loss		<u>(36,156,776)</u>	<u>(122,258,486)</u>
Finance income	29	113,436,083	117,660,831
Finance costs	30	<u>(309,519,774)</u>	<u>(265,929,118)</u>
Finance costs - net		<u>(196,083,691)</u>	<u>(148,268,287)</u>
Loss before taxation		<u>(232,240,467)</u>	<u>(270,526,773)</u>
Taxation	31	<u>(1,728,071)</u>	65,859
Loss for the year being total comprehensive income for the year		<u>(233,968,538)</u>	<u>(270,460,914)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Changes in Equity

Year ended December 31, 2011

	Share Capital	Accumulated Deficit	Contributed Capital	Revaluation Reserve	Total Equity
	\$	\$	\$	\$	\$
<i>Year ended December 31, 2010</i>					
Balance at January 1, 2010	999,602	(554,351,236)	682,752,024	7,796,567	137,196,957
Loss for the year	-	(270,460,914)	-	-	(270,460,914)
Contributed capital for the year	-	-	16,000,000	-	16,000,000
Balance at December 31, 2010	999,602	(824,812,150)	698,752,024	7,796,567	(117,263,957)
<i>Year ended December 31, 2011</i>					
Balance at January 1, 2011	999,602	(824,803,951)	698,752,024	7,796,567	(117,255,758)
Loss for the year	-	(233,968,538)	-	-	(233,968,538)
Revaluation surplus	-	-	-	5,222,674	5,222,674
Contributed capital for the year	-	-	48,061,500	-	48,061,500
Balance at December 31, 2011	999,602	(1,058,772,489)	746,813,524	13,019,241	(297,940,122)

The accompanying notes are an integral part of these consolidated financial statements.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Cash Flows

Year ended December 31, 2011

	2011	2010
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(232,240,467)	(270,526,773)
Adjustments to reconcile loss to net cash from operating activities:		
Depreciation	129,855,156	130,365,753
Interest expense	309,519,774	265,929,118
Interest income	(113,436,083)	(117,660,831)
	93,698,380	8,107,267
Changes in operating assets and liabilities:		
Value added tax recoverable	(36,340,667)	(30,490,979)
Accounts receivable and prepayments	108,959,537	73,355,613
Accounts payable and accruals	(92,875,014)	182,044,334
Project receivables	76,611,845	(20,062,103)
Deposit on account	21,730	(51,244)
Interest paid	(309,519,774)	(265,929,118)
Taxation paid	(17,752)	(14,054)
Net used in operating activities	(159,461,715)	(53,040,284)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investment properties	(28,437,690)	(163,677,765)
Increase in Construction-in-progress	(224,240,900)	-
Purchase of property, plant and equipment	(772,147)	(131,251,109)
Interest received	113,436,083	117,660,831
Net cash used in investing activities	(140,014,654)	(177,268,043)

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Consolidated Statement of Cash Flows (continued)

Year ended December 31, 2011

	2011	2010
	\$	\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in capital contributions for the year	48,061,500	16,000,000
Proceeds from borrowings, net	<u>359,284,832</u>	<u>352,637,145</u>
Net cash from financing activities	<u>407,346,332</u>	<u>368,637,145</u>
Net increase in cash and cash equivalents	107,869,963	138,328,818
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>323,997,390</u>	<u>185,668,572</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>431,867,353</u>	<u>323,997,390</u>
Represented by		
Restricted cash	13,815,674	7,076,477
Cash	417,960,104	316,830,838
Short-term investments	<u>91,575</u>	<u>90,075</u>
	<u>431,867,353</u>	<u>323,997,390</u>

The accompanying notes are an integral part of these financial statements.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

1. Incorporation and Principal Activities

Urban Development Corporation of Trinidad and Tobago Limited (the "Company" or "UDeCOTT") is incorporated in Trinidad and Tobago and is wholly owned by the Government of the Republic of Trinidad and Tobago (the "GORTT"). The Company commenced operations on January 13, 1995. The address of its registered office is 38-40 Sackville Street, Port of Spain. Details of the subsidiary companies are included in Note 15.

The consolidated financial statements of the Company as at and for the year ended December 31, 2009 comprise the Company and its Subsidiaries (together referred to as "the Group").

On March 26, 2019, the Board of Directors of Urban Development Corporation of Trinidad and Tobago Limited authorised these consolidated financial statements for issue.

The Group undertakes project development work on behalf of the GORTT. The work performed by the Group can be segregated into three principal categories:

(i) Project management activities

The Group provides full scale project development and management services which includes identification of appropriate site location, assisting in project design, selection of contractors, overseeing project execution and completion and procurement of funding. For these activities, the Group earns a project management fee.

(ii) Development of projects to be retained

The Group also undertakes project development work on assets that are expected to be retained on completion. These assets are expected to generate future returns in the form of rental income, or sale of the assets.

(iii) Hotel operations

The Company entered into a Multi-Party Agreement dated June 2, 2014 with Hyatt Trinidad Limited (the "Hyatt" or "hotel") and the Port of Spain Waterfront Development Limited ("POSWDL") wherein it was agreed that the Company is the sole "Owner" under the Hotel Management Agreement dated July 27, 2005. The Multi-Party Agreement specified that Hyatt shall manage and operate the hotel for the account and benefit of the Company in accordance with the Hotel Management Agreement. Accordingly, the operations of the Hyatt, which began operations on January 19, 2008, have been included in these financial statements.

The GORTT communicates development projects to be undertaken by the Group by way of letters, Cabinet Minutes or through Directives. The Group's Project Management activities are carried out in accordance with an agreement with the Ministry of Public Administration dated July 1, 1999.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Basis of preparation

The consolidated financial statements have been prepared using the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies in Note 3.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 6.

(c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

(d) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes the Group will be in operation in the foreseeable future.

The existence of the following factors as at the reporting date raises concerns about the use of the going concern assumption by the Group in the preparation of the financial statements for the year:

- i. The Group experienced negative operating cash flows and incurred substantial operating losses for the year. The Group was in a net current liability position of at the end of the year.
- ii. The gearing ratio of the Group is 104% (2010: 102%) which is comprised mainly of third party debt obligations guaranteed by the GORTT.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

2. Basis of Preparation (continued)

(d) Going concern (continued)

- iii. The Group is dependent on the GORTT to provide guarantees in order for the Group to restructure and/or repay existing loan facilities and to obtain new loan facilities. The Group is also dependent on capital contributions from the GORTT to support its primary operating activities.

However, these financial statements are prepared on the going concern basis, in accordance with IAS 1, since the Board of Directors and Management are of the view that the Group can continue to rely on the support of the Shareholder, the Government of the Republic of Trinidad and Tobago (GORTT), as required, in meeting its obligations as they fall due.

This support is evidenced by the fact that all of the Group's borrowings have been guaranteed by GORTT and are being serviced in full by GORTT. This debt service is accounted for as Capital Contributions in these financial statements.

Further evidence of support is in the active participation of GORTT in the activities of the Board of Directors of the Group along with assignment of various capital projects of GORTT to the Group.

The Group's strategic, corporate and business plans are noted by Cabinet. These plans were prepared by the Group's Management and are based on prudent assumptions which are considered realistic and achievable by the Board of Directors.

The ability of the Group to continue to trade and to meet its obligations is dependent on the continued support of the shareholder in the form of direct financing and or the provision of appropriate guarantees to third parties. There are no indications that such support will not be forthcoming.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

3. Summary of Significant Accounting Policies

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

(a) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. All subsidiaries were established by the Urban Development Corporation of Trinidad and Tobago Limited and are wholly-owned since incorporation. (See Note 15).

All inter-group transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated on consolidation.

Where necessary the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(b) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the date of the transactions. 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 consolidated statement of comprehensive income.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

3. Summary of Significant Accounting Policies (continued)

(c) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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 reporting date. Loans and receivables are recognised initially at fair value and subsequently measured at amortised less provision for impairment. A provision for impairment of accounts receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. At the reporting date, the Group did not hold any available-for-sale financial assets.

The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the separate statement of comprehensive income. When an accounts receivable balance is uncollectible, it is written off against the allowance account for accounts receivable. Subsequent recoveries of amounts previously written off are credited in the separate statement of comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the separate statement of comprehensive income as part of other income when the Group's right to receive payment is established.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

3. Summary of Significant Accounting Policies (continued)

(d) Construction in progress

Construction in progress represents amounts expended on capital projects which the Corporation will retain in order to generate future revenue. Construction in progress are stated at historical cost less accumulated depreciation and impairment losses.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

(e) Managed developments in progress

The Group carries out project management activities on behalf of the GORTT based on an agreement with the GORTT on a project by project basis. Instructions are provided to the Group regarding the projects that are to be executed. The following functions are performed by the Group in its project management role: assisting in project design, selection of and entering into contracts with sub-contractors, certification of work performed by sub-contractors and settlement of amounts due to the sub-contractors. The Group is responsible for transferring the project to the GORTT on completion.

The Group accounts for this type of development work undertaken on behalf of the GORTT on a cost reimbursement basis as it is expected to be reimbursed for allowable or defined costs together with project management fees.

Contract costs are recognised when incurred. Variations in contract work are included in contract revenue to the extent that they are recoverable and are capable of being reliably measured. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion for the work performed.

The Group presents as an asset, the gross amount due from the GORTT for contract work for all work in progress in which the costs incurred plus project management fees recognised exceeds progress billings. Amounts billed and not yet paid are included within trade receivables.

The Group presents as a liability, the gross amount due to the GORTT for contract work for all contracts in progress for which the amounts paid by the GORTT exceeds the cost incurred plus the project management fees recognised.

Advances received from the GORTT where work has not yet been undertaken are reflected as liabilities in the separate financial statements.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

3. Summary of Significant Accounting Policies (continued)

(f) Investment property

Investment properties are initially recognised at cost and subsequently recognised at market value. Market value is either determined by management or an independent valuator. The market value is reviewed every three years.

(g) Property, plant and equipment

Buildings held for the Group's own use are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in the separate statement of comprehensive income as incurred.

Depreciation is calculated on other assets using the straight line method to allocate their cost to their residual values over their estimate useful lives, as follows:

Building	-	5%
Furniture and fixtures	-	10%
Office equipment	-	20%
Motor vehicles	-	20%
Computer equipment	-	30%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognised.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments and short-term investments with a maturity of three months or less, net of bank overdraft.

**URBAN DEVELOPMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

3. Summary of Significant Accounting Policies (continued)

(i) *Accounts receivable*

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income. When an accounts receivable balance is uncollectible, it is written off against the allowance account for accounts receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

(j) *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(k) *Trade payables*

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

(l) *Borrowings*

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2011

(with comparatives as at and for the year ended December 31, 2010)

3. Summary of Significant Accounting Policies (continued)

(m) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable for the provision of services rendered in the ordinary course of the Group's activities.

The following specific recognition criteria must also be met before revenue is recognised:

Construction contract revenue and project management fees

Revenue for contract work performed on behalf of GORTT is recognised based on the recoverable costs incurred by the Group during the period plus the project management fees earned for the period which are measured based on surveys of work performed. The project management fees are calculated as a percentage of the construction costs incurred for the period.

Interest income

Revenue is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Rental income

Rental income is recognised on the accruals basis using the straight line method.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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 expenditure 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 risk specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

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3. Summary of Significant Accounting Policies (continued)

(o) Current and deferred income taxes

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 the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability that at the time of the transaction affects neither accounting nor the taxable profit or loss. Currently enacted rates are used to determine deferred income tax.

A deferred tax asset relating to the carry forward of unused tax losses is recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

(p) Employee benefits

The Group does not have a retirement benefit plan for its employees. The Group makes contributions to approved pension policies held by employees. The Group's contributions to these policies are expensed in the consolidated financial statements.

(q) Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

(r) Impairment of non-financial assets

Assets that are subject to depreciation and/or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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3. Summary of Significant Accounting Policies (continued)

(s) Related parties

A party is related to the Group, if:

- (i) Directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
 - (b) has a direct or indirect interest in the Group that gives it significant influence; or
 - (c) has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture in which the Group is a venturer;
- (iv) the party is a member of the key management personnel of the Group or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Group has a related party relationship with its Directors and key Management personnel, representing certain senior officers of the Group, its parent company and all their affiliates.

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3. Summary of Significant Accounting Policies (continued)

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied in preparing these financial statements.

IAS 1 Presentation of Financial Statements (amendment): The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss and the title of statement of comprehensive income is changed to the statement of profit or loss and other comprehensive income. However the entity is still allowed to use other titles. This amendment is effective July 1, 2012.

IFRS 9 Financial Instruments (2010): The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2013. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 Financial Instruments: Recognition and Measurement on the recognition and de-recognition of financial assets and financial liabilities. The Group is not expecting this change to have a material impact on the 2013 financial statements.

IFRS 13 Fair Value Measurement: The standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value and sets out disclosure requirements for fair value measurements. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. This standard is effective January 1, 2013.

IAS 19 Employee Benefits: Becomes mandatory for the Group's 2013 financial statements and requires the recognition of accumulated unrecognised actuarial gains/losses through the statement of comprehensive income. The Group is not expecting this change to have an impact on the 2013 financial statements.

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4. Commission of Enquiry

On May 23, 2008, the Government of the Republic of Trinidad and Tobago appointed a Commission of Enquiry (the 'Commission') into the construction sector and the Parent Company. The mandate of the Commission was to enquire into particular aspects of the Construction Sector in Trinidad & Tobago, including the practices and methods of UDeCOTT, and to make recommendations and observations (in summary) to promote (a) value for money, (b) high standards of workmanship, (c) free and fair competition and (d) integrity and transparency.

The report of the Commissioners dated March 29, 2010 made several recommendations regarding the construction sector and in particular regarding the Company. The recommendations made expressed concern over the Company's board, its senior staff and also recommended investigations by law enforcement authority into projects existing as at December 31, 2007.

As noted in Paragraph 35 of the report, the Commissioners "have identified a small but significant number of instances concerning UDeCOTT Projects where potential corruption has been alleged and where we (the Commissioners) have not been able to conclude that the allegations are unfounded. It is not the function of this Commission to make specific findings or to reach conclusions on such matters; but we regard it of the highest importance that the activities of UDECOTT, its Directors and Managers and all other Government agencies and their staff should be able to justify public confidence in their activities as being beyond reproach."

The recommendations of the Commissioners relating to the operations of the Company and also to projects existing in UDeCOTT's financial records as at December 31, 2007 are all under investigation by the office of the Attorney General and include the following:

- a) For the Government Campus project, there should be an investigation into what steps were taken by UDeCOTT's managers to control and reduce delay. (Paragraph 58).
- b) UDeCOTT must avoid any breach or abuse of procurement rules through excessive and unfair use of sole selective tendering, in breach of obligations as to free and fair competition and transparency. (Paragraph 64).
- c) There should be a full investigation by an appropriate law Enforcement Authority into the award of the MLA (Ministry of Legal Affairs) contract to CH Development (subcontractor) including the role of Mr. Calder Hart (Chairman of the Board of Directors) and the conduct of the Board in not ensuring that an enforceable guarantee was given by the Parent Company of CH development. (Paragraph 67).

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4. Commission of Enquiry (continued)

- d) There should be a full investigation by an appropriate law Enforcement Authority into the award of Packages 3 and 5-8 for the Brian Lara project, particularly as to (a) why no formal terms were drawn up dealing with advance payments (b) the manner in which UDeCOTT interpreted the right to advance payments including advice sought and received (c) the accounting procedures employed by UDeCOTT for making advance payments and repayments and why no vouched accounts were drawn up. (Paragraph 68).
- e) There should be a full forensic audit of all sums advanced against the value of work and materials provided by HKL (Hafeez Karamath Limited) and of repayments made on the Brian Lara Project. (Paragraph 69).
- f) The roles of Chairman and Chief Executive Officer of UDeCOTT should be separated. (Paragraph 70).
- g) There should be an audit of the conduct of all UDeCOTT's senior staff and directors in the period 2004 to 2009, as to their involvement in errors and omissions concerning the Brian Lara Stadium Project in respect of which no action was taken by senior staff or by the board. (Paragraph 72).
- h) There should be an investigation into the circumstances in which 9 hectares (22 acres) of land at Valsayn, sold to the National Union of Government and Federated Workers (the Union), at a reduced price, was re-sold at a profit by the Union to include the reasons for re-sale and the whereabouts of the profit from the re-sale. (Paragraph 74).

Management's response to the above as at the reporting date are as follows:

- a) The majority of the relevant UDeCOTT's managers and the Project Manager are no longer associated with UDeCOTT. Hence UDeCOTT is unable to effectively investigate this matter. However, the Attorney General's Office has undertaken to investigate this matter.
- b) A new redesigned procurement process was implemented in 2013 and a Contract and Procurement Manager was employed to oversee that the Tender Rules and Procurement Policies are strictly adhered to.
- c) A new Chief Executive Officer was appointed on October 3, 2011.

As at the date of approval of these consolidated financial statements the investigations into the other findings of the Commission have not been concluded.

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5. Financial Risk Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk) credit risk and liquidity risk. The Group's risk management policies and procedures which seeks to minimise the potential adverse effects of these financial risks on the Group's financial performance are as follows:

a) Market Risk

i) Currency risk

Currency risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Management mitigates its exposure to currency risk by obtaining contracts in its functional currency where possible. In the event that the Group enters into a foreign currency contract, its exposure to currency risk is managed through the use of its foreign currency available cash resources and the sourcing of financing for its projects in the relevant foreign currency. The Group maintains foreign currency cash resources to meet its expected foreign currency liabilities in any given period.

The Group's foreign currency debt facility is secured by a lease agreement for which the lessee is the GORTT. The lease agreement is structured to ensure the rental income is obtained in the same currency as the debt facility and as a result, mitigates the Group's exposure to currency risk.

Sensitivity analysis

In the performance of the sensitivity analysis, a 1% movement in the United States Dollar exchange rates was assumed, however, all other variables, including interest rates remain the same.

	<u>As reported</u>	<u>Effect on Income</u>	
		<u>1%</u>	<u>1%</u>
	<u>TTS</u>	<u>Appreciation</u>	<u>Depreciation</u>
		<u>TTS</u>	<u>TTS</u>
<u>December 31, 2011</u>			
<i>US dollar denominated</i>			
Cash and cash equivalents	4,460,248	44,602	(44,602)
Borrowings	(3,421,612,415)	(34,216,124)	34,216,124
Accounts payables and accruals	(211,570,874)	(2,115,709)	2,115,709
Total	(3,628,723,041)	(36,287,231)	36,287,231

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(with comparatives as at and for the year ended December 31, 2010)

5. Financial Risk Management (continued)

a) Market Risk (continued)

i) Currency risk (continued)

	<u>As reported</u>	<u>Effect on Income</u>	
		<u>1%</u>	<u>1%</u>
	<u>TTS</u>	<u>Appreciation</u>	<u>Depreciation</u>
		<u>TTS</u>	<u>TTS</u>
<u>December 31, 2010</u>			
<i>US dollar denominated</i>			
Cash and cash equivalents	2,359,097	23,591	(23,591)
Borrowings	(3,367,742,265)	(33,677,423)	33,677,423
Accounts payables and accruals	(201,874,032)	(2,018,740)	2,018,740
Total	(3,567,257,200)	(35,672,572)	35,672,572

There were no changes in the assumptions and method used in performing the sensitivity analysis as compared to prior years.

ii) Fair value and cash flow interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and future cash flows. Fair value interest rate risk is the risk that the fair values of a financial instrument will fluctuate because of changes in the market interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from long-term debt obligations. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. As at the balance sheet date, fifty eight per cent of the Group's long-term borrowings are fixed rate instruments and forty two per cent are floating rate instruments. During the year the Group's borrowings were denominated in the functional currency and the United States Dollar.

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5. Financial Risk Management (continued)

a) Market Risk (continued)

ii) Fair value and cash flow interest rate risk (continued)

The Group manages its interest rate risk through the following mechanisms:

a) Repayment of certain loan obligations by the GORTT.

In some instances, the Group's floating rate instruments are repaid by the GORTT. This injection by the GORTT is treated as capital contributions in the Company in the period of payment.

b) Structuring of its security arrangements

The Group's floating rate facilities are secured in some instances by lease agreements with the GORTT. The debt facilities are structured to allow a moratorium period for the repayment of the facility. This moratorium period is utilised to ensure that lease income and the timing of repayments on the facilities are synchronised. The lease agreements are also structured to ensure that both the principal and interest payments on the debt facility will be fully settled by the rental income gained from the lease.

Some of the Group's financing arrangements are repriced regularly at current market interest rates. This assists the Group in ensuring that the fair value interest rate risk associated with these instruments are minimised.

The following shows the cash flow sensitivity of the variable-rate instruments to a change of 100 basis points in the interest rate at the reporting date. All other factors, particularly, the foreign currency rates, remain unchanged.

	Current Carrying Amount	Effect of 1% Increase in Interest Rates	Effect of 1% Decrease in Interest Rates
	\$	\$	\$
Variable-rate instruments			
December 31, 2011	3,412,355,327	34,123,553	(34,123,553)
December 31, 2010	<u>3,210,848,539</u>	<u>32,108,485</u>	<u>(32,108,485)</u>

There were no changes in the assumptions and method used in performing the sensitivity analysis as compared to prior years.

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5. Financial Risk Management (continued)

a) Market Risk (continued)

ii) Fair value and cash flow interest rate risk (continued)

The carrying amounts and fair values of the fixed rate interest borrowings are as follows:

	Carrying Amount		Fair Value	
	2011	2010	2011	2010
	\$	\$	\$	\$
Fixed rate instruments	4,794,423,989	4,706,283,285	4,794,423,989	4,706,283,285
Floating rate instruments	<u>3,412,355,327</u>	<u>3,141,211,199</u>	<u>3,412,355,327</u>	<u>3,141,211,199</u>
	<u>8,206,779,316</u>	<u>7,847,494,484</u>	<u>8,206,779,316</u>	<u>7,847,494,484</u>

The fair values for the floating rate instruments are deemed to be equal to the carrying amounts by virtue of the interest reset periods being six months or less and as a result of minimal changes in the credit risk profile of the Group.

The Group fixed rate financial liabilities are measured at amortised cost. There will be no impact on income due to fair value changes if there were interest movements on fixed rate financial instruments.

iii) Other price risk

The Group is not exposed to commodity price risk and does not possess any financial instruments that are affected by changes in commodity prices.

b) Liquidity Risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Liquidity risk management

The Group's main financial liabilities are its trade payables and borrowings. The Group monitors the expected repayment of these liabilities against its available cash resources and the expected timing of its cash inflows.

The Group's trade payables comprise mainly of project payables. The Group finances these projects mainly through debt facilities. The Group manages its exposure to liquidity risk arising as a result of its project payables by ensuring the timing of drawdowns on these facilities coincides with its settlement terms on its project payables.

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5. Financial Risk Management (continued)

b) Liquidity Risk (continued)

The exposure to liquidity risk on its debt facilities is mitigated mainly through the following factors:

- a) The GORTT makes repayments on certain debt facilities on behalf of the Group.
- b) The Group enters into lease arrangements with the GORTT. These lease agreements are structured to ensure the lease income is sufficient to meet the principal and interest payments on the debt facility in the periods in which they arise.

The table below summarises the Group's exposure to liquidity risk based on the contracted undiscounted cash flows on the instruments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Carrying Amount	Contractual Cash flow	Less than 1 year	More than 1 year but less than 5 years	More than 5 years
	\$	\$	\$	\$	\$
As at December 31, 2011					
Borrowings	8,206,779,316	12,052,297,800	535,607,719	4,500,913,485	7,015,776,596
Accounts payable and accruals	695,148,176	695,148,176	695,148,176	-	-
Reserve development fund	103,619,852	103,619,852	103,619,852	-	-
Deposit on account	1,111,200	1,111,200	1,111,200	-	-
	<u>9,006,658,544</u>	<u>12,852,177,028</u>	<u>1,335,486,947</u>	<u>4,500,913,485</u>	<u>7,015,776,596</u>
As at December 31, 2010					
Borrowings	7,847,494,484	10,105,487,233	630,034,974	3,797,728,028	5,677,724,231
Accounts payable and accruals	788,023,190	788,609,986	788,609,986	-	-
Reserve development fund	103,619,852	103,619,852	103,619,852	-	-
Deposit on account	1,089,470	386,502	386,502	-	-
	<u>8,740,226,996</u>	<u>10,998,103,573</u>	<u>1,522,651,314</u>	<u>3,797,728,028</u>	<u>5,677,724,231</u>

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5. Financial Risk Management (continued)

c) Credit risk

Credit risk is the potential for loss due to the failure of a counter-party to meet its financial obligations. The Group's credit risk arises from cash and cash equivalents, as well as credit exposures relating to outstanding receivables and committed transactions. For banks and financial institutions, only reputable commercial banks and financial institutions are accepted.

The Group undertakes project development work based on directives/instructions received from the GORTT. The Group currently does not execute project development work on behalf of third parties. Receivable balances for project development work included in the consolidated financial statements relate to amounts due to the Group by the GORTT and Government agencies.

The Group's major client is the Government of the Republic of Trinidad and Tobago (GORTT). The GORTT possesses an A+/A-1 (Standard and Poors) local currency credit rating and is considered to be creditworthy.

The Group also makes advance payments to contractors which are reflected as a receivable balance in the consolidated financial statements. Credit risk arises in the event that the contractor is unable to repay the advance in accordance with the terms of the contract. Contractors are evaluated during the tender evaluation process to ensure that they can demonstrate the requisite financial capacity. In addition, the Group requires contractors to provide an advance payment bond equivalent to the advance being provided which is issued by a reputable bonding agent.

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5. Financial Risk Management (continued)

c) Credit risk (continued)

Analysis of financial assets that are exposed to credit risk:

	<u>2011</u>	<u>2010</u>
	\$	\$
Project works billed to the GORTT	267,416,585	327,032,012
Contract works not billed	229,303,637	234,051,942
Contract works billed to the GORTT	74,050,320	139,645,939
Facilities works not billed	116,049,490	110,196,320
Advances to contractors	93,136,752	232,308,417
Other receivables	490,304,690	389,715,281
	<u>1,270,261,474</u>	<u>1,432,949,911</u>
Cash and cash equivalents	418,051,679	316,920,913
	<u>1,688,313,153</u>	<u>1,749,870,824</u>

The analysis of the accounts receivable is as follows:

Project works billed to the GORTT	267,416,585	327,032,012
Contract works not billed	229,303,637	234,051,942
Facilities works not billed	116,049,490	110,196,320
Advances to contractors	93,136,752	232,308,417
Contract works billed to GORTT	74,050,320	139,645,939
Other receivables	490,304,690	389,715,281
Total accounts receivable – gross	1,270,261,474	1,432,949,911
Less: Provision for impairment	<u>(689,970,063)</u>	<u>(665,149,042)</u>
Total	<u>580,291,411</u>	<u>767,800,869</u>

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5. Financial Risk Management (continued)

c) Credit risk (continued)

The fair values of the accounts receivables balances are as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Projects works billed to the GORTT	246,779,823	301,794,678
Contract work billed to the GORTT	68,335,795	128,869,345
Contract works not billed	211,608,083	215,989,959
Advances to contractors	85,949,311	214,380,982
Facilities works not billed	107,093,854	101,692,378
Other receivables excluding prepayments	<u>452,467,467</u>	<u>358,455,977</u>

The fair value of the balances due from the GORTT are based on future cash flows discounted using rates of 5.5%-8.04%.

Analysis of recoverability of receivable balances:

Fully performing	178,342,962	259,784,774
Past due but not impaired	286,123,269	351,825,894
Impaired (discounted balances)	<u>115,825,180</u>	<u>156,190,201</u>
	<u>580,291,411</u>	<u>767,800,869</u>

The impairment provision can be analysed as follows:

At beginning of year	(665,149,042)	(408,394,874)
Additional provision recognized	<u>(24,821,021)</u>	<u>(256,754,168)</u>
	<u>(689,970,063)</u>	<u>(665,149,042)</u>

Analysis of past due but not impaired:

6 to 12 months	33,529,230	33,529,230
Over 12 months	<u>252,594,039</u>	<u>318,296,664</u>
	<u>286,123,269</u>	<u>351,825,894</u>
<i>Ageing analysis of impaired balances</i>		
12 to 18 months	29,438,715	106,983,333
Over 18 months	<u>86,386,465</u>	<u>49,206,868</u>
	<u>115,825,180</u>	<u>156,190,201</u>

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5. Financial Risk Management (continued)

c) Credit risk (continued)

The Group does not hold any collateral as security for the impaired balances noted above. The Group's receivable balances are mainly denominated in the functional currency. The maximum exposure to credit risk at the reporting date is the carrying value of the receivable balances above and the value of its cash and cash equivalents.

d) Capital risk management

The objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise stakeholders' value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total borrowings (current and non-current borrowings) less cash and cash equivalents. Capital includes share capital, accumulated deficit and contributed capital.

Project development work undertaken by the Group is mainly funded by debt financing which significantly contributes to the high gearing ratio.

	<u>2011</u>	<u>2010</u>
	\$	\$
Total borrowings	8,206,779,316	7,847,494,484
Less: Cash and cash equivalents	<u>(418,051,679)</u>	<u>(316,920,913)</u>
Net debt	<u>7,788,727,637</u>	<u>7,530,573,571</u>
Share capital	999,602	999,602
Accumulated deficit	(1,058,772,489)	(824,812,150)
Revaluation Reserve	13,019,241	7,796,567
Contributed capital	<u>746,813,524</u>	<u>698,752,024</u>
Total capital	<u>(297,940,122)</u>	<u>(117,263,957)</u>
Capital and net debt	<u>7,490,787,515</u>	<u>7,413,309,614</u>
Gearing ratio	104%	102%

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6. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Revenue recognition

The Group recognises revenue for work performed on behalf of GORTT by reference to recoverable costs incurred during the year plus the project management fees earned for the period which are measured based on surveys of work performed. If there was a 10% change in the amount of work surveyed by the Group compared to management's estimate, the amount of revenue and receivables recognised would change by approximately \$15.1 million (2010: \$21.4 million).

(ii) Income taxes

Significant estimates are required in determining the Group's provision for income taxes. There are some transactions for which the ultimate tax determination may be uncertain in the ordinary course of business. Management has made estimates of tax deductions based on current information available. If these deductions 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.

(iii) Valuation of properties

Leased properties included in the consolidated financial statements are recognised at revalued amounts at the year end. In applying this method, the Group utilises advice from independent valuers regarding changes in market prices and other external factors which would have an impact on property prices for the current year. If the estimate of fair values were to change by 10%, this would result in a change in leased property value and the capital contribution account of approximately \$126,706,469 (2010: \$123,862,701).

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(with comparatives as at and for the year ended December 31, 2010)

6. Critical Accounting Estimates and Judgments (continued)

(b) Critical judgements in applying the Group's accounting policies

(i) Revenue recognition

The Group's activities includes project development work carried out on behalf of the GORTT. The projects that are undertaken by the Group fall into two categories.

(a) Projects that the GORTT directs the Company to retain in the business in order to generate future revenue.

(b) Projects that will be transferred to the GORTT upon completion.

The GORTT via a letter from the Ministry of Planning, Housing and the Environment advised the Group of its intention regarding projects that are to be retained and projects that are to be transferred on completion.

Revenue from projects being transferred on completion include amounts for recoverable project costs incurred and the project management fees earned for the period. No revenue is recorded for assets being retained. These projects are capitalised and are included in construction in progress.

The Group has applied its accounting policies to projects included in the consolidated financial statements based on this directive.

If there is a change in the intention of the GORTT, this could materially affect the revenue earned in the consolidated statement of comprehensive income as well as the categorisation of assets on the consolidated balance sheet.

If the projects that the Group is capitalising are required to be transferred to the GORTT on completion, the impact is that the project costs included in construction in progress will have to be reflected in the consolidated statement of comprehensive income and the appropriate project management fees will be recorded on these costs.

(ii) Principal and interest payments being made by the GORTT on behalf of the Group

The GORTT has guaranteed certain loans on behalf of the Group and in some instances is meeting the principal and interest payments due on these loans on behalf of the Group. These loans are being utilised by the Group to fund the following projects:

- Projects being retained by the Group
- Projects being transferred to the GORTT on completion.

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(with comparatives as at and for the year ended December 31, 2010)

6. Critical Accounting Estimates and Judgments (continued)

(b) Critical judgements in applying the Group's accounting policies (continued)

(ii) Principal and interest payments being made by the GORTT on behalf of the Group (continued)

There is no formal agreement between the GORTT and the Group for the treatment of the loan repayments. However the practice is as follows:

- (a) Where the principal and interest payments are being made towards loans that are being used to finance projects retained, the principal and interest payments are being treated as capital contributions into the Group by the GORTT. (See Note 16).
- (b) Where the principal and interest payments are being made towards loans that are being used to finance projects being transferred on completion, the principal and interest payments are being set off against accounts receivable balances due from the GORTT in relation to these projects.

During the year principal and interest payments by the GORTT applied against receivable balances totalled \$24,122,301 (2010: \$34,704,254).

7. Investment Properties

	<u>2011</u>	<u>2010</u>
	\$	\$
The Group's investment properties include the following:		
Richmond Street	160,000,000	160,000,000
Scarborough Tobago	102,000,000	102,000,000
Chancery Lane, San Fernando	29,500,000	29,500,000
Government Campus Plaza Parkade	20,395,572	20,395,572
Memorial Park	60,020,301	60,020,301
NAPA South	13,000,000	13,000,000
Invaders Bay	38,542,792	38,122,558
13-15 St. Clair Avenue	120,114,982	118,912,240
Real Springs, Valsayn	13,000,000	7,777,326
Salvatori Building	2,702,184	2,702,184
Tower C & D Fit Out	376,385,386	354,793,345
St. Vincent Place	20,792,214	20,792,214
Other properties	16,903,326	16,903,327
POSWDL - Port Authority Lands, Wrightson Road	224,000,000	224,000,000
RINCON - North Coast Road, Las Cuevas	69,707,941	69,707,941
	<u>1,267,064,698</u>	<u>1,238,627,008</u>

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(with comparatives as at and for the year ended December 31, 2010)

7. Investment Properties (continued)

	<u>2011</u>	<u>2010</u>
	\$	\$
The movement in the account balance over the year can be analysed as follows:		
Opening net book amount	1,238,627,008	1,074,949,243
Additions	28,437,690	189,206,720
Reallocations	-	<u>(25,528,955)</u>
Closing net book amount	<u>1,267,064,698</u>	<u>1,238,627,008</u>

The Group has long-term leases for five properties which have lease terms ranging between 99-199 years. These properties have nominal rentals of \$1.00 per annum. The Group has accounted for these leasehold properties at fair value since management is of the opinion that they have the risks and rewards associated with the properties for the current lease term and that the GORTT may renew the leases on the same terms and conditions. These properties are carried in the consolidated financial statements at fair value based on valuations performed by qualified independent valuers. When these properties were recognised as assets in the consolidated financial statements, the corresponding entry was made to a contributed capital account. (See Note 17).

8. Construction-in-Progress

	<u>2011</u>	<u>2010</u>
	\$	\$
Various projects	252,147,890	244,410,422
Chancery Lane Complex	560,864,520	510,449,839
Ministry of Education Office Tower	445,363,671	449,723,389
Government Campus Plaza	2,456,593,004	2,282,135,581
Invaders' Bay	13,026,391	13,026,391
Memorial Park	679,961	679,961
Real Springs	171,220,258	169,969,713
Water Front Development	86,625	86,625
Salvatori Building	<u>20,199,382</u>	<u>20,236,207</u>
	<u>3,920,181,702</u>	<u>3,690,718,128</u>

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9. Property, Plant and Equipment

	Land and Buildings	Computer Equipment	Other Equipment	Motor Vehicles	Total
	\$	\$	\$	\$	\$
Year ended December 31, 2011					
Opening net book amount	2,175,511,463	1,887,085	53,604,156	731,197	2,231,733,901
Additions	-	600,545	171,602	-	772,147
Depreciation charge	<u>(118,219,152)</u>	<u>(1,274,114)</u>	<u>(9,823,999)</u>	<u>(537,891)</u>	<u>(129,855,156)</u>
Closing net book amount	<u>2,057,292,311</u>	<u>1,213,516</u>	<u>43,951,759</u>	<u>193,306</u>	<u>2,102,650,892</u>
At December 31, 2011					
Cost or valuation	2,369,158,055	7,471,614	79,665,562	4,035,065	2,460,330,296
Accumulated depreciation	<u>(311,865,744)</u>	<u>(6,258,098)</u>	<u>(35,713,803)</u>	<u>(3,841,759)</u>	<u>(357,679,404)</u>
Net book amount	<u>2,057,292,311</u>	<u>1,213,516</u>	<u>43,951,759</u>	<u>193,306</u>	<u>2,102,650,892</u>
Year ended December 31, 2010					
Opening net book amount	693,323,300	2,511,371	63,417,025	1,436,315	760,688,009
Additions	1,600,393,580	991,869	26,194	-	1,601,411,643
Depreciation charge	<u>(118,205,416)</u>	<u>(1,616,156)</u>	<u>(9,839,063)</u>	<u>(705,118)</u>	<u>(130,365,753)</u>
Closing net book amount	<u>2,175,511,464</u>	<u>1,887,084</u>	<u>53,604,156</u>	<u>731,197</u>	<u>2,231,733,901</u>
At December 31, 2010					
Cost or valuation	2,369,158,055	6,861,007	79,493,959	4,035,065	2,459,548,086
Accumulated depreciation	<u>(193,646,591)</u>	<u>(4,973,923)</u>	<u>(25,889,803)</u>	<u>(3,303,868)</u>	<u>(227,814,185)</u>
Net book amount	<u>2,175,511,464</u>	<u>1,887,084</u>	<u>53,604,156</u>	<u>731,197</u>	<u>2,231,733,901</u>

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10. Value Added Tax (VAT) Recoverable

	<u>2011</u>	<u>2010</u>
	\$	\$
VAT recoverable	<u>458,805,418</u>	<u>422,464,751</u>

The Group is VAT registered and will generate future taxable supplies in the form of lease rentals which will be subject to output VAT, the VAT previously capitalised in development work in progress was reclassified to VAT recoverable. The Group has initiated communication with the VAT authorities to commence the recovery process on this balance.

11. Restricted Cash

This relates to the hotel operations of the Company and includes the cash account related to the fund for replacement of and additions to fixtures, furniture, furnishings and equipment and other qualifying expenditures. This restricted cash balance is not available for use in the hotel operations of the Company and has therefore been classified as a non-current asset.

12. Accounts Receivable and Prepayments

Amounts due from GORTT for Contract works	74,050,320	139,645,939
Prepayments and other receivables	490,508,430	388,116,595
Advances to contractors (a)	93,136,752	232,308,417
Inventory – Hotel	1,734,336	1,598,686
Provision for doubtful debt	<u>(105,358,165)</u>	<u>(98,638,427)</u>
	<u>554,071,673</u>	<u>663,031,210</u>

The Group is responsible for executing projects on behalf of the GORTT. The Group's major source of funding for project development work is from debt financing. Some of the Group's debts are guaranteed by the GORTT with repayments being made by the Group or in some instances by the GORTT.

- (a) These amounts represent payments made to contractors in advance of work being performed under the relevant construction contracts. The Group requires contractors to provide an advance payment bond issued by a reputable bonding agent for an amount equivalent to the amount of the advance being provided.

These amounts are reduced when advance payments are offset against progress billings from the contractor for construction work performed.

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Notes to Consolidated Financial Statements

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	<u>2011</u>	<u>2010</u>
	\$	\$
13. Project receivables		
Contract works billed to GORTT	267,416,585	327,032,012
Contract works not billed	229,303,637	234,051,942
Facilities work not billed	<u>116,049,490</u>	<u>110,196,320</u>
	612,769,712	671,280,274
Provision for doubtful debt	<u>(584,611,898)</u>	<u>(566,510,615)</u>
	<u>28,157,814</u>	<u>104,769,659</u>

The Contract works billed to GORTT balance can be analysed as follows:

(i) Project expenditure on NHA Refurbishment Projects	50,798,932	50,798,932
(ii) Project expenditure on the Interchange Project	3,656,478	3,656,478
(iii) Interest receivable	36,216,244	36,216,244
(iv) Loan repayment made by the GORTT	(120,482,027)	(58,000,010)
(v) Other project costs	2,106,261	2,106,261
(vi) Project expenditure on the Brian Lara Cricket Academy	<u>295,120,697</u>	<u>292,524,107</u>
	<u>267,416,585</u>	<u>327,302,012</u>

- (i) These project costs relate to expenditure incurred on the refurbishment of the National Housing Authority (NHA) apartments on behalf of the GORTT.
- (ii) These costs relate to the net receivable amount due from the GORTT in relation to the expenditure incurred by the Group on the Interchange project on behalf of the GORTT.
- (ii1) The interest receivable balance represents interest capitalised which will be paid by the GORTT on behalf of the Group.
- (iv) The loan repayment made by the GORTT relates to principal repayments made on the Fixed Rate Bonds 2006-2018 by the GORTT on behalf of the Group which are being offset against project expenditure that was funded from this loan.
- (v) This relates to one-off costs incurred on small projects on behalf of the GORTT.
- (vi) This relates to costs incurred on the Brian Lara Cricket Academy.

The impairment provision included above represents the difference between the recoverable amount and the carrying value after discounting the future cash flow.

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14. Cash and Cash Equivalents

Cash and cash equivalents are made up of the following:

	<u>2011</u>	<u>2010</u>
	\$	\$
Short- term investments	109,075,024	75,024
Bank accounts	22,011,357	60,119,676
Deposit accounts	286,920,202	256,709,899
Petty cash	45,096	16,314
	<u>418,051,679</u>	<u>316,920,913</u>

The following cash balances reported by Hyatt are also included in the Group's cash and cash equivalents:

House Bank	317,457	306,433
Demand deposits	<u>179,920,328</u>	<u>135,540,175</u>
	<u>180,237,785</u>	<u>135,846,608</u>

15. Subsidiary Companies

	<u>% of Equity Capital Held</u>	
	<u>2011</u>	<u>2010</u>
(i) Rincon Development Limited	100	100
(ii) Port of Spain Waterfront Development Limited	100	100
(iii) Oropune Development Limited	100	100
(iv) San Fernando Development Limited	<u>100</u>	<u>100</u>

All subsidiary companies are incorporated in Trinidad and Tobago.

- (i) Rincon Development Limited was incorporated on 12 October 1999 with its principal activity being the development and sale of property.
- (ii) Port of Spain Waterfront Development Limited was incorporated on 12 October 1998 with its principal activity being the development of the Port of Spain Waterfront.

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15. Subsidiary Companies continued

- (iii) Oropune Development Limited began its operations on 13 January 1995 with its principal activity being the development of a property into a housing development.
- (iv) San Fernando Development Limited was incorporated on 7 September 1998 with its principal activity being the development of the city of San Fernando. This Company is currently dormant.
- (v) International Waterfront Resources Limited was incorporated on 18 April 2007 with its principal activity being the management and operation of the Hyatt Regency Hotel.

	2011	2010
	\$	\$
16. Share Capital		
<i>Authorised</i>		
1,000,000 ordinary shares of no par value		
<i>Issued and fully paid</i>		
999,602 ordinary shares of no par value	999,602	999,602

17. Contributed Capital

Leasehold properties	585,207,941	585,207,941
Loan and interest payments made by the GORTT on behalf of the Group	161,605,583	113,544,083
	746,813,524	698,752,024

The movement in each category of contributed capital is as follows:

Loan repayments guaranteed by the GORTT

Balance at beginning of year	113,544,083	97,544,083
Add loan payments made by the GORTT for the year	48,061,500	16,000,000
Balance at end of year	161,605,583	113,544,083

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	<u>2011</u>	<u>2010</u>
	\$	\$
18. Borrowings		
<i>Maturity of borrowing:</i>		
Not later than one year	234,468,409	248,970,131
More than one year	<u>7,972,310,907</u>	<u>7,598,524,353</u>
	<u>8,206,779,316</u>	<u>7,847,494,484</u>
a) RBTT Trust Limited - fixed rate bonds	104,000,000	120,000,000
b) Republic Finance & Merchant Bank Limited	523,794,349	439,243,254
c) The Home Mortgage Bank - fixed rate bonds	198,502,966	178,247,818
d) Republic Finance & Merchant Bank Limited - floating rate bond	2,244,023,921	2,153,520,912
e) Scotiabank Trinidad and Tobago Limited - floating rate demand loan	522,052,203	487,980,686
f) The Home Mortgage Bank - fixed rate bond	192,703,182	178,164,942
g) Citibank N.A - interim facility	565,884,000	458,883,279
h) First Citizens Bank – TTD facility	225,991,347	225,991,347
i) The Home Mortgage Bank	26,321,837	29,143,422
j) First Citizens Bank – USD facility	95,955,975	95,850,029
k) First Caribbean Int'l Bank Limited	610,897,500	537,010,397
l) Scotia Trust Merchant Bank	(10)	(10)
m) First Caribbean Bank Limited BLCA \$497M loan	421,514,089	466,499,582
n) The Home Mortgage Bank \$108M OPM	96,163,017	100,960,266
o) First Citizens Bank Limited	230,100,000	100,000,000
p) Barclays US \$375 M	<u>2,148,874,940</u>	<u>2,275,998,560</u>
	<u>8,206,779,316</u>	<u>7,847,494,484</u>

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18. Borrowings (continued)

	Loan Facility	Financial Institution	Original Facility Amount	Interest Rate	Tenure	Security of the Facility include the following:	Repayment Terms	Purpose
(a)	Fixed Rate Bonds 2006-2018	RBT Trust Limited	TTS\$192,000,000	7%	12 years	Guaranteed by the GORTT	24 equal semi-annual instalments of principal and interest commencing July 18, 2006	To refinance previous bond to cover start-up costs for the Interchange project and the Housing Programme
(b)	Series A Floating Rate Bonds 2001-2008	Scotiabank Trinidad & Tobago Limited	TTS\$24,100,000	Prime lending less 4.5%, with ceiling of 13% and floor of 11% (31/12/07: 11%)	7 years	Guaranteed by the GORTT	8 equal semi-annual instalments of principal and interest commencing September 8, 2004. This loan was repaid during 2008.	To finance the Invaders Bay Development
	Series B Fixed Rate Bonds 2001-2008	Scotiabank Trinidad & Tobago Limited	TTS\$18,992,039	12.25%	7 years	Guaranteed by the GORTT	8 equal semi-annual instalments of principal and interest commencing September 8, 2004. This loan was repaid during 2008.	To finance the Invaders Bay Development
(c)	Fixed Rate Bonds 2003-2010	Home Mortgage Bank	TTS\$300,000,000	7.5% - 9.5%	7 years	Development Properties	By bullet at maturity.	To finance various development projects

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18. Borrowings (continued)

	Loan Facility	Financial Institution	Original Facility Amount	Interest Rate	Tenure	Security of the Facility include the following:	Repayment Terms	Purpose
(c) Cont'd	Fixed Rate Bond 2005-2010	Home Mortgage Bank	TT\$44,000,000	9.5%	5 years	Debt and Collateral Mortgage	By bullet at maturity	To finance the purchase of land
(d)	Floating Rate Bonds 2005 - 2013	Republic Finance & Merchant Bank Limited	TT\$1,650,000,000	1.45% above the yield issue on the most recent GORTT Treasury bill. This is reset every six months. 31/12/2008: 8.88% (31/12/2007: 9.0625%)	8 years	a) Agreement to sub lease between UDECO and the GORTT. b) 1 st Mortgage over property situated at Queen, Edward and Richmond Streets stamped to cover TT\$1,650,000,000 c) Assignment of Contractors All Risk Insurance	To be repaid via the issue of final bonds.	To finance the construction and fit out of the Government Campus Plaza
(e)	Floating rate Demand Loan	Scotiabank Trinidad and Tobago Ltd	TT\$248,471,522	1% above the rate issue on the most recent GORTT 181 day. Treasury bill. This is reset every six months. (31/12/07: 8.25%)	15 Years	a. Mortgage over Chancery Lane Administrative Complex stamped to cover \$500,000,000 b. Assignment of Performance Bond	To be repaid via the issue of final bonds	To finance the construction and fit out of the Chancery Lane Administrative Complex

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18. Borrowings (continued)

	Loan Facility	Financial Institution	Original Facility Amount	Interest Rate	Tenure	Security of the Facility include the following:	Repayment Terms
(f)	Fixed Rate Bond 2006 - 2009	Home Mortgage Bank	TTS170,000,000	8%	3 years	Mortgage over Property at Real Springs, Valsayn	By bullet payment at maturity.
(g)	Interim Facility	Citibank N.A.	TTS294,681,670	LIBOR plus 0.75% (31/12/07:5.88%)	5 months	Letter of comfort from the Ministry of Finance	To be repaid via long term facility.
(h)	Commercial Paper	First Citizens Bank Limited	TTS374,000,000	9.61%	13 years	Guaranteed by the GORTT	
(i)	Mortgage	Home Mortgage Bank	\$33,900,000	9.5%	10 years	Mortgage of land and buildings and assignment of sub-lease rentals	To finance the purchase of the Head Office building in Sackville Street, Port of Spain
(j)	Commercial Paper	First Citizens Bank Limited	TT\$93,375,655	5.44%	13 years	Guaranteed by the GORTT	To finance various projects.
(k)	Short Term Bridge Loan	First Caribbean International Banking and Financial Group	TT\$501,314,796	5.78%	3 years	Letter of Comfort	To finance the fit out of the Port of Spain Waterfront
(l)	Fixed Rate Notes	US Private Placement (Wells Fargo Bank)	TT\$2,372,303,000	6.09%	15 years	Land and Buildings thereon and assignment of sublease rentals	To finance construction and fit out costs of the Port of Spain International Waterfront Project and repayment of the interim facility.

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18. Borrowings (continued)

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	<u>2011</u>	<u>2010</u>
	\$	\$
TT Dollar	4,785,166,901	4,479,752,219
US Dollar	<u>3,421,612,415</u>	<u>3,367,742,265</u>
	<u>8,206,779,316</u>	<u>7,847,494,484</u>

19. Other Liability

In accordance with Cabinet Minute No. 399 of 4 April 2001, the Subsidiary Company, Oropune, was required to acknowledge its indebtedness equivalent to the cost of construction of the houses incurred by the Ministry of Housing Settlement estimated at \$10.35 million as a condition of vesting of the property to the Oropune.

The Minute also stated that an arrangement should be made for the replacement of the loan. As at the year end, the Ministry of Finance has not yet communicated the terms and conditions of settlement.

20. Deferred Tax Liability

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable.

The movement on the deferred income tax account is as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
At beginning of year	40,020,201	40,879,641
Charge (credit) to income statement	<u>907,134</u>	<u>(859,271)</u>
At end of year	<u>40,927,335</u>	<u>40,020,370</u>

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	<u>2011</u>	<u>2010</u>
	\$	\$
21. Accounts Payable and Accruals		
Project payables	205,340,485	289,367,687
Retentions payable	148,789,007	150,283,507
Other payables	176,655,637	127,926,051
Accrued interest on loans	163,938,797	211,870,397
Provisions	<u>424,250</u>	<u>8,575,548</u>
	<u>695,148,176</u>	<u>788,023,190</u>
22. Reserve Development Fund		
<p>These balances represent the unused portion of funds received by the Group from the GORTT for the development of specific projects which have been completed or suspended.</p>		
23. Deposit on Account		
<p>These represent monies from our subsidiaries Rincon and Oropune. Rincon's \$724,698 represent deposits from their clients as consideration for the purchase of the land at Rincon. This amount will be held on account until finalisation and issue of the deeds. Oropune's portion of \$386,502 represent deposits for the housing project where the sales are not yet finalised.</p>		
24. Income from hotel operations		
Total Hyatt Regency Fees	<u>228,077,767</u>	<u>205,683,021</u>
25. Rental income	<u>271,661,134</u>	<u>270,085,720</u>
26. Other Income		
Sale of tender documents	32,535	-
Carpark revenue	5,889,556	7,126,374
Other	1,457,833	2,024,181
Management fees	<u>1,667,781</u>	<u>108,953</u>
	<u>9,047,705</u>	<u>9,259,508</u>

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	<u>2011</u>	<u>2010</u>
	\$	\$
27. Administrative Expenses		
Employee benefit (Note 28)	21,266,411	20,633,107
Depreciation	129,855,156	130,365,753
Office expenses	65,811,513	24,540,618
Rent and utilities	7,017,376	2,966,987
Advertising	780,839	1,716,735
Other expenses	304,983,308	179,437,930
Bad debt expense	<u>24,821,021</u>	<u>256,754,168</u>
	<u>554,535,624</u>	<u>616,415,298</u>
28. Employee Benefit Expense		
Wages and salaries	20,675,375	18,588,835
National Insurance costs	587,232	656,689
Other costs	<u>3,804</u>	<u>1,387,583</u>
	<u>21,266,411</u>	<u>20,633,107</u>
Number of employees at year end 679 (2010: 698).		
29. Finance Income		
Government grants to cover interest expense	112,185,216	116,524,930
Interest income	<u>1,250,867</u>	<u>1,135,901</u>
	<u>113,436,083</u>	<u>117,660,831</u>
30. Finance Costs		
Interest expense on GORTT borrowings	112,185,216	116,524,930
Interest expense on bank borrowings	143,925,327	144,234,442
Foreign exchange loss on bank borrowings	53,368,419	2,559,678
Bank charges	<u>40,812</u>	<u>2,610,068</u>
	<u>309,519,774</u>	<u>265,929,118</u>
31. Taxation		
Deferred tax	907,134	(859,271)
Green Fund levy	290,788	273,640
Business levy	<u>530,149</u>	<u>519,772</u>
Total taxation	<u>1,728,071</u>	<u>(65,859)</u>

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31. Taxation (continued)

The following is a reconciliation between tax and accounting profit multiplied by the applicable tax rate:

	<u>2011</u>	<u>2010</u>
	\$	\$
Loss before taxation	(232,240,467)	(270,526,773)
Tax calculated at 25%	(58,060,117)	(67,631,693)
Expense deductible for tax purposes	<u>59,788,188</u>	<u>67,565,834</u>
	<u>1,728,071</u>	<u>(65,859)</u>

32. Related Party Transactions and Balances

(a) Key management compensation

Directors' fees	667,452	143,688
Senior management remuneration	<u>5,085,333</u>	<u>5,219,962</u>

The Group is controlled by the GORTT, which owns 100% of the parent company's shares.

(b) GORTT

The GORTT in its capacity as the sole shareholder of the Company has leased properties to the Group and is financing certain projects which the Group is retaining through the repayment of certain Government Guaranteed loans on behalf of the Group. The balances included in the consolidated financial statements in relation to these transactions are as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Investment properties	1,267,064,698	1,238,627,008
Construction-in-progress	3,920,181,702	3,690,718,128
Contributed capital	746,813,524	698,752,024
Amounts due from the GORTT	267,416,585	327,033,012
Accounts receivable for contract work	229,303,637	234,051,942
Reserve development fund	103,619,852	103,619,852
Loan repayments made by the GORTT on behalf of the Corporation	16,000,000	25,000,000
Deferred liability payable to the GORTT	<u>10,350,000</u>	<u>10,350,000</u>

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32. Related Party Transactions and Balances (continued)

(c) Other transactions with the GORTT

In addition to the balances in (b) above, the Group in the ordinary course of its business carries out project development work solely for the GORTT and state agencies. Transactions and balances between the Group and these related parties are as follows:

	<u>2011</u>	<u>2010</u>
	\$	\$
Project management fees	9,592,242	9,128,563
Contract revenue	141,484,952	206,316,391
Contract costs incurred	<u>141,484,952</u>	<u>206,316,391</u>

33. Financial Instruments by Category

(i) Loans and receivables

Amounts due from GORTT	267,416,585	327,032,012
Receivables for contract work billed to GORTT	74,050,320	139,645,939
Advances to contractors	93,136,752	232,308,417
Cash and cash equivalents	418,051,679	316,920,913
Other receivables excluding prepayments	<u>488,515,763</u>	<u>386,982,130</u>
	<u>1,341,171,099</u>	<u>1,402,889,411</u>

(ii) Financial liabilities carried at amortised cost

Borrowings	8,206,779,316	7,847,494,484
Accounts payables and accruals	695,148,176	788,023,190
Reserve development fund	<u>103,619,852</u>	<u>103,619,852</u>
	<u>9,005,547,344</u>	<u>8,739,137,526</u>

34. Capital and Lease Commitments

As at December 31, 2011, capital commitments amounting to approximately \$619 million (2010:\$2.7 billion) existed.

35. Contingent Liabilities

The Group companies are parties to various legal actions, the final outcome of which is uncertain. Based on appropriate legal advice, the directors have concluded that no significant unrecognised liability is expected to crystallise.

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36. Subsequent Events

The following events were noted subsequent to the year-end:

- a) The Group obtained an increase in the Republic Finance and Merchant Bank Limited Floating Rate Bond facility from \$1.65 billion to \$2.4 billion.
- b) Design Collaborative Associates and Genivar TT Limited filed a claim for works done on the Port of Spain Waterfront Masterplan in the amount of TT\$22,792,127.05. This matter was settled for TT\$ 24,721,741.76 in May 2013.
- c) The Environmental Management Authority served notice of violation dated 24 February 2010 against the Group in contravention of several sections of the Environmental Management Act. The violations were allegedly with respect to unauthorized works being carried out at the National Academy for the Performing Arts, South Campus site without a Certificate of Environment Clearance being issued. The estimated payout is TT\$1,613,891 should the action be successful. The final payment was made in April 2013.
- d) Communications Workers' Union - Kenneth Crichlow issued a pre-action protocol letter seeking damages for breach of contract due to dismissal. This matter is currently before the industrial court. It has been adjourned to October 05, 2017.
- e) Banking Insurance and General Workers Union - Samantha Young engaged in action against the Group for wrongful dismissal for TT\$450,000. The Corporation settled this matter for TT\$245,000 in 2014.
- f) Genivar TT and Genivar Inc filed a claim for payment for services rendered on a number of sites including Chancery Lane, Stollmeyer's Castle, Mille Fleurs, etc, in the amount of TT\$102,000,000.00 inclusive of interest, damages and costs. The claim was finally settled for TT\$71,000,000.00 in August 2013.
- g) Sunway issued a pre-action protocol letter with respect of claim for damages for breach of contract for the schematic Design and Fit out of the Ministry of Legal Affairs office tower for TT\$55,006,143. This matter was last heard on April 04, 2017 in the High Court. It has been sent to a Judicial Settlement conference set for September 26, 2017.
- h) Dipcon Engineering filed claim against the Group relating to the Oropune Housing Project for outstanding amounts. The judgement is to be delivered in October 2017.

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36. Subsequent Events (continued)

- i) Atlas Engineering Ltd brought action against the Group relating to the Manzanilla, Matelot and Matura Police Stations in the amount of TT\$25,928,870.96. The claim was settled for TT\$2,000,000.00 in November 2016.
- j) The Banking, Insurance and General Workers' Union – A claim was filed for wrongful dismissal in the amount of TT\$200,000.00. This claim was settled for TT\$120,000.00 in July 2014.
- k) Jasphal Bhogal Associates Limited submitted a claim for design works on the St. Vincent Place project in the amount of TT\$7,892,678.51. This claim was settled for TT\$7,615,000.00 on 6th November 2012.
- l) Spancrete Ltd filed a claim for \$7,000,000.00 on April 05 2017. Next hearing January 17 2018.
- m) Sherma Ramoutar Boodhoo filed a claim for wrongful dismissal in the amount of \$771,427.00 plus exemplary damages in 2016. The matter will be heard on April 16 and 18 2018.
- n) Orlando Forde accused the Group of wrongful dismissal. Certificate of Trade dispute filed on September 12 2017. First hearing date is January 9 2018.
- o) GYM Ltd filed a claim against the Group for breach of contract and monies owed for general maintenance services undertaken at the Government Campus Plaza Parkade in the amount of \$672,736.48. The matter was settled by consent order on May 02 2017. The Group made an agreed payment of \$493,182.63 on June 30th 2017.
- p) The Group filed a claim in the amount of \$2,348,240.00 against Servus Limited for unremitted monies collected on behalf of UDeCOTT and the management of Parkade. A counter claim was filed for money due under contract in the amount of \$970,527.79. A consent order was entered on June 21 2017, both parties withdrew their claim and counterclaim and agreed to pay their own costs.

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37. Segment Information

	Construction works	Hotel operation	Total
	\$	\$	\$
<u>December 31, 2011</u>			
Revenue	290,301,081	228,077,767	518,378,848
Operating profit (loss)	(93,351,999)	57,195,223	(36,156,776)
Assets	8,523,884,936	238,914,614	8,762,799,550
Liabilities	<u>9,030,590,795</u>	<u>30,148,877</u>	<u>9,060,739,672</u>
<u>December 31, 2010</u>			
Revenue	288,473,791	205,683,021	494,156,812
Operating profit (loss)	(170,257,303)	47,998,817	(122,258,486)
Assets	8,499,752,338	175,589,709	8,675,342,047
Liabilities	<u>8,768,586,809</u>	<u>24,019,195</u>	<u>8,792,606,004</u>

