

Consolidated Financial Statements of

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

December 31, 2013

(Presented in Trinidad and Tobago Dollars)

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

Consolidated financial Statements

December 31, 2013

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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, 2013, 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, 2013 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 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 and changes in recoverable amounts of construction in progress.



Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Urban Development Corporation of Trinidad and Tobago Limited as at December 31, 2013, 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 28, 2019

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

Consolidated Statement of Financial Position

December 31, 2013

	Notes	2013	2012
		\$	\$
ASSETS			
Non-current assets			
Investment properties	7	1,266,292,492	1,266,605,963
Construction-in-progress	8	5,035,185,978	4,626,660,593
Property, plant and equipment	9	1,847,312,293	1,974,512,124
Value added tax recoverable	10	504,010,327	488,580,043
Restricted cash	11	<u>31,465,947</u>	<u>20,918,528</u>
		<u>8,684,267,037</u>	<u>8,377,277,251</u>
Current assets			
Project receivables	12	142,579,921	62,640,380
Accounts receivable and prepayments	13	855,438,175	615,384,843
Cash and cash equivalents	14	<u>768,830,022</u>	<u>574,532,558</u>
		<u>1,766,848,118</u>	<u>1,252,557,781</u>
Total Assets		<u>10,451,115,155</u>	<u>9,629,835,032</u>
EQUITY AND LIABILITIES			
Capital and reserve			
Share capital	16	999,602	999,602
Accumulated deficit		(571,853,017)	(848,742,677)
Revaluation reserve		13,019,241	13,019,241
Contributed capital	17	<u>1,726,922,905</u>	<u>1,457,245,132</u>
		<u>1,169,088,731</u>	<u>622,521,298</u>
Non-current liabilities			
Borrowings	18	8,216,407,781	7,841,990,284
Other liability	19	10,350,000	10,350,000
Deferred tax liability	20	41,858,727	41,710,000
Deferred revenue	21	<u>8,004,684</u>	<u>10,614,526</u>
		<u>8,276,621,192</u>	<u>7,904,664,810</u>

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

Consolidated Statement of Financial Position (continued)

December 31, 2013

	Notes	2013 \$	2012 \$
Current liabilities			
Accounts payable and accruals	22	669,664,247	784,389,996
Borrowings	18	323,530,228	311,115,604
Reserve development fund	23	6,557,081	2,389,412
Deposit on account	24	1,259,393	1,154,666
Tax payable		4,394,283	3,599,246
		<u>1,005,405,232</u>	<u>1,102,648,924</u>
Total Equity and Liabilities		<u>10,451,115,155</u>	<u>9,629,835,032</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, 2013

	Notes	2013	2012
		\$	\$
Income – hotel operations	25	282,831,521	260,207,845
Rental income	26	273,672,021	285,687,066
Project management fees		39,815,553	7,088,358
Development fees		13,374,692	-
Other income	27	19,484,694	37,181,650
		<u>629,178,481</u>	<u>590,164,919</u>
Administrative expenses	28	<u>(210,200,340)</u>	<u>(243,292,539)</u>
Operating profit		<u>418,978,141</u>	<u>346,872,380</u>
Finance income	30	120,908,824	129,604,149
Finance costs	31	<u>(262,144,856)</u>	<u>(264,840,376)</u>
Finance costs - net		<u>(141,236,032)</u>	<u>(135,236,227)</u>
Profit before taxation		277,742,109	211,636,153
Taxation	32	<u>(852,450)</u>	<u>(1,606,341)</u>
Profit for the year being total comprehensive income for the year		<u>276,889,659</u>	<u>210,029,812</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, 2013

	<u>Share Capital</u>	<u>Accumulated Deficit</u>	<u>Contributed Capital</u>	<u>Revaluation Reserve</u>	<u>Total Equity</u>
	\$	\$	\$	\$	\$
<i>Year ended December 31, 2012</i>					
Balance at January 1, 2012	999,602	(1,058,772,489)	746,813,524	13,019,241	(297,940,122)
Profit for the year	-	210,029,812	-	-	210,029,812
Contributed capital for the year	-	-	710,431,608	-	710,431,608
Balance at December 31, 2012	<u>999,602</u>	<u>(848,742,677)</u>	<u>1,457,245,132</u>	<u>13,019,241</u>	<u>622,521,298</u>
<i>Year ended December 31, 2013</i>					
Balance at January 1, 2013	999,602	(848,742,676)	1,457,245,132	13,019,241	622,521,299
Profit for the year	-	276,889,659	-	-	276,889,659
Contributed capital for the year	-	-	269,677,773	-	269,677,773
Balance at December 31, 2013	<u>999,602</u>	<u>(571,853,017)</u>	<u>1,726,922,905</u>	<u>13,019,241</u>	<u>1,169,088,731</u>

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, 2013

	2013	2012
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	277,742,109	211,636,153
Adjustments to reconcile profit to net cash from operating activities:		
Depreciation and amortisation	128,518,560	128,882,465
Interest expense	262,144,856	264,840,376
Interest income	(120,908,824)	(129,604,149)
Foreign exchange (gain) loss	(2,120)	1,034
	547,494,581	475,755,879
Changes in operating assets and liabilities:		
Value added tax recoverable	(15,430,284)	(29,774,624)
Accounts receivable and prepayments	(240,053,332)	(61,313,170)
Accounts payable and accruals	(114,725,749)	94,049,998
Development work in progress	(79,939,541)	(34,482,565)
Reserve development fund	4,167,669	(101,186,975)
Deposit	198,163	-
Interest paid	(262,144,856)	(264,840,376)
Taxation paid	-	(824,713)
Net cash from (used in) operating activities	(160,433,349)	77,383,454
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	-	561,240
Purchase of property, plant and equipment	(1,318,729)	(1,304,936)
Increase/decrease in construction in progress	(408,525,385)	(706,478,891)
Interest received	120,908,824	129,604,149
Net cash used in investing activities	(288,935,290)	(577,618,438)

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

Consolidated Statement of Cash Flows (continued)

Year ended December 31, 2013

	2013	2012
	\$	\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in capital contributions for the year	269,677,773	710,431,608
Proceeds from (repayments of) borrowings net	387,145,591	(57,227,417)
Deferred revenue	<u>(2,609,842)</u>	<u>10,614,526</u>
Net cash from financing activities	<u>654,213,522</u>	<u>663,878,717</u>
Net increase in cash and cash equivalents	204,844,883	163,583,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>595,451,086</u>	<u>431,867,353</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>800,295,969</u>	<u>595,451,086</u>
Represented by		
Restricted cash	31,465,947	20,918,528
Cash	<u>768,830,022</u>	<u>574,532,558</u>
	<u>800,295,969</u>	<u>595,451,086</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, 2013

(with comparatives as at and for the year ended December 31, 2012)

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 28, 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 two 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, 2013

(with comparatives as at and for the year ended December 31, 2012)

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 86.92% (2012: 92.41%) 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, 2013

(with comparatives as at and for the year ended December 31, 2012)

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, 2013

(with comparatives as at and for the year ended December 31, 2012)

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, 2013

(with comparatives as at and for the year ended December 31, 2012)

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, 2013

(with comparatives as at and for the year ended December 31, 2012)

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, 2013

(with comparatives as at and for the year ended December 31, 2012)

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.

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

Notes to Consolidated Financial Statements

December 31, 2013

(with comparatives as at and for the year ended December 31, 2012)

3. Summary of Significant Accounting Policies (continued)

(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.

(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.

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

Notes to Consolidated Financial Statements

December 31, 2013

(with comparatives as at and for the year ended December 31, 2012)

3. Summary of Significant Accounting Policies (continued)

(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.

(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.

**URBAN DEVELOPMENT CORPORATION
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Notes to Consolidated Financial Statements

December 31, 2013

(with comparatives as at and for the year ended December 31, 2012)

3. Summary of Significant Accounting Policies (continued)

(m) Revenue recognition (continued)

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.

(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.

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(with comparatives as at and for the year ended December 31, 2012)

3. Summary of Significant Accounting Policies (continued)

(o) Current and deferred income taxes (continued)

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)

(i) 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, 2013, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the financial statements of the Group, except:

- IFRS 9 Financial Instruments, published on November 12, 2009 as part of phase 1 of the IASB's comprehensive project to replace IAS 39, which will be mandatory for the Group's 2016 financial statements and could change the classification and measurement of financial assets.
- IAS 32 and IFRS 7 (Amendments) Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2014). These amendments clarify the offsetting criteria and address inconsistencies in their application. The amendments are to be applied retrospectively.

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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>TTS</u>
<u>December 31, 2013</u>			
<i>US dollar denominated</i>			
Cash and cash equivalents	2,854,305	(28,543)	28,543
Borrowings	(2,892,645,986)	28,926,460	(28,926,460)
Accounts payables and accruals	(266,708,096)	2,667,081	(2,667,081)
Total	(3,156,499,777)	31,564,998	(31,564,998)

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5. Financial Risk Management (continued)

a) Market Risk (continued)

i) Currency risk (continued)

	As reported	Effect on Income	
		1% Appreciation	1% Depreciation
	TTS	TTS	TTS
<u>December 31, 2012</u>			
<i>US dollar denominated</i>			
Cash and cash equivalents	6,707,346	(67,073)	67,073
Borrowings	(3,159,008,912)	31,590,089	(31,590,089)
Accounts payables and accruals	(230,866,384)	2,308,664	(2,308,664)
Total	(3,383,167,950)	33,831,680	(33,831,680)

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 seven per cent of the Group's long-term borrowings are fixed rate instruments and forty three 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, 2013	3,563,270,473	35,632,704	(35,632,704)
December 31, 2012	<u>3,273,883,593</u>	<u>32,738,836</u>	<u>(32,738,836)</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	
	2013	2012	2013	2012
	\$	\$	\$	\$
Fixed rate instruments	4,976,667,536	4,879,222,294	4,976,667,536	4,879,222,294
Variable rate instruments	3,563,270,473	3,273,883,594	3,563,270,473	3,273,883,594
	<u>8,539,938,009</u>	<u>8,153,105,888</u>	<u>8,539,938,009</u>	<u>8,153,105,888</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, 2013					
Borrowings	8,539,938,009	10,048,334,136	795,601,869	3,567,489,087	5,685,263,180
Accounts payable and accruals	669,664,247	669,664,247	669,664,247	-	-
Reserve development fund	6,557,081	6,557,081	6,557,081	-	-
Deposit on account	1,259,393	1,259,393	1,259,393	-	-
	<u>9,217,418,730</u>	<u>10,725,834,857</u>	<u>1,473,082,590</u>	<u>3,567,489,087</u>	<u>5,685,263,180</u>
As at December 31, 2012					
Borrowings	8,153,105,888	11,808,092,790	650,070,653	3,891,838,076	7,266,184,061
Accounts payable and accruals	784,389,996	784,389,996	784,389,996	-	-
Reserve development fund	2,389,412	2,389,412	2,389,412	-	-
Deposit on account	1,154,666	1,154,666	1,154,666	-	-
	<u>8,941,039,962</u>	<u>12,596,026,864</u>	<u>1,438,004,727</u>	<u>3,891,838,076</u>	<u>7,266,184,061</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>2013</u>	<u>2012</u>
	\$	\$
Facilities works not billed	117,485,365	118,791,232
Project works billed to GORTT	155,493,117	213,471,467
Contract works not billed	6,951,616	85,017,577
Contract works billed to the GORTT	254,202,094	163,712,212
Advances to contractors	108,265,616	93,136,752
Other receivables excluding prepayments	<u>716,033,029</u>	<u>547,458,543</u>
	1,358,430,837	1,221,587,783
Cash and cash equivalents	<u>768,830,022</u>	<u>574,532,558</u>
	<u>2,127,260,859</u>	<u>1,796,120,341</u>

The analysis of the accounts receivable is as follows:

Project works billed to the GORTT	155,493,117	213,471,467
Contract works not billed	6,951,616	85,017,577
Facilities works not billed	117,485,365	118,791,232
Advances to contractors	108,265,616	93,136,752
Amounts due from GORTT	254,202,094	163,712,212
Other receivables	<u>716,033,029</u>	<u>547,458,543</u>
Total accounts receivable – gross	1,358,430,837	1,221,587,783
Less: Provision for impairment	<u>(363,448,506)</u>	<u>(547,796,648)</u>
Accounts receivables	<u>994,982,331</u>	<u>673,791,135</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>2013</u>	<u>2012</u>
	\$	\$
Facilities works not billed	108,418,921	109,624,013
Project works billed to the GORTT	143,493,583	196,997,695
Contract work billed to the GORTT	234,585,106	151,078,404
Contract works not billed	6,415,154	78,456,699
Advances to contractors	99,910,668	85,949,311
Other receivables excluding prepayments	<u>660,776,161</u>	<u>505,210,709</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 receivable balances (recoverability):

	<u>2013</u>	<u>2012</u>
	\$	\$
Fully performing	528,003,200	200,619,561
Past due but not impaired (i)	285,477,897	324,121,782
Impaired (discounted balances) (ii)	<u>184,536,999</u>	<u>149,049,792</u>
	<u>998,018,096</u>	<u>673,791,135</u>

The impairment provision can be analysed as follows:

At beginning of year	(547,796,648)	(689,970,063)
Additional provision recognized	(155,058,036)	(87,798,586)
Unwinding of discount	<u>339,406,178</u>	<u>229,972,001</u>
	<u>(363,448,506)</u>	<u>(547,796,648)</u>
Analysis of past due but not impaired		
6 to 12 months	47,550,874	34,406,335
Over 12 months	<u>237,927,023</u>	<u>289,715,447</u>
	<u>285,477,897</u>	<u>324,121,782</u>
Ageing analysis of impaired balances		
12 to 18 months	2,305,882	2,292,043
Over 18 months	<u>182,231,117</u>	<u>146,757,749</u>
	<u>184,536,999</u>	<u>149,049,792</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>2013</u>	<u>2012</u>
	\$	\$
Total borrowings	8,539,938,009	8,153,105,888
Less: Cash and cash equivalents	<u>(768,830,022)</u>	<u>(574,532,558)</u>
Net debt	<u>7,771,107,987</u>	<u>7,578,573,330</u>
Share capital	999,602	999,602
Accumulated deficit	(571,853,017)	(848,742,677)
Revaluation Reserve	13,019,241	13,019,241
Contributed capital	<u>1,726,922,905</u>	<u>1,457,245,132</u>
Total capital	<u>1,169,088,731</u>	<u>622,521,298</u>
Capital and net debt	<u>8,940,196,718</u>	<u>8,201,094,628</u>
Gearing ratio	86.92%	92.41%

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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 \$38.6 million (2012: \$19.3 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 \$126,629,249 (2012: \$126,660,596).

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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.

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(with comparatives as at and for the year ended December 31, 2012)

6. Critical Accounting Estimates and Judgments (continued)

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

(i) Revenue recognition (continued)

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.

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 \$23,020,712 (2012: \$23,020,712).

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7. Leasehold Properties

	<u>2013</u>	<u>2012</u>
	\$	\$
The Corporation'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
The GCP 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	38,554,437	38,554,332
13-15 St. Clair Avenue	119,644,706	119,644,706
Real Springs, Valsayn	13,000,000	13,000,000
Salvatori Building	2,388,608	2,702,184
Tower C & D Fit Out	376,385,386	376,385,386
St. Vincent Place	20,792,214	20,792,214
Other properties	16,903,327	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>1,266,292,492</u>	<u>1,266,605,963</u>

The movement in the account balance over the year can be analysed as follows:

Opening net book amount	1,266,605,962	1,267,064,699
Additions	105	-
Reallocations	<u>(313,575)</u>	<u>(458,736)</u>
Closing net book amount	<u>1,266,292,492</u>	<u>1,266,605,963</u>

Included in Investment Properties are 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).

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(with comparatives as at and for the year ended December 31, 2012)

8. Construction in Progress

	<u>2013</u>	<u>2012</u>
	\$	\$
Various projects	48,584,920	223,665,641
Chancery Lane Complex	1,080,427,331	891,035,584
Ministry of Education office Tower	496,687,384	480,409,057
Invaders' Bay	13,026,391	13,026,391
Memorial Park	679,961	679,961
Government Campus Plaza	3,196,396,818	2,819,516,394
Real Springs	179,072,166	178,041,558
Water Front Development	86,625	86,625
Salvatori Building	<u>20,224,382</u>	<u>20,199,382</u>
	<u>5,035,185,978</u>	<u>4,626,660,593</u>

The movement in the account balance over the year can be analysed as follows:

Opening net book amount	4,626,660,593	3,920,181,702
Additions	<u>408,525,385</u>	<u>706,478,891</u>
Closing net book amount	<u>5,035,185,978</u>	<u>4,626,660,593</u>

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(with comparatives as at and for the year ended December 31, 2012)

9. Property, Plant and Equipment

	<u>Land and Buildings</u>	<u>Other Equipment</u>	<u>Computer Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>
	\$	\$	\$	\$	\$
Year ended December 31, 2012					
Opening net book amount	2,057,292,310	43,951,759	1,213,516	193,307	2,102,650,892
Additions	-	72,202	832,716	400,020	1,304,938
Disposals	-	-	(561,240)	-	(561,240)
Depreciation charge	(118,219,153)	(9,795,465)	(639,010)	(228,838)	(128,882,466)
Closing net book amount	<u>1,939,073,157</u>	<u>34,228,496</u>	<u>845,982</u>	<u>364,489</u>	<u>1,974,512,124</u>
At December 31, 2012					
Cost or valuation	2,369,158,054	79,737,763	7,416,102	2,960,347	2,459,272,266
Accumulated depreciation	(430,084,897)	(45,509,267)	(6,570,120)	(2,595,858)	(484,760,142)
Net book amount	<u>1,939,073,157</u>	<u>34,228,496</u>	<u>845,982</u>	<u>364,489</u>	<u>1,974,512,124</u>
Year ended December 31, 2013					
Opening net book amount	1,939,073,157	34,228,496	845,982	364,489	1,974,512,124
Additions	-	761,909	528,572	28,248	1,318,729
Depreciation charge	(118,219,151)	(9,603,318)	(543,366)	(152,725)	(128,518,560)
Closing net book amount	<u>1,820,854,006</u>	<u>25,387,087</u>	<u>831,188</u>	<u>240,012</u>	<u>1,847,312,293</u>
At December 31, 2013					
Cost or valuation	2,369,158,055	80,499,670	7,944,674	2,718,222	2,460,320,621
Accumulated depreciation	(548,304,049)	(55,112,583)	(7,113,486)	(2,478,210)	(613,008,328)
Net book amount	<u>1,820,854,006</u>	<u>25,387,087</u>	<u>831,188</u>	<u>240,012</u>	<u>1,847,312,293</u>

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(with comparatives as at and for the year ended December 31, 2012)

10. Value Added Tax (VAT) Recoverable

	<u>2013</u>	<u>2012</u>
	\$	\$
VAT recoverable	<u>504,010,327</u>	<u>488,580,043</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

Restricted cash	<u>31,465,947</u>	<u>20,918,528</u>
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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. Project receivables

Contract works billed to GORTT	155,493,117	213,471,467
Contract works not billed	6,951,616	85,017,577
Facilities work not billed	<u>117,485,365</u>	<u>118,791,232</u>
	279,930,098	417,280,276
Provision for doubtful debt	<u>(137,350,177)</u>	<u>(354,639,896)</u>
	<u>142,579,921</u>	<u>62,640,380</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	(232,405,495)	(174,427,145)
(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>295,120,697</u>
	<u>155,493,117</u>	<u>213,471,467</u>

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12. Project Receivables (continued)

- (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.
- (iii) 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.

	<u>2013</u>	<u>2012</u>
	\$	\$
13. Accounts Receivable and Prepayments		
Amounts due from GORTT for Contract works	254,202,094	163,712,213
Prepayments and other receivables	717,073,665	549,967,502
Advances to contractors (a)	108,265,616	93,136,752
Inventory – Hotel	1,877,328	1,607,328
Provision for doubtful debt	(225,980,528)	(193,038,952)
	<u>855,438,175</u>	<u>615,384,843</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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14. Cash and Cash Equivalents

	<u>2013</u>	<u>2012</u>
	\$	\$
Short-term investments	91,547,996	109,075,024
Bank accounts	274,518,597	125,572,095
Deposit accounts	402,718,334	339,840,344
Petty cash	<u>45,095</u>	<u>45,095</u>
	<u>768,830,022</u>	<u>574,532,558</u>

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

House Bank	283,300	307,279
Demand deposits	<u>327,178,792</u>	<u>257,797,477</u>
	<u>327,462,092</u>	<u>258,104,756</u>

15. Subsidiary Companies

	<u>% of Equity Capital Held</u>	
	<u>2013</u>	<u>2012</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.
- (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.

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	<u>2013</u>	<u>2012</u>
	\$	\$
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	<u>999,602</u>	<u>999,602</u>
17. Contributed Capital		
Leasehold properties	585,207,941	585,207,941
Loan and interest payments made by the GORTT on behalf of the Group	<u>1,141,714,964</u>	<u>872,037,191</u>
	<u>1,726,922,905</u>	<u>1,457,245,132</u>
<i>Loan repayments guaranteed by the GORTT</i>		
Balance at beginning of year	872,037,191	161,605,583
Add loan payments made by the GORTT for the year	<u>269,677,773</u>	<u>710,431,608</u>
Balance at end of year	<u>1,141,714,964</u>	<u>872,037,191</u>

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	<u>2013</u>	<u>2012</u>
	\$	\$
18. Borrowings		
<i>Maturity of borrowing:</i>		
Not later than one year	323,350,228	311,115,604
More than one year	<u>8,216,407,781</u>	<u>7,841,990,284</u>
	<u>8,539,758,009</u>	<u>8,153,105,888</u>
a) RBTT Trust Limited - fixed rate bonds	72,000,000	88,000,000
b) Central Bank of Trinidad and Tobago Limited		213,000,000
c) Republic Finance & Merchant Bank Limited	-	781,954,016
d) Republic Finance & Merchant Bank Limited - floating rate bond	-	2,377,613,097
e) The Home Mortgage Bank - fixed rate bond	5,485,765	214,537,636
f) Citibank USD	455,241,600	509,438,160
g) ANSA 233.1M	233,151,656	53,151,657
h) First Citizens Bank – TTD facility	191,767,668	209,441,418
i) The Home Mortgage Bank	20,055,830	23,297,497
j) First Citizens Bank – USD facility	81,880,434	88,953,764
		331,785,590
k) First Caribbean Int'l Bank Limited -	484,987,500	546,745,500
l) First Caribbean Bank Limited BLCA \$497M loan	336,100,461	380,197,092
m) The Home Mortgage Bank \$108M OPM	85,441,303	91,018,974
n) First Citizens Bank Limited	230,100,000	230,100,000
o) CBTT \$214.7M Bond	213,000,000	-
p) ANSA 223.1M	223,097,000	-
q) ANSA 399M	399,019,000	-
r) First Caribbean Int'l Bank Limited (180M)	180,300,000	-
s) Republic Bank Limited Long Term Bonds	3,457,773,340	-
t) Barclays US \$375 M	<u>1,870,536,452</u>	<u>2,013,871,487</u>
	<u>8,539,938,009</u>	<u>8,153,105,888</u>

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Notes to Consolidated Financial Statements

December 31, 2013

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	RBTT Trust Limited	TTS192,000,000	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	TTS24,100,000	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 Bay Invaders Development
	Series B Fixed Rate Bonds 2001-2008	Scotiabank Trinidad & Tobago Limited	TTS18,992,039	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 Bay Invaders Development
(c)	Fixed Rate Bonds 2002-2013	Republic Finance and Merchant Bank Limited	TTS45,000,000	6.85%	11 years	Letter of comfort from the Ministry of Finance	10 equal semi-annual instalments commencing June 22, 2006	To finance the Siparia Administrative Complex
(d)	Fixed Rate Bonds 2003-2010	Home Mortgage Bank	TTS300,000,000	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
(d)	Fixed Rate Bond 2005-2010	Home Mortgage Bank	TTS\$44,000,000	9.5%	5 years	Debtenture and Collateral Mortgage	By bullet at maturity	To finance the purchase of land
(e)	Floating Rate Bonds 2005 - 2013	Republic Finance & Merchant Bank Limited	TTS\$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 UDeCOTT and the GORTT. b) 1 st Mortgage over property situated at Queen, Edward and Richmond Streets stamped to cover TTS\$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
(f)	Floating rate Demand Loan	Scotiabank Trinidad and Tobago Ltd	TTS\$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
(g)	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.
(h)	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.
(i)	Commercial Paper	First Citizens Bank Limited	TTS374,000,000	9.61%	13 years	Guaranteed by the GORTT	
(j)	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
(k)	Commercial Paper	First Citizens Bank Limited	TTS93,375,655	5.44%	13 years	Guaranteed by the GORTT	To finance various projects.
(l)	Short Term Bridge Loan	First Caribbean International Banking and Financial Corporation	TTS501,314,796	5.78%	3 years	Letter of Comfort	To finance the fit out of the Port of Spain Waterfront
(m)	Fixed Rate Notes	US Private Placement (Wells Fargo Bank)	TTS2,372,303,000	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>2013</u>	<u>2012</u>
	\$	\$
TT Dollar	5,647,292,023	4,994,096,976
US Dollar	<u>2,892,645,986</u>	<u>3,159,008,912</u>
	<u>8,539,938,009</u>	<u>8,153,105,888</u>

19. Deferred 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>2013</u>	<u>2012</u>
	\$	\$
At beginning of year	41,709,998	40,927,335
Charge to income statement	<u>148,729</u>	<u>782,665</u>
At end of year	<u>41,858,727</u>	<u>41,710,000</u>

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	<u>2013</u>	<u>2012</u>
	\$	\$
21. Deferred Revenue		
	<u>8,004,684</u>	<u>10,614,526</u>
Deferred revenue arise from works still to be certified for which funds have been received.		
22. Accounts Payable and Accruals		
Project payables	169,813,840	206,323,102
Retentions payable	82,389,583	158,595,876
Other payables	283,189,959	228,450,340
Accrued interest on loans	133,846,615	190,596,428
Provisions	<u>424,250</u>	<u>424,250</u>
	<u>669,664,247</u>	<u>784,389,996</u>
23. Reserve Development Fund		
Other development projects	<u>6,557,081</u>	<u>2,389,412</u>

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.

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	<u>2013</u>	<u>2012</u>
	\$	\$
24. Deposit on Account		
Deposit on account	<u>1,259,393</u>	<u>1,154,666</u>
<p>These represent monies from our subsidiaries Rincon and Oropune. Rincon's \$872,891 represents deposits from their clients as consideration for the purchase of the land at Rincon. This amount is held on account until the finalisation and issue of the deeds. Oropune's portion of \$386,502 represents deposits for the housing project where the sales have not yet been finalised.</p>		
25. Income from hotel operations		
Total Hyatt Regency Fees	<u>282,831,521</u>	<u>260,207,845</u>
26. Rental income	<u>273,672,021</u>	<u>285,687,066</u>
27. Other Income		
Sale of tender documents	-	262,400
Carpark revenue	3,678,027	8,608,854
Other	13,404,426	26,002,534
Management fees	<u>2,402,241</u>	<u>2,307,862</u>
	<u>19,484,694</u>	<u>37,181,650</u>

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	<u>2013</u>	<u>2012</u>
	\$	\$
28. Administrative Expenses		
Employee benefit (Note 29)	29,573,698	24,035,182
Depreciation and amortisation	128,498,151	128,882,465
Office expenses	22,225,992	38,669,744
Rent and utilities	4,351,571	3,506,693
Advertising	695,461	737,889
Other expenses	209,203,609	189,751,780
Bad debt expense	(184,348,142)	(142,291,214)
	<u>210,200,340</u>	<u>243,292,539</u>
29. Employee Benefit Expense		
Wages and salaries	28,565,473	23,265,615
National Insurance costs	<u>1,008,225</u>	<u>769,567</u>
	<u>29,573,698</u>	<u>24,035,182</u>
Number of employees at year end 653 (2012: 690).		
30. Finance Income		
Government grants to cover interest expense	119,903,569	128,538,611
Interest income	<u>1,005,255</u>	<u>1,065,538</u>
	<u>120,908,824</u>	<u>129,604,149</u>
31. Finance Costs		
Interest expense on GORTT borrowings	119,903,569	128,538,611
Interest expense on bank borrowings	126,319,798	136,153,827
Foreign exchange loss on bank borrowings	15,854,252	97,938
Bank charges	<u>67,237</u>	<u>50,000</u>
	<u>262,144,856</u>	<u>264,840,276</u>

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	<u>2013</u>	<u>2012</u>
	\$	\$
32. Taxation		
Deferred tax	148,729	782,665
Green Fund levy	173,478	293,396
Business levy	<u>530,243</u>	<u>530,280</u>
	<u>852,450</u>	<u>1,606,341</u>

33. Related Party Transactions and Balances

(a) Key management compensation

Directors' fees	548,403	646,000
Senior management remuneration	<u>3,483,538</u>	<u>3,463,862</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>2013</u>	<u>2012</u>
	\$	\$
Investment properties	1,266,292,492	1,266,605,963
Contributed capital	1,726,922,905	1,457,245,132
Amounts due from the GORTT	155,493,117	213,471,467
Accounts receivable for contract work	6,951,616	85,017,577
Reserve development fund	6,557,081	2,389,412
Loan interest paid by the GORTT on behalf of the Corporation	7,020,712	7,020,712
Loan repayments made by the GORTT on behalf of the Corporation	16,000,000	16,000,000
Deferred liability payable to the GORTT	10,350,000	10,350,000
Development work in progress expenditure not yet billed to GORTT	<u>124,436,981</u>	<u>203,808,809</u>

**URBAN DEVELOPMENT CORPORATION
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33. 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>2013</u>	<u>2012</u>
	\$	\$
Project management fees	39,815,553	7,088,358
Contract revenue	346,312,457	186,024,389
Contract costs incurred	<u>346,312,457</u>	<u>186,024,389</u>

34. Financial Instruments by Category

(i) Loans and receivables

Amounts due from GORTT	155,493,117	213,471,467
Receivables for contract work billed to GORTT	254,202,094	163,712,212
Advances to contractors	108,265,616	93,136,752
Cash and cash equivalent	768,830,022	574,532,558
Other receivables excluding prepayments	<u>716,033,029</u>	<u>547,458,543</u>
	<u>2,002,823,878</u>	<u>1,592,311,532</u>

(ii) Financial liabilities carried at amortised cost

Borrowings	8,539,938,009	8,153,105,888
Accounts payables and accruals	669,664,247	784,389,996
Reserve development fund	<u>6,557,081</u>	<u>2,389,413</u>

9,216,159,337 8,939,885,297

35. Capital and Lease Commitments

As at December 31, 2013 Capital commitments amounting to approximately \$1.3B (2012: \$1.8B) existed.

36. 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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37. Subsequent Events

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

- a) The Group has entered into several contracts amounting to approximately \$497 million in the normal course of business.
- b) 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.
- c) 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.
- d) 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.
- e) Dipcon Engineering filed claim against the Corporation relating to the Oropune Housing Project for outstanding amounts. The judgement is to be delivered in October 2017.
- f) Atlas Engineering Ltd brought action against the Corporation 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.
- g) 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.
- h) Spancrete Ltd filed a claim for \$7,000,000.00 on April 05 2017. Next hearing January 17, 2018.
- i) 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.
- j) Orlando Forde accused UDeCOTT of wrongful dismissal. Certificate of Trade dispute filed on September 12, 2017. First hearing date is January 9, 2018.

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37. Subsequent Events (continued)

- k) GYM Ltd filed a claim against UDeCOTT 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. UDeCOTT made an agreed payment of \$493,182.63 on June 30th 2017.
- l) UDeCOTT 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.

38. Segment Information

	<u>Construction works</u>	<u>Hotel operation</u>	<u>Total</u>
	\$	\$	\$
<u>December 31, 2012</u>			
Revenue	329,957,074	260,207,845	590,164,919
Operating profit	276,024,841	70,847,539	346,872,380
Assets	9,309,911,924	319,923,108	9,629,835,032
Liabilities	<u>8,966,639,239</u>	<u>41,092,495</u>	<u>9,007,731,734</u>
<u>December 31, 2013</u>			
Revenue	346,346,960	282,831,521	629,178,481
Operating profit	337,905,729	81,072,412	418,978,141
Assets	10,048,468,168	402,646,987	10,451,115,155
Liabilities	<u>9,239,282,462</u>	<u>42,743,962</u>	<u>9,282,026,424</u>

