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Chartered Accountants
& Business Advisors

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2013

Chartered Accountants
& Business Advisors

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

INDEX

VMCOTT
The Vehicle Management Corporation of Trinidad and Tobago Limited
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Statement of Management Responsibilities

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for the year. It is also management's responsibility to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

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

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Director	Director
Date : 30th September 2015	Date: 30th September 2015

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Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholders
The Vehicle Management Corporation of
Trinidad and Tobago Limited

We have audited the accompanying financial statements of The Vehicle Management Corporation of Trinidad and Tobago Limited, which comprise the statement of financial position as of 30 September 2013, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and 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 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors 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 audit opinion.

Basis for Qualified Opinion
The company did not maintain proper records in relation to work-in-progress inventories as at 30 September 2013. We were therefore unable to satisfy ourselves as to the accuracy and completeness of the work-in-progress balance included under inventories in the Statement of Financial Position as at 30 September 2013.

Qualified Opinion
In our opinion, except for the effects on the financial statements of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Vehicle Management Corporation of Trinidad and Tobago Limited as of 30 September 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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30 September 2015
Port-of-Spain
TRINIDAD

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THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION

ASSETS

	Notes	30 September 2013	2012 (Re-stated)
Current Assets:			
Cash in hand and at bank	6	$ 2,467,481	$ 615,773
Short-term investments	7	235,856	59,958
Accounts receivable and prepayments	8	41,893,199	60,295,119
Inventories	9	9,663,418	10,398,075
Total Current Assets		54,259,954	71,368,925
Non-Current Assets:			
Fixed assets	10	21,836,660	23,068,721
Total Assets		**$ 76,096,614**	**$ 94,437,646**

LIABILITIES AND SHAREHOLDER'S EQUITY

	Notes	2013	2012
Liabilities:			
Accounts payable and accrued liabilities	11	$ 23,929,116	$ 27,282,713
Deferred taxation	12	296,037	209,750
Loans	13	26,845,000	33,040,000
Total Liabilities		51,070,153	60,532,463
Shareholder's Equity:			
Stated capital	14	88,786,197	87,870,195
Accumulated deficit		(63,759,736)	(53,965,012)
Total Shareholder's Equity		25,026,461	33,905,183
Total Liabilities and Shareholder's Equity		**$ 76,096,614**	**$ 94,437,646**

These financial statements were approved by the Board of Directors and authorised for issue on 30 September 2015 and signed on their behalf by:

Director

Director

(The accompanying notes form part of these financial statements)

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Notes	30 September 2013	2012
Sales		$ 13,095,385	$ 17,175,971
Less: cost of goods sold	15	12,292,755	14,891,319
		802,630	2,284,652
Administrative expenses	16	3,665,845	4,804,182
Advertising		75,109	36,997
Audit and accounting fees		84,425	76,275
Bad debt expense		7,733,558	9,112,909
Bank charges and loan interest	17	23,075	45,050
Depreciation		1,750,400	4,359,557
Directors' fees		361,638	621,000
Donations		18,394	109,053
Insurance		353,770	378,640
Legal and professional fees		576,345	1,292,571
Local and overseas travel		31,798	378,093
Motor vehicle expenses		154,632	147,419
Rental of equipment		81,177	84,694
Repairs and maintenance		327,796	558,819
Salaries and staff benefits	18	6,686,794	8,730,212
Stationery and printing		90,829	158,357
Training and development		87,718	140,911
		22,103,303	31,034,739
Loss from operations		(21,300,673)	(28,750,087)
Other income:			
GORTT deficit funding		11,238,000	12,000,000
Interest income		6,248	23,634
Other income	19	386,636	1,057,968
Net deficit before taxation		(9,669,789)	(15,668,485)
Taxation	20	(124,935)	(81,904)
Net deficit for the year		$ (9,794,724)	$(15,750,389)

(The accompanying notes form part of these financial statements)

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Stated Capital	Accumulated Deficit	Shareholder's Equity
Balance as at 1 October 2011	$ 83,669,517	$ (42,552,371)	$ 41,117,146
GORTT Infrastructure Development Fund	4,200,678	-	4,200,678
Net deficit for the year	-	(15,750,389)	(15,750,389)
Balance as at 1 October 2012	87,870,195	(58,302,760)	29,567,435
Re-statement **(Note 22)**	-	4,337,748	4,337,748
Balance as at 1 October 2012 (re-stated)	87,870,195	(53,965,012)	33,905,183
GORTT Infrastructure Development Fund	916,002	-	916,002
Net deficit for the year	-	(9,794,724)	(9,794,724)
Balance as at 30 September 2013	**$ 88,786,197**	**$ (63,759,736)**	**$ 25,026,461**

(The accompanying notes form part of these financial statements)

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS

	30 September 2013	30 September 2012
OPERATING ACTIVITIES:		
Net deficit before taxation	$ (9,669,789)	$ (15,668,485)
Adjustments for:		
Re-statement (**Note 22**)	-	4,337,748
Bad debt expense	7,733,558	9,112,909
Depreciation	1,750,400	4,359,557
Gain on sale of fixed assets	-	(2,309)
	(185,831)	2,139,420
Changes in operating assets and liabilities		
Net change in inventories	734,657	365,838
Net change in accounts receivable and prepayments	10,668,362	3,239,093
Net change in accounts payable and accrued liabilities	(3,353,597)	(4,284,661)
	7,863,591	1,459,690
Taxation paid	(38,648)	(52,755)
Cash provided by operating activities	7,824,943	1,406,935
INVESTING ACTIVITIES:		
Net change in fixed assets	(518,339)	(1,830,275)
Proceeds from sale of fixed assets	-	2,960
Cash used in investing activities	(518,339)	(1,827,315)
FINANCING ACTIVITIES:		
Net change in loans	(6,195,000)	(4,130,000)
Net change in capital introduced	916,002	4,200,678
Cash (used in)/provided by financing activities	(5,278,998)	70,678
Net change in cash and cash equivalents	2,027,606	(349,702)
Cash and cash equivalents - at beginning of year	675,731	1,025,433
- at end of year	$ 2,703,337	$ 675,731
Represented by:		
Cash in hand and at bank	$ 2,467,481	$ 615,773
Short-term investment	235,856	59,958
	$ 2,703,337	$ 675,731

(The accompanying notes form part of these financial statements)

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

1. **Incorporation and Principal Business Activity:**

The Vehicle Maintenance Corporation of Trinidad and Tobago Limited (VMCOTT) was incorporated on 4 August 2000 in the Republic of Trinidad and Tobago. Its principal activity is the repair and maintenance of State-owned vehicles (Police Service, Prison Service, Fire Service and Defence Force) and other Government vehicles. The sole shareholder is the Government of the Republic of Trinidad and Tobago. Its registered office is 22 Beetham Gardens, Beetham Highway, Laventille, Port of Spain.

On 11 November 2005, VMCOTT was informed by the Ministry of Works and Transport (MOWT) that Cabinet approved the change of the Corporation's name to The Vehicle Management Corporation of Trinidad and Tobago Limited and also changed its strategic direction from fleet maintenance to fleet management.

2. **Going Concern:**

The Corporation has generated a net deficit of **$9,794,724** for the year ended 30 September 2013 and this has increased the Corporation's Accumulated Deficit to **$63,759,736** as at 30 September 2013. The Corporation continues to be dependent on its line ministry for funding via the Government's Deficit Funding facility and without this funding the Corporation would have generated a net deficit of **$21,032,724** for the year ended 30 September 2013. Notwithstanding these facts, the financial statements have been prepared on the going concern basis. This basis has been deemed appropriate in view of the Corporation's ability to continue its operation using internally generated cash flow and funding from the Ministry of Transport.

3. **Significant Accounting Policies:**

(a) Basis of financial statements preparation -

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

(b) Use of estimates -

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Corporation's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

3. **Significant Accounting Policies (Cont'd):**

(c) **New Accounting Standards and Interpretations -**

The company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Government Loans (effective for accounting periods beginning on or after 1 January 2013).
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015).
IFRS 9	Financial Instruments: Accounting for Financial Liabilities and Derecognition (effective for accounting periods beginning on or after 1 January 2015).
IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 12	Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012).
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

3. **Significant Accounting Policies (Cont'd):**

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

IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
IAS 32	Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine (effective for recounting periods beginning on or after 1 January 2013).

The adoption of IFRS 9 Financial Instruments may result in significant changes in the company's classification and presentation of financial instruments.

(d) Property, plant and equipment -

All property, plant and equipment are stated at historical cost less depreciation.

The Management of VMCOTT conducted a review of the useful life of the assets as at the end of financial year 2011 and the following changes were effected as at 1 October 2012:

	Former Method & Rate of Depreciation		**Adjusted Method & Rate of Depreciation**	
	Method	**Rate (%)**	**Method**	**Rate (%)**
Leasehold Improvements	Straight Line	10	Straight Line	3.35
Computer Software and Equipment	Straight Line	33 1/3	Straight Line	33 1/3
Office Equipment	Straight Line	10 - 12 1/2	Straight Line	10 - 12 1/2
Plant and Machinery	Straight Line	10 - 33 1/3	Straight Line	5
Motor Vehicles	Straight Line	25	Straight Line	25

The changes were deemed necessary to reflect a truer and fairer view of the estimated useful lives of these particular groups of assets. In accordance with International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the change was accounted for by the adjustment of the carrying amount.

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

3. **Significant Accounting Policies (Cont'd):**

(d) **Fixed assets (cont'd) -**

The effect of the change in depreciation rates and methods on the Statement of Comprehensive Income is summarised below:

	Depreciation Charge for the year at Old Rates and Method	Depreciation Charge for the year at New Rates	Effect of Change on Statement of Comprehensive Income
Leasehold Improvements	3,105,069	1,040,314	2,064,755
Computer Software and Equipment	56,887	56,887	-
Office Equipment	230,303	230,303	-
Plant and Machinery	508,965	255,493	253,472
Motor Vehicles	167,403	167,403	-
Total	$ 4,068,627	$ 1,750,400	$ 2,318,227

(e) **Investments -**

The Corporation has classified all investments as available for sale.

Available for sale investments are intended to be held for an indefinite period of time but may be sold in response to the needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, available for sale investments are measured at fair value with unrealised gains or losses recognised in the Investment Re-measurement Reserve.

For actively traded investments, fair value is determined by reference to the Stock Exchange quoted market prices at the Statement of Financial Position date, adjusted for transaction costs necessary to realise the investment. For investments where there is no quoted market price, the carrying value is deemed to approximate fair value.

(f) **Inventories -**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average method.

3. **Significant Accounting Policies (Cont'd):**

(g) **Financial instruments -**

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised on the Corporation's Statement of Financial Position when the Corporation becomes a party to the contractual provisions of the instrument.

Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date that is the date on which the Corporation commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

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

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred.

Impairment of financial assets

The Corporation assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3. **Significant Accounting Policies (Cont'd):**

(g) Financial instrument (cont'd)

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Corporation about the following loss events:

i) Significant financial difficulty of the issuer or obligor.

ii) A breach of contract, such as default or delinquency in interest or principal payments.

iii) It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.

iv) The disappearance of an active market for that financial asset because of financial difficulties.

v) Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Corporation or national or economic conditions that correlate with defaults on assets in the Corporation.

The Corporation first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Corporation determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

3. Significant Accounting Policies (Cont'd):

(g) Financial instruments (cont'd) -

Impairment of financial assets (cont'd)

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

i) Financial assets measured at amortised cost

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

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

ii) Financial assets measured at cost

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

3. **Significant Accounting Policies (Cont'd):**

(g) **Financial instruments (cont'd) -**

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability. Financial liabilities are re-measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

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

Trade receivables

Trade receivables are measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Comprehensive Income when there is objective evidence that the asset is impaired.

Trade payables

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

Bank loans

Bank loans are recognised initially at fair value, net of transaction costs incurred. Bank loans are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the loan using the effective interest method.

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

3. **Significant Accounting Policies (Cont'd):**

(g) **Financial instruments (cont'd) –**

Financial liabilities (cont'd)

Finance Leases

Assets obtained under finance leases are capitalised in the Statement of Financial Position and are depreciated over their estimated useful economic lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the Statement of Comprehensive Income over the relevant period. The capital element of the future payments is treated as a liability.

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

(h) **Revenue recognition -**

Sales are recognized upon delivery of products and the performance of services to the customer net of Value Added Tax and discounts.

(i) **Foreign currency -**

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

(j) **Comparative figures -**

Certain changes in the presentation have been made during the year and comparative figures have been restated accordingly. These changes have no impact on the surplus reported for the previous year.

THE VEHICLE MANAGEMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

4. **Financial Risk Management:**

Financial risk factors

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

a) **Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Corporation is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets.

b) **Credit risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the Statement of Financial Position date. The Corporation relies heavily on its Accounting Polices and Procedures which sets out in detail the current policies governing the granting of credit function and provides a comprehensive framework for prudent risk management of the credit function.

The Corporation's debtors' portfolio is managed and consistently monitored by the Corporation's management. The Corporation has identified in its strategic objectives the need for the effective management of its trade receivables and has moved to establish better communication with its major customers.

Cash balances are held with high credit quality financial institutions and the Corporation also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

c) **Liquidity risk -**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Corporation has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Corporation is able to make daily calls on its available cash resources to settle financial and other liabilities.

THE VEHICLE MANAGEMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

d) **Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

e) **Operational risk -**

Operational risk is the risk derived from deficiencies relating to the Corporation's information technology and control systems, as well as the risk of human error and natural disasters. The Corporation's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error. Additionally, staff is often rotated and trained on an on-going basis.

f) **Compliance risk -**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Corporation's line ministry, the Ministry of Works and Transport, as well as by the monitoring controls applied by the Corporation.

g) **Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to the Corporation's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Corporation. The Corporation engages in public social endeavours to engender trust and minimize this risk.

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

5. **Critical Accounting Estimates and Judgments:**

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Corporation's accounting policies. See Note 3 (b).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. The Corporation makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

i) Whether investments are classified as held to maturity investments, available for sale or loans and receivables.

ii) Whether leases are classified as operating leases or finance leases.

iii) Which depreciation method for plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each Statement of Financial Position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Plant and equipment

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

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

6. **Cash in Hand and at Bank:**

	30 September 2013	2012
Petty cash - San Fernando	$ 6,000	$ 6,000
Petty cash - Tobago	5,000	5,000
Petty cash - Port of Spain	6,450	10,000
First Citizens Bank Limited US$ savings account	241,893	2,715
First Citizens Bank Limited UK£ account	9,607	9,675
First Citizens Bank Limited TT$ chequing account	2,144,789	527,742
Intercommercial Bank	53,742	54,641
	$ 2,467,481	$ 615,773

7. **Short-term Investments:**

The short-term investments are held at the First Citizens Bank Limited - Abercrombie Fund.

8. **Accounts Receivable and Prepayments:**

	30 September 2013	2012 (Re-stated)
Trade debtors	$ 31,200,558	$ 35,982,350
Public Transport Service Corporation – 85 Yutong Buses **(see Note 13)**	26,782,626	32,977,626
VAT recoverable	1,564,998	1,501,335
Other receivables	58,727	74,390
Prepayments	540,411	279,981
	60,147,320	70,815,682
Less: Provision for bad debts	(18,254,121)	(10,520,563)
	$ 41,893,199	$ 60,295,119

Provision for Bad Debts:

	2013	2012
Balance at beginning of year	$ 10,520,563	$ 1,407,654
Provisions for bad debts	7,733,558	9,112,909
Balance at end of year	$ 18,254,121	$ 10,520,563

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. **Inventories:**

	30 September 2013	30 September 2012
Spare parts	$ 5,144,522	$ 7,895,993
Work-in-progress	4,518,896	2,502,082
	$ 9,663,418	$ 10,398,075

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10. Fixed Assets:

	Leasehold Improvements	Construction Work-in-Progress	Plant and Machinery	Office Equipment	Motor Vehicles	Computer Software & Equipment	Total
Cost							
Balance as at 1 October 2012	$ 39,094,044	$ 1,677,509	$ 14,089,639	$ 3,264,395	$ 1,456,652	$ 3,846,203	$ 63,428,442
Additions	-	459,914	5,740	15,886	-	36,799	518,339
Balance as at 30 September 2013	39,094,044	2,137,423	14,095,379	3,280,281	1,456,652	3,883,002	63,946,781
Accumulated Depreciation							
Balance as at 1 October 2012	22,749,495	-	10,817,842	1,724,308	1,289,249	3,778,827	40,359,721
Charge for the year	1,040,314	-	255,493	230,303	167,403	56,887	1,750,400
Balance as at 30 September 2013	23,789,809	-	11,073,335	1,954,611	1,456,652	3,835,714	42,110,121
Net Book Value							
Balance as at 30 September 2013	$ 15,304,235	$ 2,137,423	$ 3,022,044	$ 1,325,670	$ -	$ 47,288	$ 21,836,660
Balance as at 30 September 2012	$ 16,344,549	$ 1,677,509	$ 3,271,797	$ 1,540,087	$ 167,403	$ 67,376	$ 23,068,721

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

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10. Fixed Assets Cont'd):

	Leasehold Improvements	Construction Work-in-Progress	Plant and Machinery	Office Equipment	Motor Vehicles	Computer Software & Equipment	Total
Cost							
Balance as at 1 October 2011	$ 39,018,973	$ -	$ 14,085,711	$ 3,209,160	$ 1,456,652	$ 3,839,120	$ 61,609,616
Additions	457,200	1,677,509	39,730	55,235	-	18,532	2,248,206
Transfers	(382,129)	-	(35,802)	-	-	-	(417,931)
Disposals	-	-	-	-	-	(11,449)	(11,449)
Balance as at 30 September 2012	39,094,044	1,677,509	14,089,639	3,264,395	1,456,652	3,846,203	63,428,442
Accumulated Depreciation							
Balance as at 1 October 2011	19,671,469	-	10,291,838	1,485,724	1,038,149	3,523,782	36,010,962
Charge for the year	3,078,026	-	526,004	238,584	251,100	265,843	4,359,557
Disposals	-	-	-	-	-	(10,798)	(10,798)
Balance as at 30 September 2012	22,749,495	-	10,817,842	1,724,308	1,289,249	3,778,827	40,359,721
Net Book Value							
Balance as at 30 September 2012	$ 16,344,549	$ 1,677,509	$ 3,271,797	$ 1,540,087	$ 167,403	$ 67,376	$ 23,068,721
Balance as at 30 September 2011	$ 19,347,504	$ -	$ 3,793,873	$ 1,723,436	$ 418,503	$ 315,338	$ 25,598,654

THE VEHICLE MANAGEMENT CORPORATION
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11. Accounts Payable and Accrued Liabilities:

	30 September 2013	30 September 2012 (Re-stated)
Trade payables	$ 9,851,522	$ 13,538,681
Accruals	608,206	453,141
Accrued vacation leave	386,414	892,770
Advance payments on procurement	7,530,677	6,795,568
Deferred income	399,819	345,035
Statutory deductions and salaries payable	610,289	723,731
Business Levy payable	29,853	24,252
Green Fund Levy payable	12,328	9,527
Insurance claim settlement on behalf of Police	848,910	848,910
VAT liability (**Note 24**)	3,651,098	3,651,098
	$ 23,929,116	**$ 27,282,713**

12. Deferred Taxation:

	30 September 2013	30 September 2012
Balance at beginning of year	$ 209,750	$ 180,601
Effect of Statement of Comprehensive Income	86,287	29,149
Balance at end of year	**$ 296,037**	**$ 209,750**

Deferred taxation is attributable to the following items:

	2013	2012
Excess of net book value over written-down tax value	$ 296,037	$ 209,750
	$ 296,037	**$ 209,750**

The Corporation has not recognised the deferred tax asset on taxable losses totaling **$87,503,576** (2012:**$78,635,702**) in accordance with IAS 12 Income Taxes.

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NOTES TO THE FINANCIAL STATEMENTS

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13. Loans:

	30 September 2013	30 September 2012
Trinidad and Tobago Unit Trust Corporation	$ 26,845,000	$ 33,040,000

This balance represents a **TT$41.3 million** loan granted for the purpose of purchasing sixty (60) 29-33 seater buses and twenty-five (25) 49-seater buses for use by the Public Transportation Services Corporation (PTSC) from Yutong Honk Kong Limited. It is repayable over a period of ten (10) years. Interest accrues at a rate of 4.90% per annum and is repayable semi-annually in arrears commencing six months after the drawdown date. A Letter of comfort has been issued by the Government of the Republic of Trinidad and Tobago for the security of the loan.

This loan is to be transferred to the PTSC within the subsequent financial period and as a result, the interest payable as at 30 September 2013 of **$2,278,742** was not recorded as a liability in the Corporation's financial statements.

14. Stated Capital:

	30 September 2013	30 September 2012
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
2 shares of no par value	$ 2	$ 2
Additional transfers by the Government of the Republic of Trinidad and Tobago through:		
Payments of loan instalments	55,000,000	55,000,000
Infrastructure Development Fund	33,786,195	32,870,193
	$ 88,786,197	$ 87,870,195

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NOTES TO THE FINANCIAL STATEMENTS

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15. Cost of Goods Sold:

	30 September 2013	30 September 2012
Opening stock	$ 10,398,075	$ 10,763,913
Purchases	5,291,360	10,073,450
Salaries, wages and other staff expenses	6,266,738	4,452,031
	21,956,173	25,289,394
Less: Closing stock	9,663,418	10,398,075
	$ 12,292,755	**$ 14,891,319**

16. Administrative Expenses:

	30 September 2013	30 September 2012
Computer expenses	$ 50,182	$ 40,464
Electricity	527,694	602,450
Interest and penalties	72,036	316,163
Entertainment expenses	90,279	362,086
Medical expenses	16,533	50,184
Office expenses	344,783	664,222
Other expenses	306,043	273,768
Publications and subscriptions	8,139	44,282
Safety supplies	19,735	87,700
Sanitation	47,656	111,515
Security expense	1,659,163	1,659,163
Telephone expense	523,602	592,185
	$ 3,665,845	**$ 4,804,182**

THE VEHICLE MANAGEMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

17. Bank Charges and Loan Interest:

	30 September 2013	30 September 2012
Bank charges	$ 15,400	$ 20,097
Loan interest	2,278,742	1,811,057
Foreign exchange gain	7,675	24,953
	2,301,817	1,856,107
Less: Reimbursed interest expense	(2,278,742)	(1,811,057)
	$ 23,075	$ 45,050

18. Salaries and Staff Benefits:

	30 September 2013	30 September 2012
Salaries, wages and other staff expenses	$ 6,354,671	$ 8,306,330
National Insurance	331,098	371,583
Uniforms	1,025	52,299
	$ 6,686,794	$ 8,730,212

19. Other Income:

	30 September 2013	30 September 2012
Miscellaneous income	$ 110,982	$ 163,195
Procurement fees	78,154	686,464
Rental income	180,000	180,000
Tenders	17,500	26,000
Gain on disposal of fixed asset	-	2,309
	$ 386,636	$ 1,057,968

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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20. Taxation:

	30 September 2013	30 September 2012
Business Levy	$ (25,765)	$ (35,170)
Green Fund Levy	(12,883)	(17,585)
Deferred taxation	(86,287)	(29,149)
	$ (124,935)	$ (81,904)

Reconciliation arising from using the basic rate of tax as follows:

	2013	2012
Net deficit before taxation	$ (9,669,789)	$ (15,668,485)
Tax rate at 25%	2,417,447	3,917,121
Tax effect of expenses not deductible for tax purposes	(28,250)	(129,613)
Business Levy	(25,765)	(35,170)
Green Fund Levy	(12,883)	(17,585)
Tax on exempt income	1,564	5,894
Permanent difference relating to assets, which do not attract wear and tear	(260,079)	(750,807)
Taxable losses not recognised	(2,216,969)	(3,071,744)
	$ (124,935)	$ (81,904)

THE VEHICLE MANAGEMENT CORPORATION
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21. Related Party Transactions:

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Corporation.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms at market rates.

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

	30 September 2013	30 September 2012
Assets		
Amounts due from related parties and key management personnel	$ 14,254	$ 11,389
Income		
Service repairs	$ -	$ 16,389
Expenses		
Directors' fees	$ 361,368	$ 621,000
Key management compensation		
Short-term benefits	$1,642,818	$2,045,596
Post employment benefits	302,000	363,600
	$1,944,818	$2,409,196

22. Re-statement:

At a meeting of the Finance Sub-committee of the Board of Directors held on 25 June 2015, a decision to write off long outstanding balances pertaining to government agencies totalling **$3,554,531** to Equity was approved. Other miscellaneous balances pertaining to other long outstanding balances in Accounts Receivable and Accounts Payable of **$783,217** were also written-off to Equity.

The Accumulated Deficit as at 1 October 2012 was restated by **$4,337,748** in accordance with the requirements of IAS 8 Accounting Policies - Changes in Accounting Estimates and Errors.

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23. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

24. VAT Liability:

On 22 January 2010, the Value Added Tax (VAT) Office issued a Letter of Proposed Adjustment to the Corporation with respect to amendments to its VAT Returns for the periods ending December 2005 to June 2009. The letter followed the completion of a VAT audit conducted between November and December 2009. The proposed adjustment represented disallowed input VAT totalling **$3,651,098** for the period audited and was based on the interpretation of Section 34 (3) (b) of the VAT Act which requires the Corporation to apportion the input VAT based on the amount of government subventions received.

The Corporation challenged the Letter of Proposed Adjustment on the basis that subventions received from the Government of the Republic of Trinidad and Tobago are used for the payment of salaries and wages, which do not attract VAT.

The Corporation received a letter from the Ministry of Finance on 21 May 2012 which provided an explanation for the proposed VAT adjustment, however, in a response dated 30 July 2012, VMCOTT disagreed with the interpretation of the Section 34(3) of the VAT Act provided. A meeting with the Permanent Secretary at the Ministry was requested to resolve the matter.

VMCOTT was advised by the Ministry of Finance that under Section 34 (3) (b) of the VAT Act, a portion of all subventions paid to state enterprises is deemed to be commercial supplies and VAT is therefore calculated on the reduced figure.

On 12 August 2013, VMCOTT met with officials from the Board of Inland Revenue and agreed a payment plan for the VAT liability. The Corporation would have to pay the sum of **$106,500** per month and these payments would be applied to the principal balance due. When the liability was fully paid, VMCOTT would then be in a position to apply for a waiver of interest and penalties calculated on the principal balance.