Evolving TecKnologies and Enterprise Development Company Limited

Consolidated Financial Statements

30 September 2019

(Expressed in Trinidad and Tobago Dollars)

Evolving TecKnologies and Enterprise Development Company Limited

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Statement of Management's Responsibility

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Evolving TecKnologies and Enterprise Development Company Limited (the Group), which comprise the statement of financial position as at September 30, 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;

- Ensuring that the Group keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Groups's assets, detection/prevention of fraud and the achievement of the Group's operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgment in the determination of estimates.

In preparing these financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Name: Imitiaz Ahamad
Title: Chairman
Date: 12 February 2021

Name: Arnold De Four
Title: Director
Date: 12 February 2021

KPMG
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Independent Auditor's Report to the shareholders of
Evolving TecKnologies and Enterprise Development Company Limited

Opinion

We have audited the consolidated financial statements of Evolving TecKnologies and Enterprise Development Company Limited ("the Group"), which comprise the consolidated statement of financial position as at September 30, 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

Emphasis of Matter

We draw attention to Note 30 (f) of the consolidated financial statements, which describes the effects on the Group of the global pandemic which was declared by the World Health Organization related to the novel coronavirus disease 2019 (COVID-19). In addition, we draw attention to Note 2.1.1 which justifies the ongoing use of the going concern assumption in the basis of preparation of these consolidated financial statements. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

Chartered Accountants

Port of Spain
Trinidad, West Indies

February 24, 2021

Evolving TecKnologies and Enterprise Development Company Limited

Consolidated Statement of Financial Position

	Note	September 30 2019 $'000	2018 $'000
ASSETS			
Non-Current Assets			
Investment Properties	5	1,616,446	1,558,298
Property, Plant and Equipment	6	127,569	142,114
Investments	7	--	--
Restricted Cash	8	149,361	182,359
		1,893,376	1,882,771
Current Assets			
Inventory	9	2,723	3,002
Other Receivables and Prepayments	10	3,168	7,564
Trade Receivables	11	6,501	6,761
Cash At Bank and In Hand	12	33,340	29,892
		45,732	47,219
Total Assets		**1,939,108**	**1,929,990**
EQUITY AND LIABILITIES			
Capital And Reserves			
Share Capital	13	1	1
Capital Contributions	14	2,472,278	2,359,718
Accumulated Deficit		(1,117,981)	(1,070,834)
Total Equity		1,354,298	1,288,885
Non-Current Liabilities			
Borrowings - Long Term Portion	17	384,465	448,065
Deferred Income	15	87,185	87,928
		471,650	535,993
Current Liabilities			
Bank Overdraft	12	1,031	486
Tax Payable		1	2
Trade and Other Payables	16	48,528	41,024
Borrowings - Short Term Portion	17	63,600	63,600
		113,160	105,112
Total Liabilities		584,810	641,105
Total Equity And Liabilities		**1,939,108**	**1,929,990**

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

On **12 February 2021**, the Board of Directors authorised these financial statements for issue.

Director Director

Evolving TecKnologies and Enterprise Development Company Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	Year Ended September 30 2019 $'000	2018 $'000
Revenue	18	75,777	79,134
Other Operating Income		873	89
		76,650	79,223
Expenses			
Operating		(45,229)	(87,840)
Administrative		(47,423)	(48,377)
Marketing		(98)	(57)
	19	(92,750)	(136,274)
Operating Loss		(16,100)	(57,051)
Net Loss from Fair Value Adjustment on Investment Properties	5	(8,540)	(327,691)
Impairment Reversal	26	-	214,580
Impairment Loss on Property, Plant and Equipment	6	-	(41,856)
Finance Costs	17	(19,499)	(18,909)
Interest Income		40	43
Loss Before Taxation		(44,099)	(230,884)
Taxation Charge	20	(678)	(745)
Total Comprehensive Loss For The Year		(44,777)	(231,629)
Attributable To:			
Owners of the Parent		(44,777)	(231,629)
Non-Controlling Interests		--	--
		(44,777)	(231,629)

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

Evolving TecKnologies and Enterprise Development Company Limited

Consolidated Statement of Changes in Equity

	Note	Share Capital $000	Capital Contributions $000	Accumulated Deficit $000	TOTAL $000
Year ended 30 September 2019					
Balance at 1 October 2018 as previously stated		1	2,359,718	(1,070,834)	1,288,885
Adjustment on initial application of IFRS 9				(2,370)	(2,370)
Adjusted Balance at 1 October 2018		**1**	**2,359,718**	**(1,073,204)**	**1,286,515**
Total Comprehensive Loss for the year		--	--	(44,777)	(44,777)
Capital Contributions	14	--	112,560	--	112,560
Balance as at 30 September 2019		**1**	**2,472,278**	**(1,117,981)**	**1,354,298**
Year ended 30 September 2018					
Balance at 1 October 2017		1	2,276,223	(839,205)	1,437,019
Total Comprehensive Loss for the year		--	--	(231,629)	(231,629)
Capital Contributions	14	--	83,495	--	83,495
Balance as at 30 September 2018		**1**	**2,359,718**	**(1,070,834)**	**1,288,885**

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

Evolving TecKnologies and Enterprise Development Company Limited

Consolidated Statement of Cash Flows

	Note	Year Ended September 30 2019 $'000	2018 $'000
Net Cash (Used In)/ Generated From Operating Activities	21	(10,193)	169,890
Investing Activities			
Purchase of Property, Plant and Equipment		(819)	(3,535)
Expenditure on Investment Properties		(68,043)	(228,401)
Receipt / (Use) of restricted cash		32,998	(3,828)
Net Cash Used In Investing Activities		(35,864)	(235,764)
Financing Activities			
Capital Contributions Received		112,560	83,495
Repayment of Borrowings		(63,600)	(63,600)
Net Cash Generated From Financing Activities		48,960	19,895
Increase / (Decrease) In Cash And Cash Equivalents		2,903	(45,979)
Cash and Cash Equivalents at Beginning of Year		29,406	75,385
Cash and Cash Equivalents at End of Year		32,309	29,406
Represented by			
Cash at Bank and In Hand		33,340	29,892
Bank Overdraft		(1,031)	(486)
	12	32,309	29,406

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

1 Incorporation and Principal Business Activities

The Parent Company was incorporated in the Republic of Trinidad and Tobago on 30 January 1997 as Property and Industrial Development Company of Trinidad and Tobago Limited (PIDCOTT) and commenced operations in September 1997. The address of its registered office is # 9 - 15 eTecK Blvd. Tamana InTech Park, Wallerfield. At its inception the Parent Company was a wholly owned subsidiary of the Tourism and Industrial Development Company of Trinidad and Tobago Limited (TIDCO) until August 2003 when its issued shares were transferred to the Corporation Sole. PIDCOTT's name was subsequently changed to Evolving TecKnologies and Enterprise Development Company Limited (eTecK). Its principal activities are the provision of industrial estate properties to the business sector, the rental of its Trinidad Hilton Property located in Port of Spain, Trinidad (Note 5b), and development of new industrial estates. The Parent Company is also an investment holding company with Vanguard Hotel Limited (VHL), (trading as Magdalena Grand Beach and Golf Resort) being its main operating subsidiary. The Parent Company also receives mandates from the shareholder to project-manage other specific state sector projects.

2 Summary of Significant Accounting Policies

The principal accounting policies adopted 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.

2.1 Basis of preparation

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

The financial statements have been prepared under the historical cost convention except for investment properties which are measured at fair value.

These consolidated financial statements are presented in Trinidad & Tobago dollars, which is the Group's functional currency. All financial information presented in Trinidad and Tobago dollars has been rounded to the nearest thousands, except when otherwise indicated.

2.1.1 Going Concern

The Group as at 30 September 2019 had an Accumulated Deficit of $1.1b and a Total Comprehensive Loss of $45m for the year then ended. Additionally, the Group's Current Liabilities exceed Current Assets by $67m. Current Liabilities which total $113m include the current portion of Borrowings of $64m. There is a guarantee by the Government of the Republic of Trinidad and Tobago (GORTT) for the Total Borrowings of $448m and these are serviced in full by GORTT through the Ministry of Finance.

For fiscal 2019, GORTT's debt service, on behalf of the Group was $83m. This debt service is accounted for as Capital Contributions (Refer to Note 2.13).

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.

2 Summary of Significant Accounting Policies (Continued)

2.1 **Basis of preparation** (Continued)

2.1.1 **Going Concern** (Continued)

The GORTT's continued support to date has been evidenced by:

- By letter of support dated 24 August 2020 received from the Ministry of Finance (MOF), the Parent Company was informed that the Ministry will ensure that financial support is provided to meet its operating and capital expenditures. The MOF further confirmed this in the post balance sheet period by its commitment and disbursement of GORTT funding to support the Parent Company in its expenditure as described below.
- The Parent Company's continued receipt of funds under the Public Sector Investment Programme (PSIP) in respect of ongoing initiatives and projects of $29.3m in 2019 and a further budgeted allocation of $16m in 2020 towards the construction of an agro-processing and light industrial park in Moruga.
- The Group's continuing ability to consistently and adequately meet its liabilities as they fall due.

The ability of the Parent Company 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.

2.1.2 **New standards and interpretations**

New and amended standards

The following standards have been issued and are effective for periods beginning on or after 1 January 2018. These standards have been adopted by the Group and were applied in preparing these financial statements; however their impact has been immaterial to the financial statements.

- IFRS 15, *Revenue from Contracts with Customers,* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 replaces IAS 11, *Construction Contracts,* IAS 18, *Revenue,* IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate,* IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue- Barter Transactions Involving Advertising Services* and became effective on January 1, 2018.
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2 Summary of Significant Accounting Policies (Continued)

2.1 **Basis of preparation** (Continued)

2.1.2 **New standards and interpretations** (Continued)

Revenue Recognition

The core principle of IFRS 15 is that an entity will recognise revenue when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer

- Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.

- Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

- Allocate the transaction price to the performance obligations in the contract.

- Recognise revenue when (or as) the performance obligation is satisfied.

Management has adopted IFRS 15 from the October 1, 2018 and has not restated comparative figures. IFRS 15, however, did not have a material impact on the Group's financial statements.

Revenue is derived from the following streams and is recognised and measured under the guidance of IFRS 15.

Rental Income

The Parent Company enters into lease agreements with tenants for the rental of Factory Shells or Land. Lease details include but are not limited to, the location of allocated factory shell unit/land site, total leasable area and the monthly/annual rent due. These lease agreements are negotiated and agreed upon prior to the tenant taking occupation. The performance obligation under tenant rental agreements is the provision of factory shell and/or land space.

Revenue is recognised when the performance obligation is met at a stipulated transaction price in accordance with IFRS 15. That is, revenue earned as rental income is recognised on an accrual basis in accordance with the terms of the individual lease agreements with tenants for industrial parks and hotel property. Revenue in respect of long-term leases (premiums) are deferred and recognised as Revenue over the term of the lease.

2 **Summary of Significant Accounting Policies** (Continued)

2.1 **Basis of preparation** (Continued)

2.1.2 **New standards and interpretations** (Continued)

Service Fees

Service Fees are charged to tenants on the basis of their lease provisions. The lease stipulates what costs can be considered and how e TecK calculates these service fees. Designated costs for each Park is identified for inclusion in the service fee calculation, totaled and allocated on a pro rata basis (area occupied by tenant/ total leasable area) as service fees to the liable tenants. Service Fees are only recognised when the tenant is invoiced for maintenance services supplied in accordance with the terms of the individual lease agreements with tenants for industrial parks.

Interest Income

Interest income is recognised using the effective interest method and is only recognised when it is determined that it will accrue to the Group.

Other Income

Other income general is derived from prequalification and tender fees and is recognised when the right to receive the payment is established.

Income from VHL (trading as Magdalena Grand Beach & Golf Resort)

Revenue is mainly derived from room rental, provision of food and beverage services and golfing facilities. Transaction prices for the products and services offered by the Hotel are predetermined based on business and economic factors.

Revenue is recognised when the performance obligation of actual night stay has been met at an amount that reflects the consideration due to VHL.

2 Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

2.1.2 New standards and interpretations (Continued)

- IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss.

  The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Management has determined that application of IFRS 9 has resulted in an additional allowance for impairment on trade receivables alone of $2,369,535.

  The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at 1 October 2018.

	Original Classification – IAS 39	**New Classification – IFRS 9**	**Carrying Amount – IAS 39 ($'000)**	**Carrying Amount – IFRS 9 ($'000)**
Financial Assets				
Trade and Other Receivables	Loans and Receivables	Amortised Cost	7,564	5,194
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost	29,892	29,892
Financial Liabilities				
Trade Payables	Other financial Liabilities	Other Financial Liabilities	41,024	41,024

2 **Summary of Significant Accounting Policies** (Continued)

2.1 **Basis of preparation** (Continued)

2.1.2 **New standards and interpretations** (Continued)

I. Business Model Assessment

According to IFRS 9, a business model can be determined through the activities that an entity undertakes to achieve its business objective. The entity's business model does not depend on management's intentions for an individual instrument but rather all relevant evidence that is available as at the date of the assessment. It is a matter of fact and not merely an assertion.

The business model assessment determines whether financial assets are held to collect, for sale or for trading. The Group's business model has been assessed to be held to collect and hence the financial assets included within this category should be initially recognized at fair value and subsequently measured at amortized cost.

II. Held to Collect Business Model

If the entity's objective is to hold the asset to collect the contractual cash flows, the asset will be classified under the hold to collect business model. In this instance the contractual terms of the financial asset give rise on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

III. Provision for Expected Credit Loss

The new expected credit loss model applies to financial assets that are not measured at FVPL, including loans, lease and trade receivables and debt securities. In the case of the Group applicable assets are trade receivables and cash and cash equivalents.

2. Summary of Significant Accounting Policies (Continued)

2.1.2 **New standards and interpretations** (Continued)

a) Under the new impairment model, the default rate was determined by examination of historical data along with a forward looking projection based on economic factors.

The Group assumes the credit risk on a financial asset has increased significantly if it has aged more than thirty (30) days past due. A financial asset is considered to be in default when it is unlikely that the debtor will settle its obligation in full based on circumstances that might have occurred or if the financial asset is more than ninety (90) days past due.

Lifetime Expected Credit Losses (ECL) are the expected credit losses that result from all possible default events over the expected life of the financial instrument. ECLs are the weighted average credit losses with the probability of default ('PD') as the weight.

At the end of each reporting period the Group assess the credit risk of impairment of financial assets. The expected credit loss is then deducted from the gross carrying amount of the financial asset.

b) New and amended standards not yet adopted

The following standards have been issued and are effective for periods beginning on or after 1 January 2019. The Group has not early-adopted these standards and therefore they have not been applied in preparing these financial statements. However, IFRS 16 and IFRIC 23 are applicable to VHL's financial statements as the subsidiary's year-end is December 31, 2019. The Management of VHL has assessed the effect of these standards and determined that the current recognition policies meet the guidance provided and as a consequence there is no material impact to the financial statements.

- IFRS 16, *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17, *Leases*. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. There are no significant changes to lessor accounting aside from enhanced disclosure requirements. IFRS 16 will become effective on January 1, 2019.

- IFRIC 23 *Uncertainty over Income Taxes* provides clarity on the accounting for income tax treatments that have not yet been accepted by the tax authorities. The standard provided guidance on how to recognise and measure deferred and current income tax assets and liabilities if there is uncertainty over the tax treatment. IFRIC 23 will become effective on January 1, 2019.

- *Amendments to References to Conceptual Framework in IFRS Standards* are a comprehensive revision of the existing framework. It covers all aspects of standard setting including presentation and disclosures of financial statements. These amendments will become effective on January 1, 2020.

2 Summary of Significant Accounting Policies (Continued)

2.2 Investment Property

Property that is held for long-term rental and that is not occupied by the Group, is classified as investment property. Investment Property also includes property that is being constructed or developed for future use as Investment Property.

Property held under operating leases that meet the qualification criteria as Investment Property is classified and accounted for as such by the Group. The operating lease is accounted for as if it were a finance lease.

Investment Property is measured initially at cost, including related transaction costs and where applicable, borrowing costs.

After initial recognition, Investment Property is carried at fair value. Investment Property under construction is measured at fair value if the fair value is considered to be reliably determined. Investment Properties under construction for which the fair value cannot be determined reliably, but for which the Group expects that the fair value of the property will be reliably determined when construction is completed, are measured at cost less impairment until the fair value becomes reliably determined or construction is completed – whichever is earlier.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed periodically by professional valuators who hold recognised and relevant professional qualifications. These valuations form the basis for the carrying amounts in the financial statements. Investment Property that is being redeveloped for continuing use as Investment Property or for which the market has become less active continues to be measured at fair value.

The fair value of Investment Property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an Investment Property is replaced, the carrying amount of the replaced part is derecognised. Changes in fair values are recognised in profit or loss.

2 Summary of Significant Accounting Policies (Continued)

2.3 Property, Plant and Equipment

Apart from the Parent Company's administrative building and equipment and furniture, which are stated at historical cost less accumulated depreciation, all other property, plant and equipment which represents the property and chattel of Vanguard Hotel Limited, were stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The current net book value was the result of a valuation performed by CBRE in June 2018.

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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases/decreases in the carrying amount arising on revaluations are credited/charged to other comprehensive income/loss and shown as revaluation reserve in shareholders' equity. Going forward from the initial directors' valuation, decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the statement of comprehensive income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings/accumulated deficit.

Land which is held on a leasehold basis for 999 years that commenced in 1997 is not depreciated however was impaired as a result of the revaluation of the entire hotel asset done by CBRE. Depreciation on other assets held by the subsidiary is calculated using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

- Buildings (Hotel)	10 years
- Buildings (Administrative)	10 years
- Building improvements	7.5 years
- Furniture and fittings	10 years
- Machinery and equipment	10 years

Equipment and furniture held by the Parent Company as described above are depreciated as follows:

Buildings	10%	Reducing Balance
Equipment and furniture	10% - 33⅓%	Reducing Balance
Trinidad Hilton Property:		
Furniture, Fixtures & Fittings	25%	Straight Line
Leasehold Improvements	N/A	Depreciated Over Lease Term

The assets' residual values and useful lives are reviewed, and adjusted prospectively if appropriate, if there is an indication of significant change since the last reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.4 **Consolidation**

a) Subsidiaries

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. Consolidation ceases from the date that control ends.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in Associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its Associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in reserves, if applicable. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an Associate equals or exceeds its interest in the Associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the Associate.

Unrealised gains on transactions between the Group and its Associate(s) are eliminated to the extent of the Group's interest in the Associate(s). Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of Significant Accounting Policies (Continued)

2.5 Foreign Currencies

(a) *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'). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.6 Employee Benefits

The Group's permanent monthly paid employees are required to participate in a registered deferred annuity scheme. This scheme is intended to provide a pension to those who participate and therefore constitutes the Group pension plan. The plan is a defined contribution plan. Employees contribute 5% of their basic salary and the Group contributes 10% of the employees' basic salary. The Group's contributions to the pension plan are charged to statement of comprehensive income in the year to which they relate.

2.7 Trade Receivables

Trade Receivables are carried at amortized cost. A provision for impairment of trade receivables is established using the expected credit loss model.

The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

2.8 Inventories

Inventories are stated at the lower of cost and net realizable value. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to sell; the impairment loss is recognized immediately in the statement of comprehensive income.

2 Summary of Significant Accounting Policies (Continued)

2.9 **Cash At Bank and In Hand**

Cash and cash equivalents include cash in hand, deposits held at call with bank and other bank balances with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash at bank and in hand, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.10 **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 will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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 recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.11 **Trade Payables**

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

Trade payables are recognised at fair value.

2.12 **Capital Contributions**

Capital Contributions comprise:

- Amounts received from the state for the execution of projects stipulated by the shareholder. Project expenditure is capitalised or expensed in accordance with company policy.

- The value of assets transferred to the Group for which no or less than market consideration is required.

These amounts are unsecured, interest free and have no fixed repayment terms.

Included in Capital Contributions are amounts received by the Group under the Public Sector Investment Programme (PSIP), debt service by GORTT on behalf of the Group, amounts received from GORTT to liquidate VHL's debt at acquisition and amounts transferred from former parent, Tourism Development Company Limited (TDC).

2 Summary of Significant Accounting Policies (Continued)

2.13 Current and Deferred Income Taxes

The tax expense for the period comprises current tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 in the countries where the Parent Company and its Subsidiaries and Associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Borrowings

Borrowings are recognised initially at the loan principal amount. Related transaction costs incurred are expensed.

Borrowings are recognised at the full face value of outstanding principal and interest repayments to maturity.

Borrowings are classified as current liabilities for amounts due within 12 months and non-current liabilities for amounts due after 12 months.

Any breach of loan covenants will result in total Borrowings being 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.

2 Summary Of Significant Accounting Policies (Continued)

2.15 **Leases**

(i) The Group is the Lessee

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 (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the Lessor

Assets leased out under operating leases are included in Property, Plant and Equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similarly owned Property, Plant and Equipment. Rental income (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

2.16 **Share Capital**

Ordinary shares are classified as equity and are all ranked equally. They entitle the holder to participate in dividends as declared by the Group from time to time in proportion to the amounts paid up or credited as paid up thereon respectively.

On a show of hands every member present at a meeting, in person or by proxy, is entitled to one vote for every share of which he is a holder.

2.17 **Impairment of Assets**

The Group assesses its assets for impairment whenever events or changes in circumstances indicate that the carrying value of its assets may not be recoverable. If any such indication of impairment exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of fair value less costs to sell and value in use.

Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

3 Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by Management. Management identifies and evaluates financial risks.

(a) *Market risk*

Foreign exchange risk

The Group has no significant foreign exchange risk.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

The Group has no significant concentration of credit risk.

Customers trading on credit terms are subject to credit verification procedures that include an analysis of each customer's credit worthiness prior to finalising the terms of customer contracts. Trade receivables are managed using the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition. Loss rates are calculated based on historical payment profiles and forward-looking information then applied to the different aging buckets at the year end.

(c) *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.

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

3 Financial Risk Management

3.1 **Financial risk factors** (Continued)

Liquidity Risk Analysis

The table below analyses the Group's financial liabilities based on the remaining period at the Consolidated Statement of Financial Position date to the contractual maturity date. The amounts disclosed below are the contractual undiscounted cash flows.

Maturity Analysis of Financial Liabilities

Financial Liabilities	Carrying Amount $000	Contactual Cashflows: Less than One Year $000	Contactual Cashflows: More than One Year $000	Contactual Cashflows: Total
Year ended 30 September 2019				
Bank Overdraft	1,031	1,031	--	1,031
Trade and Other Payables	48,528	48,528	--	48,528
Borrowings	448,065	81,094	408,156	489,250
Total	**497,624**	**130,653**	**408,156**	**538,809**
Year ended 30 September 2018				
Bank Overdraft	486	486	--	486
Trade and Other Payables	41,024	41,024	--	41,024
Borrowings	511,665	83,161	489,241	572,402
Total	**553,175**	**124,671**	**489,241**	**613,912**

3 Financial Risk Management (Continued)

3.2 Capital Risk Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

	2019	**2018**
	$000	**$000**
Total Borrowings	448,065	511,665
Less Restricted Cash	(149,361)	(182,359)
Less Cash and Cash Equivalents (Net of Overdraft)	(32,309)	(29,406)
Net Debt	266,395	299,900
Total Equity	1,354,298	1,288,885
Total Capital	1,620,693	1,588,785
Gearing Ratio	**16%**	**19%**

4 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.

4.1 Critical accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The accounting policies applied by the Group in which judgments, estimates and assumptions may significantly differ from actual results are discussed below:

(a) **Going Concern**

The financial statements have been prepared on a going concern basis on the assumption that continued financial support will be forthcoming from the shareholder.

(b) **Income taxes**

Some judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(c) **Valuation of Investment Properties**

This is considered a key management estimate because the valuations are based on a variety of factors including assumptions about current and expected market conditions, earnings, etc., which are subject to change. Refer to Note 5.

(d) **Leasehold interests in Trinidad Hilton Property and Tamana Intech Park**

Refer to Note 5.

(e) **Measurement of Fair Value**

The hotel property was carried at a Board of Directors' valuation which was based on the results of an external market position study conducted in 2009, less subsequent depreciation and impairment losses, as explained in note 5.1. The valuation was impacted by various markets, financial, operating and economic assumptions including occupancy rates, room rates, demand/supply expectations, the airlift to Tobago and the inclusion of amenities such as golf and spa facilities. Estimates of the assets useful lives are based on a combination of industry norms and the physical conditions present at the hotel premises.

4 Critical Accounting Estimates and Judgments

(e) **Measurement of Fair Value** (continued)

An updated valuation was obtained in June 2018 from CBRE and the property is currently carried at fair value.

Valuation techniques	*Significant unobservable inputs*	*Inter-relationship between key unobservable inputs and fair value measurements*
Resort Property The income approach considered the Resort's current cash flows, potential cash flows and the property's present state of deferred maintenance.	The resort property has not produced positive cash flows since its re-opening in 2012. Though there is the potential that if sold; the value of the resort property could improve, at the time of the valuation there was not enough evidence to determine an alternate value.	The estimated fair value would increase/(decrease) if: Judgement about what the property can be sold, exchanged, let, mortgaged has been determined to be better or worse.
Investment Property The income approach considered the investment property's potential cash flows. An analysis of the present worth of the anticipated future benefits to the owner over an assumed holding period was also considered.	Net income and the potential rental value of the property in the current investment climate. No rent reviews were enacted during the fiscal.	The estimated fair value would increase/(decrease) if: Judgement about the potential rental value of the property increase/(decreased).

The fair value measurement for the resort property and investment properties have been classified as Level 3 in the fair value hierarchy as per IFRS fair value measurement as the inputs used to determine the property values at year end are not based on an observable market.

Income and expenses for investment properties are as follows:

	2019 **$'000**	**2018** **$'000**
Rental Income	41,691	43,422
Investment Property expenses	9,609	9,712

The carrying value less expected credit loss of trade receivables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

5 Investment Properties

	2019 $'000	2018 $'000
Opening Balance	1,558,298	1,657,588
Additions - subsequent expenditure on Investment Property	68,043	18,906
Disposals	(12,150)	--
Increase / (Decrease) in fair values	2,255	(118,196)
Closing Balance	1,616,446	1,558,298

The Group has 3 major investment properties:

- Industrial estates
- Trinidad Hilton Property
- Tamana Intech Park (TIP), which is under construction and development

The valuation and costs of the above properties are as follows:

	Total $m
Year ended 30 September 2019	
Industrial Estates	1,191
Trinidad Hilton Property	258
Tamana Intech Park	167
Balance at 30 September 2019	1,616
Year ended 30 September 2018	
Industrial Estates	1,160
Trinidad Hilton Property	258
Tamana Intech Park	141
Balance at 30 September 2018	1,558

Industrial Estates, the Trinidad Hilton Property and Tamana Intech Park (TIP) are stated at fair value. In 2003 all industrial park assets as well as the Trinidad Hilton Property) were transferred from Tourism and Industrial Development Company of Trinidad and Tobago Limited (TIDCO) for a consideration of $1.

5 Investment Properties (Continued)

The following sets out the details of each investment property.

a) Industrial Estates

The Parent Company entered into a contract with BCQS International Limited for the provision of valuation services of its Industrial Parks (exclusive of Tamana Intech Park). BCQS International was instructed to provide an assessment of the fair value of these properties in accordance with IAS 40. This exercise was completed in financial year 2018.

The professional valuator used the following methodologies in determining the valuations:

i) Direct Comparison Method
This method was used to determine the valuator's opinion on the value for the properties which were of vacant possession (having no lessee). This method was used to estimate the value of all vacant land sites.

ii) The Investment or Income Capitalisation Method
This method was used to determine the valuator's opinion on value for the properties which were tenanted. It was used to estimate the value of factory shells, and land sites that were leased to tenants.

The movement in the carrying amount of the Industrial Estates is as follows:

	Total $m
Year ended 30 September 2019	
Balance at 1 October 2018	1,160
Additions	41
Disposals	(12)
Fair Value Adjustment	2
Balance at 30 September 2019	1,191
Year ended 30 September 2018	
Balance at 1 October 2017	756
Additions	12
Fair Value Adjustment	392
Balance at 30 September 2018	1,160

5 Investment Properties (Continued)

b) Trinidad Hilton Property

This property, also known as the Trinidad Hilton and Conference Centre, comprises a four-star hotel occupying approximately 30 acres of land at Lady Young Road, St Ann's, Trinidad. As noted above the buildings were acquired from TIDCO for a nominal consideration. The land is leased from the State for a term of 30 years commencing 25 February 2003. This property is sublet to Hilton International Trinidad Limited. The land together with the buildings are being carried in the financial statements at fair value on the basis that the Parent Company is a wholly-owned state enterprise and the lease for the land is expected to be renewed for the foreseeable future when the lease expires.

In 2017, the Parent Company received a valuation of the Trinidad Hilton Property from the Commissioner of Valuations. This valuation stated a notional apportionment of the values attributable to land and buildings/site improvements, of approximately $200m and $50m respectively. Management used this assessment as the basis for the carrying value as at year end. This resulted in an increase in the fair value of $25m. Subsequently, the Group expended a further $8m during the year 2018 on capital works to the hotel.

c) Tamana Intech Park (TIP)

The movement in its carrying amount is as follows:

	Total **$'000**
Year ended 30 September 2019	
Balance at 1 October 2018	141,065
Additions	26,110
Balance at 30 September 2019	167,175
Year ended 30 September 2018	
Balance at 1 October 2017	652,448
Fair Value Adjustment	(511,383)
Balance at 30 September 2018	141,065

Tamana Intech Park is a technology park under construction which is located at Wallerfield in Trinidad. Development works commenced in 2006. The land component of the park is stated at a valuation of $100m.

The current status is that the flagship building and 21 fully serviced lots have been completed and there is a medium-term plan in place regarding the development of certain lots for occupation by potential tenants.

The Board of Directors commissioned a valuation by the Commissioner of Valuations in November 2017 that was carried out and completed in February 2019. The basis of value is the market value which is defined by the Royal Institute of Chartered Surveyors.

TIP was valued at $300m, resulting in a fair value loss of $511m. The fair value loss was applied in full to the Investment Property portion of TIP reducing the value to $141m, thus the Flagship portion maintained the value of $159m.

5 Property, Plant and Equipment

	Land	Buildings	Furnishings And Equipment	Machinery And Equipment	Information Systems	Work In Progress	Total
	$000s	$000s	$000s	$000s	$000s	$000s	$000s
Year ended 30 September 2019							
Opening Net Book Value	2,938	123,287	12,939	2,602	67	282	142,114
Additions	--	45	701	23	50	-	819
Adjustments	--	(83)	-	--	--	--	(83)
Depreciation	--	(12,254)	(1,795)	(1,193)	(39)	--	(15,281)
Closing Net Book Value	2,938	110,995	11,845	1,432	78	282	127,569
As at 30 September 2019							
Cost	18,737	476,900	169,076	40,013	1,647	1,510	707,881
Accumulated Depreciation and Impairment	(15,799)	(365,905)	(157,230)	(38,581)	(1,569)	(1,228)	(580,312)
Net Book Value	2,938	110,995	11,846	1,432	78	282	127,569
Year ended 30 September 2018							
Opening Net Book Value	15,750	152,047	34,189	17,933	449	709	221,076
Additions	--	1,100	1,396	12	226	801	3,535
Disposals	--	--	(2)	--	--	--	(2)
Adjustments	--	4		--	--	--	4
Depreciation	--	(29,770)	(6,558)	(3,998)	(316)	--	(40,642)
Impairment	(12,812)	(93)	(16,086)	(11,345)	(292)	(1,228)	(41,856)
Closing Net Book Value	2,938	123,287	12,939	2,602	67	282	142,114
As at 30 September 2018							
Cost	18,737	476,855	168,375	39,990	1,597	1,510	707,063
Accumulated Depreciation and Impairment	(15,799)	(353,568)	(155,436)	(37,388)	(1,530)	(1,228)	(564,949)
Net Book Value	2,938	123,287	12,939	2,602	67	282	142,114

In June 2018, the Board commissioned PKF/CBRE to perform a valuation study on Vanguard Hotel Limited which resulted in an impairment of TT$41.9m adjusting the hotel property downwards to TT$9.6m. The impairment charge was apportioned to each class of asset on a prorate basis. The amount included in Work In Progress (WIP) refers to consultancy services provided by Smith Warner International for development of the beach area at the Magdalena Grand Beach and Golf Resort, Tobago. The amount included in Work In Progress (WIP) refers to consultancy services provided by Smith Warner International for development of the beach area at the Magdalena Grand Beach and Golf Resort, Tobago.

6 Investments

	Unibio $'000	Bamboo Networks $'000	TOTAL $'000
Year ended 30 September 2019			
Cost as at 1 October 2018	10,110	31,500	41,610
Provision for impairment	(10,110)	(31,500)	(41,610)
Carrying Value as at 30 September 2019	--	--	--

	Unibio $'000	Bamboo Networks $'000	TOTAL $'000
Year ended 30 September 2018			
Cost as at 1 October 2017	10,110	31,500	41,610
Provision for impairment	(10,110)	(31,500)	(41,610)
Carrying Value as at 30 September 2018	--	--	--

Investment	Cost
UniBio	$10m

The Group, in partnership with the National Energy Corporation, has entered into an agreement with UniBio A/S of Denmark to fund a gas to protein pilot plant in Trinidad and Tobago. The Group is required under the arrangement to partner in the funding to the value of 50% of the investment. An initial payment of approximately $10m was provided by the University of Trinidad and Tobago (UTT) on behalf of the Group. This amount was subsequently offset against payments made by the Parent Company, in respect of the training of medical transcriptionists at MDCL, on behalf of UTT. Full provision has been made against this investment due to uncertainty over its viability.

Investment	Cost
Bamboo Networks Limited	$32m

On the 1 July 2005, the Parent Company invested US$5,000,000 representing a 5% interest, in Bamboo Networks Limited, a company incorporated in the Cayman Islands. A total of 8,333,333 shares were purchased at a share price of US$0.60 each. The gross cost incurred of $32m was fully impaired several years ago. Refer to note 26.

7 Restricted Cash

	2019	2018
	$'000	$'000
Cash held for restricted use	149,361	182,359

By correspondence dated 15 October 2014 from the Ministry of Trade and Industry, the Parent Company obtained the sum of $90,867,307 from GORTT. The correspondence indicated that the amount is to be strictly used by the Parent Company to meet the funding requirements of an infrastructure development project for the Endeavour Business and Commercial Park. The amount represents fifteen percent (15%) funding for the project and is to be used strictly to meet the 15% payment to be met by GORTT once its loan application to the China Export-Import Bank for concessional financing for the project is approved. The funds are not to be co-mingled with any other sources of funding by the Parent Company.

In addition, prior approval from the Ministry's Permanent Secretary for utilisation of any portion of the funds must be obtained before incurring any expenditure. The correspondence does not indicate the terms of repayment of the amounts received and whether the balance attracts interest. Management's understanding is that the amount is non-interest bearing. The funds are accounted for as a non-current asset with a corresponding increase in Capital Contributions (Refer to Note 13) and are held in a bank account at First Citizens Bank Limited.

Further, also contained in restricted funds is $63.3M which is the remaining balance on loan disbursement for fulfilment of the Alutech Manufacturing Facility project.

8 Inventories

	2019	2018
	$'000	$'000
Food and Beverage	816	885
Linen	409	498
Golf Supplies	353	376
Operating Supplies	1,120	1,192
Guest Supplies	25	51
	2,723	3,002

All inventories relate to the subsidiary, Vanguard Hotel Limited. A provision for obsolescence is not required because of the nature of inventory held by VHL. During the year, there were no write-downs of inventory.

10 Other Receivables and Prepayments

	2019 $'000	2018 $'000
Value Added Tax (VAT) Refundable	178,137	181,826
Less: Impairment Provision	(178,097)	(181,787)
Net Value Added Tax (VAT)	40	39
Other Receivables and Prepayments	3,128	7,525
	3,168	7,564

The balance reflects the effect of a full provision against Value Added Tax (VAT) refunds of approximately $178m (2018 - $182 million). Most of this VAT balance relates to the Parent Company $174m (2018 - $178 million) and the remainder of $4m (2018 - $4m) relates to VHL.

For financial statement reporting purposes, The Board of Directors and Management consider it is prudent to establish and maintain a provision against these refunds.

11 Trade Receivables

	2019 $'000	2018 $'000
Trade Receivables	22,554	22,086
Less: Provision for Doubtful Debts	(16,053)	(15,325)
Net Trade Receivables	6,501	6,761

11.1 Ageing analysis

The analysis of these balances is as follows:

	2019	2018
0 - 90 Days	3,449	17,734
Over 90 Days	19,105	4,352
	22,554	22,086

11.2 Movement in Provision for Doubtful Debts

	2019	2018
Opening Balance	15,325	15,010
Initial Application of IFRS 9	2,370	-
(Decrease)/Increase in Provision	(1,641)	315
Closing Balance	16,053	15,325

12 Cash and Cash Equivalents

	2019 $'000	2018 $'000
Cash at Bank and In Hand	32,395	28,959
Fixed Deposits and Money Market Instruments	945	933
Subtotal	33,340	29,892
Bank Overdraft	(1,031)	(486)
	32,309	29,406
Interest Income on short-term bank deposits	40	43

13 Share Capital

Authorised 20,000,000 ordinary shares of no par value		
Issued and fully paid 2 ordinary shares of no par value	1	1

14 Capital Contributions

Capital Contributions	2,472,278	2,359,718

This balance comprises amounts received from the Government of the Republic of Trinidad and Tobago (GORTT) in connection with the Group's mandate regarding specific projects, debt service on behalf of the Group and the value of assets received.

The Group accounts for these balances as Capital Contributions in the absence of specific directives from GORTT regarding either conversion or repayment terms and conditions.

15 Deferred Income

	2019 $'000	2018 $'000
Lease Premiums from Industrial Estates (15a)	75,427	76,298
Deferred Revenue pertaining to Land Rent (15b)	6,253	5,713
Deferred Revenue pertaining to projects with Government bodies (15c)	5,505	5,917
Deferred Income as at Year End	87,185	87,928

a) Leases of industrial estates

The Group offers leases for varying periods to its tenants. Long term leases (i.e. those in excess of 35 years) are generally subject to the payment of a contract sum at the beginning of the lease term (or over a short period, typically 1 to 5 years) with a nominal annual rent being due for the remainder of the term. The contract sum is recorded as Deferred Income and recognised over the term of the lease.

Total unamortised permiums received in prior years	76,298	77,169
Premium income recognised during the financial year	(871)	(871)
Deferred Income as at year end	75,427	76,298

b) Deferred Revenue pertaining to Land Rent

In some instances the Parent Company charges an annual Land Rent to its tenants. This amount is initially recorded as Deferred Land Rent Income and subsequently recognised as revenue over the annual rental term.

c) Deferred revenue pertaining to project with Government Bodies

The brought forward balance of $5.5m relates to amounts invoiced and received in connection with the development of a payroll system.

16 Trade And Other Payables

	2019 $'000	2018 $'000
Trade Payables	21,246	16,465
Accruals and Other Payables	27,282	24,559
	48,528	41,024

17 Borrowings

As at 30 September 2019, the Parent Company had four (4) loan facilities that have been guaranteed by the Government of the Republic of Trinidad and Tobago. They are as follows.

	2019 $'000	2018 $'000
Amount Due within 12 Months		
Scotiatrust and Merchant Bank Limited	14,800	14,800
ANSA Merchant Bank Limited	48,800	48,800
	63,600	63,600
Amount Due in Over 1 Year		
First Citizens Bank Limited	160,000	160,000
Scotiatrust and Merchant Bank Limited	14,800	29,600
ANSA Merchant Bank Limited	122,000	170,800
Scotia Bank Limited	87,665	87,665
	384,465	448,065
Finance Costs		
Interest on Bank Borrowings	18,943	18,198
Other Bank Charges	547	702
Loan Administration Fee	9	9
	19,499	18,909

a) First Citizens Bank Limited - $160m

In August 2011, the Group entered into a 10 year loan of TT$ 160m from First Citizens Bank to finance the development and management plan for the refurbishment and operationalization of the Magdalena Grand Beach Resort (formerly VHL Hotel) in an effort to ensure that the hotel becomes operational by November 1, 2011.

The loan is secured by a Letter of Comfort from the Ministry of Finance which shall be substituted in due course by an unconditional guarantee and indemnity from the Government of the Republic of Trinidad and Tobago. It carries an interest rate of 5.25% and is a bullet-type loan facility with interest payable semi-annually with a principal payment due at maturity.

b) Scotiatrust and Merchant Bank Limited - $148m

This represents a 10 year loan facility commencing in April 2011 at a rate of interest of 4.25% to be used as follows in respect of the Tamana Intech Park Project:

- $98m to complete the flagship building and related works and
- $50m to meet outstanding payments to contractors and consultants

The principal is to be repaid in equal semi-annual amortizations and interest on a reducing balance, semi-annually in arrears. This loan facility is managed by First Citizens Trustee Services Limited with a related annual fee of $9k per year.

17 Borrowings (continued)

c) ANSA Merchant Bank Limited - $488m

The Group entered into a ten (10) year, fixed rate loan agreement with ANSA Merchant Bank Limited on 19 December 2012. The proceeds of this facility were used to settle an existing short term facility with First Caribbean International Bank (FCIB), the balance of which was approximately $485m.

The indicative terms and conditions are as follows:

- Term: 10 years
- Security: Initially, Letter of Guarantee from GORTT and thereafter by a Guarantee by GORTT
- Interest Rate: 3%
- Principal Repayment: Amortized and repayable semi-annually in instalments
- Interest Repayment: Calculated on a reducing balance, 30/360 day basis and repayable semi-annually in arrears

Cabinet, by Minute dated 26 June 2014, agreed that GORTT through the Ministry of Finance and the Economy meet the outstanding payments under this loan, effective from the due date of the third loan instalment on 19 June 2014.

d) Scotiabank Trinidad and Tobago Limited - $87m

The Parent Company entered into a five (5) year, fixed rate loan agreement with Scotia Bank Limited on 23 August 2018. The proceeds of this facility is intended for completion of the Alutech Research and Development Facility building at Tamana InTech Park.

The indicative terms and conditions are as follows:

- Term: 5 years
- Security: Letter of Guarantee from GORTT
- Interest Rate: 3.5%
- Principal Repayment: Bullet at Maturity
- Interest Repayment: Calculated on a reducing balance, 30/365 day basis and repayable semi-annually in arrears

18 Revenue

	2019	**2018**
	$'000	**$'000**
Income from Trinidad Hilton (Note 18a)	16,250	16,878
Income from Industrial Estates	23,400	23,187
Services and Rental Outlet Income	2,668	5,973
Income from VHL (trading as Magdalena Grang Beach & Golf Resort)	33,459	33,096
	75,777	79,134

18a. The Group has sub-let the Trinidad Hilton Property (Note 5b) to Hilton International Trinidad Limited under the terms of a deed of lease for a period of 20 years from 1 October 2003.

19 Expenses By Nature

	2019	2018
	$'000	$'000
Parent Company		
Staff Cost	20,876	20,332
Depreciation	13,371	14,853
Other Expenses	5,077	7,098
Asset Operating Cost	7,435	7,537
Trinidad Hilton - Head Lease Rent	2,175	2,175
Insurance	2,131	1,285
Professional Fees	2,707	3,417
Repairs and Maintenance - Investment Properties	153	5,500
Movement in Provision for VAT Refundable	2,167	500
Board of Directors Expenses	858	832
Movement in Provision for Bad Debts	(1,599)	338
Investment Promotions	98	57
Corporate Events	253	142
	55,702	64,066
Subsidiary - VHL		
Salaries and Wages	18,807	19,631
Depreciation	1,910	25,789
Expenditure – Hotel Operations	9,297	17,071
Utilities	1,976	2,101
Marketing and Promotions	1,708	1,722
Insurance	1,639	1,284
Management Fees	77	1,222
Common Service Charge	1,405	1,255
Penalties	229	2,133
	37,048	72,208
Total Expenses	92,750	136,274

19.1 Staff Costs

	2019	2018
Parent	20,876	20,332
Subsidiary	18,807	19,631
	39,683	39,963
Salaries	35,680	36,075
Retirement Benefit Costs	1,638	1,543
National Insurance	2,365	2,345
	39,683	39,963

20 Taxation

	2019 $'000	2018 $'000
Current	678	745

The Company's effective tax rate varies from the statutory rate as a result of the differences shown below:

	2019 $'000	2018 $'000
Loss Before Taxation	(44,099)	(230,884)
Tax calculated at a rate of 30%	(13,230)	(69,265)
Expenses not allowed for Tax Purposes	2,647	48,724
Income not subject to Tax	(550)	(15,760)
Deferred Tax Asset not recognised	11,133	36,301
Business and Green Fund Levy	678	745
Tax Charge	678	745

At the reporting date the Group had significant accumulated taxation losses. These losses have not yet been agreed with the Board of Inland Revenue.

The Group has no corporation tax liabilities due to significant accumulated tax losses in the individual group entities. In 2019, the Parent Company had taxation losses of approximately $706m (2018 - $696m). The operating subsidiary, Vanguard Hotel Limited also had significant accumulated tax losses of approximately $151m (2018 - $148m).

There were no deferred tax assets on the tax losses were recognised on account of uncertainty over the timing of their recovery.

21 Net Cash Used In Operating Activities

	2019 $'000	2018 $'000
Operating Activities		
Loss before Taxation	(44,099)	(230,884)
Adjustments for:		
Depreciation (Note 6)	15,281	40,642
Impairment of Asset (Note 6)	-	41,856
Increase in Fair Value of Investment Property (Note 5)	(2,255)	327,691
Reduction in Provision	(1,641)	-
Loss on Disposals of Property Plant and Equipment	-	2
Loss on Disposal of investment property	12,150	-
Adjustment to Property, Plant and Equipment (Note 6)	83	(4)
Finance Cost (Note 17)	19,499	18,909
	(982)	198,213
Changes in Working Capital:		
Inventory	279	(271)
Trade Receivables	(468)	625
Other Receivables and Prepayments	4,396	(5,225)
Deferred Income	(743)	(1,548)
Trade and Other Payables	8,147	(1,446)
	10,629	190,348
Taxation Paid	(680)	(745)
Finance Cost Paid	(20,142)	(19,713)
Net Cash (Used In)/ Generated From Operating Activities	(10,193)	169,890

22 Subsidiary and Associate

Entity	Interest (%)	Country of Incorporation
Vanguard Hotel Limited	98.28	Trinidad and Tobago

The 1.72% remaining interest is Class X Non-voting Redeemable shares held by F&K Holdings Limited.

a) Effective 30 September 2008, the Group acquired a controlling interest in Vanguard Hotel Limited (VHL). VHL ceased its main activity, that of hotel operations, in late 2008. The purchase consideration for the acquisition was $139m. The assets and liabilities of VHL were not fair valued at the date of acquisition, in accordance with IFRS 3 – Business Combinations. The book values of assets and liabilities at the date of acquisition are based on unaudited results to 30 September 2008 were as follows:

Carrying amounts on acquisition:

	$'000
Property, Plant and Equipment	173,577
Inventories	1,157
Trade and Other Receivables	11,592
Cash and Cash Equivalents	10,758
Trade and Other Payables	(20,019)
TOTAL	177,065

Details of net assets acquired and goodwill are as follows:

Purchase consideration	139,000
Carrying amount of net assets acquired	(177,065)
Negative Goodwill	(38,065)

The negative goodwill was immediately recognised in the statement of comprehensive income within the impairment provision as follows:

Impairment of VHL assets (excluding cash)	186,326
Negative goodwill	(38,065)
Impairment provision	148,261

23 Financial Instruments By Category

The accounting policies for financial instruments have been applied to the line items below:

Assets as per Consolidated Statement of Financial Position

	2019 $'000	2018 $'000
Restricted Cash	149,361	182,359
Trade Receivables	6,501	6,761
Cash and Cash Equivalents	33,340	29,892
	189,202	219,012

The only category of financial assets held by the Group is cash and receivables. There are no assets held at fair value through profit or loss, derivatives used for hedging and available-for-sale financial instruments.

Liabilities as per Consolidated Statement of Financial Position

	2019 $'000	2018 $'000
Bank Overdraft	1,031	486
Trade and Other Payables	48,528	41,024
Borrowings	448,065	511,665
	497,624	553,175

The only category of financial liabilities held by the Group is liabilities at amortised cost. There are no liabilities held at fair value through profit or loss and derivatives used for hedging.

24 Credit quality of Financial Assets

The credit quality of the financial assets can be assessed by reference to historical information about the counterparty default rates:

Counterparties without external credit rating:

Group 1	6,501	6,761

Group 1 – Customers with no history of default

Cash and Cash Equivalents

Group A	32,207	29,306

The rest of the statement of financial position items "Cash At Bank and In Hand" and "Bank Overdraft" is cash in hand.

Group A – Trinidad and Tobago based banking institutions.

25 Commitments

a) The Group has entered into significant contracts in the normal course of its business operations. The following are commitments for which contracts have been executed at the Statement of Financial Position date and subsequently:

	2019	2018
	$'000	$'000
Investment Properties	142,852	187,469

b) Cabinet, by Minutes dated 26 September 2013 and 12 December 2013, has agreed to the development of Seven Economic Zones (SEZ) through two projects. These SEZs will be developed through and managed by the Parent Company.

- Project 1 (estimated development cost of US$151m) encompasses the development of infrastructural works for the Connector Road, Dow Village, Factory Road, Frederick Settlement, Preysal and Reform Parks.

- Project 2 (estimated development cost of US$94m) encompasses the development of infrastructural works for the Endeavour Business Park and the construction of one building (10,000 sq. meters) to be used for business process outsourcing.

Proposals, inclusive of preliminary designs and drawings were received from contractors for both Projects 1 and 2.

The Board of Directors accepted the proposals submitted for the development of the Seven Economic Zones (SEZ). Further developmental works were put on hold/suspended, due to funding availability.

As at 30 September 2018, there has been no further update in respect of this project.

c) The Group is committed to the following minimum lease payments:

	2019	2018
	$'000	$'000
Less than 1 year	3,352	3,352
Greater than 1 year and not later than 5 years	8,700	8,700
Later than 5 years	17,400	19,575
	29,452	**31,627**

26 Impairment Reversal

The amount of $214m relates to the reversal of the impairment loss of the value of the Parent Company's investment in Vanguard Hotel Limited which was eliminated upon consolidation.

Vanguard Hotel Limited (VHL) became a subsidiary in 2008. VHL owns a 200 room hotel situated at Plantations Estate, Lowlands, Tobago. The initial cost of the acquisition was approximately $139m and the Parent Company continued to provide funding to VHL for subsequent expenditure in respect of refurbishment works of the hotel property and for the operations of the hotel. The total of which has been recognised as part of the Parent Company's investment in VHL. The impairment was a consequence of an external valuation performed by CBRE to decrease the value of the investment to $9.6m. Subsequently, upon consolidation, the impairment was reversed to eliminate the carrying value of the investment to the Group.

27 Forensic Investigation

In 2010, the Attorney General of Trinidad and Tobago advised the Parent Company of a forensic investigation of certain aspects of its operations. Based on the reported findings of the forensic audit, the Attorney General recommended that legal action be taken against the then Board of Directors of the Parent Company regarding an investment of US$5m in a foreign entity, which was subsequently impaired. Legal action was initiated by the Parent Company's Board of Directors in 2011 and the matter is currently before the High Court of Trinidad and Tobago. The effect of this matter, if any, on the operations and/or financial statements cannot be determined.

28 Related Party Transactions

(i) The Group receives funding from the state which is accounted for as Capital Contributions as described in accounting policy Note 2.12 and Note 14.

(ii) Key management compensation is made up of senior management at e TecK and VHL. The compensation paid or payable to key management for employee services amounted to approximately $5.7m (2018 - $6.2m).

29 Contingent Assets and Liabilities

a) <u>Litigation and claims</u>

At the Consolidated Statement of Financial Position date, the Group had contingent assets and contingent liabilities in respect of litigation and claims arising in the ordinary course of business. Some of these claims are for material amounts. Management has carefully considered these claims and have obtained external professional advice as considered necessary. Amounts in respect of some have been recognised and or disclosed in the financial statements where appropriate. The outcome of these matters is however uncertain.

b) <u>VAT audits</u>

(i) The Parent Company received proposed adjustments from the VAT Administration Centre for material amounts in respect of several VAT return periods. The Parent Company has responded to the proposed adjustments and is awaiting a reply from the VAT Administration Centre. A provision was established in the current year for all VAT refunds due to the Parent Company. Refer to Note 9.

29 Contingent Assets and Liabilities (continued)

b) VAT audits (continued)

(ii) The subsidiary received an assessment from the VAT Administration Centre for principal, penalties and interest in respect of several VAT return periods. A provision of $5m was established in respect of the assessment. To date no amounts have been settled.

30 Subsequent Events

a) The Parent Company is currently in the process of negotiating the contract with Apple Leisure Group to take control of the management and operations of the Magdalena Grand Beach and Gold Resort for a period of ten or more years. Unfortunately, as a result of closure of the country's boarders because of the Covid-19 pandemic, the date of completion for these negotiations is uncertain. In the interim, however, the hotel continues to operate under the oversight of the Parent Company.

b) Cabinet approved a write-off of $$5,389,331.09 receivable from InvesTT Limited. This receivable derived from funding provided to InvesTT to meet their recurrent expenditure on a monthly basis for the period October 2013 - May 2017. InvesTT is fully reliant on Government subventions and has no alternative revenue streams to fund it operations, as such the company has been unable to fully repay the Parent Company.

c) The Moruga Agro-Processing and Light Industrial Park was opened with a ceremony on 14 July 2020 and on 29 September 2020 e TecK acquired its first tenant.

d) Construction of the Alutech Research and Development Facility is nearing completion. The contractor has notified e TecK that the facility will be ready for hand over by 31 October 2020.

e) e TecK commenced development of a new industrial park at Phoenix Park, Couva. The cost of this development is expected to be $688M and is being funded by a loan from the China Export Import Bank to the Government of the Republic of Trinidad and Tobago.

f) In March 2020, the World Health Organisation declared a global pandemic because of the worldwide spread of the novel coronavirus disease, Covid-19. To prevent a national crisis, the government of Trinidad and Tobago mandated a country-wide shut down. These events have already begun to impact various businesses; some of which have direct business relationships with the Group. Management is in the process of considering the economic effects of this pandemic. However, at present, the Group does not have an estimate of the potential impact and as such no provision has been made in the 2019 accounts.

g) In the conclusion of a pending legal matter, on September 11, 2020, the Court found that the Claimant was entitled to recover losses in the matter and VHL was ordered to pay damages in the amount of $242,828.

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