



Chartered Accountants
& Business Advisors

PKF LIMITED

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2019



Chartered Accountants
& Business Advisors

PKF LIMITED

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

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PALO SECO AGRICULTURAL ENTERPRISES LIMITED

Registered Office: Administration Building,
31 Casuarina Avenue,
Pointe-a-Pierre, Trinidad, W.I.
Tel.: (868) 658-1739/4147/3722/2391
Telefax: (868) 658-2585/1003

Palo Seco Agricultural Enterprises Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying Financial Statements of Palo Seco Agricultural Enterprises Limited, which comprise the Statement of Financial Position as at 30 September 2019, the Statements of Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company 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 Company's assets, detection/prevention of fraud, and the achievement of Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these Audited 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 Company 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.

Annalean Inniss
CHAIRMAN

Date: 4/11/2022

Dillon Teelucksingh
DIRECTOR

Date: 4TH NOVEMBER, 2022

Directors

Ms. Annalean Inniss (Chairman), Ms. Elizabeth Mohammed-Ali (Deputy Chairman), Ms. Loretta Hope-Mc Donald,
Mr. Dillon Teelucksingh, Mr. Ronald Dwarika



Chartered Accountants
& Business Advisors

PKF LIMITED

INDEPENDENT AUDITORS' REPORT

The Shareholders Palo Seco Agricultural Enterprises Limited

Opinion

We have audited the financial statements of Palo Seco Agricultural Enterprises Limited, which comprise the statement of financial position as at 30 September 2019, and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Palo Seco Agricultural Enterprises Limited as at 30 September 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 Financial Statements* section of our report. We are independent of Palo Seco Agricultural Enterprises Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to **Note 2 (j)** to the financial statements, which indicates that as at 30 September 2019, the company's current liabilities exceeded its current assets by **\$33,844,492**. Additionally, the consistent non-receipt of amounts due from related parties has adversely affected the working capital of the company, leading to its inability to fulfill its current obligations to various contractors. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

Responsibilities of Management and the Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the company'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 company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

PKF Limited (Trinidad) is a member of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Telephone: (868) 235-5063
Address: 111 Eleventh Street, Barataria 250623, Trinidad, West Indies
Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Directors: Renée-Lisa Philip Mark K. Superville Jenine Felician-Romain Darcel Corbin

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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.



4 November 2022
BARATARIA
TRINIDAD

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

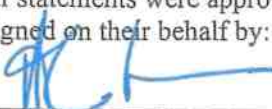
STATEMENT OF FINANCIAL POSITION

	<u>ASSETS</u>	30 September	
		<u>2019</u>	<u>2018</u>
	<u>Notes</u>	<u>(\$)</u>	<u>(\$)</u>
Current Assets:			
Cash in hand and bank	5	4,298,259	3,592,270
Accounts receivable and prepayment	6	819,193	972,079
Taxation recoverable		<u>403,871</u>	<u>403,871</u>
Total Current Assets		<u>5,521,323</u>	<u>4,968,220</u>
Non Current Assets:			
Amounts due from related parties	7	77,643,299	86,034,055
Property, plant and equipment	8	2,668,670	3,017,032
Investments-available-for-sale	9	1,234,140	1,040,736
Deferred taxation	10	<u>7,849,195</u>	<u>6,953,230</u>
Total Non-Current Assets		<u>89,395,304</u>	<u>97,045,053</u>
Total Assets		<u>94,916,627</u>	<u>102,013,273</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:			
Accounts payable and accruals	11	<u>39,365,815</u>	<u>39,927,116</u>
Total Current Liabilities		<u>39,365,815</u>	<u>39,927,116</u>
Non-Current Liabilities:			
Amounts due to related parties	7	917,208	1,035,275
Medium Term Loan	12	<u>29,310,285</u>	<u>29,310,285</u>
Total Non-Current Liabilities		<u>30,227,493</u>	<u>30,345,560</u>
Total Liabilities		<u>69,593,308</u>	<u>70,272,676</u>
Shareholders' Equity:			
Stated capital		301,790	301,790
Investment remeasurement reserve		(40,860)	(234,264)
Retained earnings		<u>25,062,389</u>	<u>31,673,071</u>
Total Shareholders' Equity		<u>25,323,319</u>	<u>31,740,597</u>
Total Liabilities and Shareholders' Equity		<u>94,916,627</u>	<u>102,013,273</u>

These financial statements were approved by the Board of Directors and authorised for issue on November 4, 2022, and signed on their behalf by:



 Chairman



 Director

(The accompanying notes form an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 30 September	
	<u>Notes</u>	<u>2019</u> (\$)	<u>2018</u> (\$)
Income:			
Management fees		-	(85,339)
Project management income		-	(576,323)
Land management services		1,250,488	2,161,481
Land and building rental		2,263,841	2,533,340
Interest income		63,993	72,552
Other income		<u>2,936,911</u>	<u>557,304</u>
		<u>6,515,233</u>	<u>4,663,015</u>
Operating Expenditure:			
Project expenses	14	294,930	973,620
Other direct expenses	15	<u>765,349</u>	<u>1,479,037</u>
		<u>1,060,279</u>	<u>2,452,657</u>
Operating income		<u>5,454,954</u>	<u>2,210,358</u>
Expenditure:			
Administrative and general expenses	16	7,316,913	1,802,875
Interest and bank charges		<u>1,127,436</u>	<u>213,321</u>
		<u>8,444,349</u>	<u>2,016,196</u>
Net (loss)/profit before taxation:		(2,989,395)	194,162
Taxation	17	<u>843,337</u>	<u>(102,046)</u>
Net (loss)/profit after taxation		(2,146,058)	92,116
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Unrealised gain/(loss) on available-for-sale financial assets		<u>193,404</u>	<u>(75,818)</u>
Total Comprehensive (Loss)/Income for the year		<u><u>(1,952,654)</u></u>	<u><u>16,298</u></u>

(The accompanying notes are an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED
STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	<u>Stated Capital</u> (\$)	<u>Investment Remeasurement Reserve</u> (\$)	<u>Retained Earnings</u> (\$)	<u>Shareholder's Equity</u> (\$)
Balance, 1 October 2017	301,790	(158,446)	31,580,955	31,724,299
Total comprehensive loss for the year	<u>-</u>	<u>(75,818)</u>	<u>92,116</u>	<u>16,298</u>
Balance, 30 September 2018	<u>301,790</u>	<u>(234,264)</u>	<u>31,673,071</u>	<u>31,740,597</u>
Balance, 1 October 2018	301,790	(234,264)	31,673,071	31,740,597
Adjustment for expected credit loss	<u>-</u>	<u>-</u>	<u>(4,464,624)</u>	<u>(4,464,624)</u>
Restated balance, 1 October 2018	301,790	(234,264)	27,208,447	27,275,973
Total comprehensive loss for the year	<u>-</u>	<u>193,404</u>	<u>(2,146,058)</u>	<u>(1,952,654)</u>
Balance, 30 September 2019	<u>301,790</u>	<u>(40,860)</u>	<u>25,062,389</u>	<u>25,323,319</u>

(The accompanying notes are an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

STATEMENT OF CASH FLOWS

	For the year ended 30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
OPERATING ACTIVITIES:		
Net (loss)/profit before taxation	(2,989,395)	194,162
Adjustments to reconcile net income from operating activities:		
Depreciation	372,109	446,572
Loss on disposal of fixed asset	<u>1,769</u>	<u>1,840</u>
	(2,615,517)	642,574
Net change in accounts receivable and prepayments	81,154	(7,559)
Net change in amounts due from related parties	3,997,864	1,279,635
Net change in accounts payables and accruals	(561,301)	(31,078,919)
Net change in amounts due to related parties	<u>(118,067)</u>	<u>(641,755)</u>
	784,133	(29,806,024)
Taxes paid	<u>(52,628)</u>	<u>(41,997)</u>
Cash provided by/(used in) by operating activities	<u>731,505</u>	<u>(29,848,021)</u>
INVESTING ACTIVITIES:		
Proceeds on disposal	851	4,602
Purchase of fixed assets	<u>(26,367)</u>	<u>(20,331)</u>
Net cash used in investing activities	<u>(25,516)</u>	<u>(15,729)</u>
FINANCING ACTIVITIES		
Medium-term loan	<u>-</u>	<u>29,310,285</u>
Net cash provided by financing activities	<u>-</u>	<u>29,310,285</u>
Net change in cash resources	705,989	(553,465)
Cash Resources, beginning of year	<u>3,592,270</u>	<u>4,145,735</u>
Cash resources, end of year	<u><u>4,298,259</u></u>	<u><u>3,592,270</u></u>
Represented by:		
Cash in hand and at bank	<u><u>4,298,259</u></u>	<u><u>3,592,270</u></u>

(The accompanying notes are an integral part of these financial statements)

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2019****1. Incorporation and Principal Business Activity:**

Palo Seco Agricultural Enterprises Limited (PSAEL), (formerly Trinidad Tesoro Agricultural Company Limited) was incorporated on 11 October 1956. It was a wholly-owned subsidiary of Trinidad and Tobago Petroleum Company Limited (TRINTOPEC), a company incorporated in Trinidad and Tobago on 19 November 1985.

In May 2006, the Government of Trinidad and Tobago declared PSAEL a Special Purpose State Enterprise. In June 2008, the company transferred its shares to the Minister of Finance as Corporation Sole, with 1 share held by a nominee, on behalf of the Minister of Finance as Corporation Sole.

The principal activities of the company have been redirected to the generation of revenue from Land Management Services, which involves services rendered for land management and administration and estate surveillance; as well as monetisation of its land assets. It currently has a Land Management Services arrangement with the Trinidad and Tobago Oil Company Limited (TRINTOC), TRINTOPEC and BHP Billiton (Trinidad-2C) Limited.

The company's registered address is 31 Casuarina Avenue Petrotrin Compound, Pointe-a-Pierre.

2. Significant Accounting Policies:**a) Basis of financial statements preparation -**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) 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 company'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 revenues and expenses 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.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

2. Significant Accounting Policies (Cont'd):c) **New Accounting Standards and Interpretations -**

The company has not applied the following new 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.

- | | |
|----------|--|
| IFRS 1 | First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 2 | Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 4 | Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 9 | Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019). |
| IFRS 15 | Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018). |
| IFRS 17 | Insurance Contracts (effective for accounting periods beginning on or after 1 January 2022). |
| IAS 28 | Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019). |
| IAS 40 | Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018). |
| IFRIC 22 | Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018). |
| IFRIC 23 | Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019). |

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

2. Summary of Accounting Policies (Cont'd):d) **Property, plant and equipment -**

Property, plant and equipment are stated at cost and are being depreciated on the reducing balance basis, at varying rates which are sufficient to write off the cost of the assets over their estimated useful lives as follows:

Lease improvements	-	10%	Building and pastures	-	10%
Furniture and fittings	-	10 - 16 2/3%	Machinery & equipment-	-	10%
Computer equipment	-	33 1/3%	Freehold land.	-	0%

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

e) **Taxation -**Current Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred Tax

Deferred income tax is provided, using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2019****2. Summary of Accounting Policies (Cont'd):****f) Financial instruments -**

All recognised financial assets that are within the scope of International Financial Reporting Standard (IFRS) 9 are required to be subsequently measured at amortised cost or fair value on the basis of:

- (i) the entity's business model for managing the financial assets; and
- (ii) the contractual cash flow characteristics of the financial assets.

The company reassess its business models each reporting period to determine whether they have changed. No such changes have been identified for the current year.

Principal is the fair value of the financial asset at initial recognition. Interest is consideration for the time value of money and for credit and other risks associated with the principal outstanding. Interest also has a profit margin element.

Initial measurement

All financial instruments are initially measured at the fair value of consideration given or received.

The company measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company uses a fair value hierarchy that categorises valuation techniques into three levels:

- (i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Assets and liabilities are classified as Level 1 if their value is observable in an active market. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value.
- (ii) Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability.
- (iii) Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2019****2. Summary of Accounting Policies (Cont'd):****f) Financial instruments (cont'd) -****Subsequent measurement**

Those financial assets which are held within a business model with the sole objective of collecting contractual cash flows which comprise principal and interest only, are subsequently measured at amortised cost. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as movements in Expected Credit Loss (ECL). When a financial asset measured at amortised cost is derecognised, the gain/loss is reflected in profit or loss.

Those financial assets which are held within a business model with the objectives of (i) collecting contractual cash flows which comprise principal and interest only, as well as (ii) selling the financial assets, are subsequently measured at Fair Value Through Other Comprehensive Income (FVTOCI). Gains/losses arising on remeasurement of such financial assets are recognised in OCI as *'Items that may be reclassified subsequently to P&L'* and are called *'Net FV gain/(loss) on financial assets classified as at FVOCI'*.

All other financial assets are subsequently measured at Fair Value Through Profit and Loss (FVTPL), except for equity investments, which the company has opted, irrevocably, to measure at FVTOCI. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as *'Net FV gain/(loss) on financial assets classified at FVTPL'*. When a financial asset measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

Reclassification

If the business model under which the company holds financial assets changes, the financial assets affected are reclassified accordingly from the first day of the first reporting period following the change in business model

Write-off

Financial assets are written off when the company has no reasonable expectations of recovery, for example, when the company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay. A write-off constitutes a derecognition event. Subsequent recoveries resulting from the company's enforcement activities will result in gains.

Financial liabilities

Since the company does not trade in financial liabilities, and since there are no measurement or recognition inconsistencies, all financial liabilities are initially measured at fair value, net of transaction costs and subsequently, at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Financial liabilities recognised at amortised cost are not reclassified.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2019****2. Summary of Accounting Policies (Cont'd):****f) Financial instruments (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.

g) Revenue recognition -**i) Project management services rendered**

Revenue from services rendered is recognised in the Statement of Comprehensive Income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

ii) Rental income

Rental income is recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

h) 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.

i) 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.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

2. Summary of Accounting Policies (Cont'd):j) **Going concern -**

These financial statements have been prepared on the going concern basis, despite the excess of current liabilities over current assets and the consistent non-receipt of current amounts due from related parties. This has adversely affected the company's ability to fulfil its obligations to various contractors engaged on Ministerial projects. This basis has been deemed appropriate, as it is the company's intention to pursue receipt of amounts due; request assistance from its Line Ministry through subventions to finance the expenses of the company; and refocus on its core business operations.

3. Financial Risk Management:**Financial risk factors****Financial Instruments**

The following table summarizes the carrying amounts and fair values of the company's financial assets and liabilities:

	2019	
	Carrying Value	Fair Value
	(\$)	(\$)
Financial Assets		
Cash in hand and at bank	4,298,259	4,298,259
Accounts receivable and prepayments	819,193	819,193
Amounts due from related parties	77,643,299	77,643,299
Financial Liabilities		
Accounts payable and accruals	39,365,815	39,365,815
Amounts due to related parties	917,208	917,208
Medium-term loan	29,310,285	29,310,285
	2018	
	Carrying Value	Fair Value
	(\$)	(\$)
Financial Assets		
Cash in hand and at bank	3,592,270	3,592,270
Accounts receivable and prepayments	972,079	972,079
Amounts due from related parties	86,034,055	86,034,055
Financial Liabilities		
Accounts payable and accruals	39,927,116	39,927,116
Amounts due to related parties	1,035,275	1,035,275
Medium-term loan	29,310,285	29,310,285

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

3. Financial Risk Management (Cont'd):**Financial risk factors (cont'd)**

The company 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 company 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 company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets. Its effect, though, is immaterial.

Interest rate sensitivity analysis

The company's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

	Effective Rate	2019				Non-Interest Bearing	Total
		Up to 1 year	1 to 5 years	Over 5 years			
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
Financial Assets							
Cash in hand and at bank	1%	4,298,259	-	-	-	4,298,259	
Accounts receivable and prepayments	0%	-	-	-	819,193	819,193	
Amounts due to related parties	0%	-	-	-	77,643,299	77,643,299	
		<u>4,298,259</u>	<u>-</u>	<u>-</u>	<u>78,462,492</u>	<u>82,760,751</u>	
Financial Liabilities							
Accounts payable and accruals	0%	-	-	-	39,365,815	39,365,815	
Amounts due to related Parties	0%	-	-	-	917,208	917,208	
Medium-term loan	3.75%	-	29,310,285	-	-	29,310,285	
		<u>-</u>	<u>29,310,285</u>	<u>-</u>	<u>40,283,023</u>	<u>69,593,308</u>	

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

3. Financial Risk Management (Cont'd):a) **Interest rate risk (cont'd) -**Interest rate sensitivity analysis (cont'd)

	Effective Rate (\$)	2018			Non- Interest Bearing (\$)	Total (\$)
		Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)		
Financial Assets						
Cash in hand and at bank	1%	3,592,270	-	-	-	3,592,270
Accounts receivable and prepayments	0%	-	-	-	972,079	972,079
Amounts due to related parties	0%	-	-	-	86,034,055	86,034,055
		<u>3,592,270</u>	<u>-</u>	<u>-</u>	<u>87,006,134</u>	<u>90,598,404</u>
Financial Liabilities						
Accounts payable and accruals	0%	-	-	-	39,927,116	39,927,116
Amounts due to related Parties	0%	-	-	-	1,035,275	1,035,275
Medium-term loan	3.75%	-	29,310,285	-	-	29,310,285
		<u>-</u>	<u>29,310,285</u>	<u>-</u>	<u>40,962,391</u>	<u>70,272,676</u>

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 reporting date.

The company's debtors' portfolio is managed and consistently monitored by the company's management. The company has identified 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 company also actively monitors global economic developments and government policies that may affect the growth rate of the local economy.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

3. Financial Risk Management (Cont'd):

b) Credit risk (cont'd) -

Maximum exposure to credit risk before collateral held

The table below represents a worst case scenario of credit risk exposure to the company, without taking into account any collateral held.

	30 September	
	2019	2018
	(\$)	(\$)
Cash in hand and at bank	4,298,259	3,592,270
Accounts receivable and prepayments	819,193	972,079
Amounts due from related parties	<u>77,643,299</u>	<u>86,034,055</u>
	<u>82,760,751</u>	<u>90,598,404</u>

The maximum exposure to credit risk is summarised as follows:

	2019				
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment	Net
	(\$)	(\$)	(\$)	(\$)	(\$)
Cash in hand and at bank	4,298,259	-	-	-	4,298,259
Accounts receivable and prepayments	3,582	887,343	-	(71,732)	819,193
Amounts due from related parties	<u>82,648</u>	<u>81,953,543</u>	<u>-</u>	<u>(4,392,892)</u>	<u>77,643,299</u>
	<u>4,384,489</u>	<u>82,840,886</u>	<u>-</u>	<u>(4,464,624)</u>	<u>82,760,751</u>
	2018				
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for impairment	Net
	(\$)	(\$)	(\$)	(\$)	(\$)
Cash in hand and at bank	3,592,270	-	-	-	3,592,270
Accounts receivable and prepayments	(36,061)	1,008,140	-	-	972,079
Amounts due from related parties	<u>554,090</u>	<u>85,479,965</u>	<u>-</u>	<u>-</u>	<u>86,034,055</u>
	<u>4,110,299</u>	<u>86,488,105</u>	<u>-</u>	<u>-</u>	<u>90,598,404</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

3. Financial Risk Management (Cont'd):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 company 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 company is able to make daily calls on its available cash resources to settle financial and other liabilities.

The table below, which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date, summarises the company's exposure to liquidity risk:

	2019			Total (\$)
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	
Financial Assets				
Cash in hand and at bank	4,298,259	-	-	4,298,259
Accounts receivable and prepayments	819,193	-	-	819,193
Amounts due from related parties	-	77,643,299	-	77,643,299
	<u>5,117,452</u>	<u>77,643,299</u>	<u>-</u>	<u>82,760,751</u>
Financial Liabilities				
Account payable and accruals	39,365,815	-	-	39,365,815
Amounts due to related parties	-	917,208	-	917,208
Medium-term loan	-	29,310,285	-	29,310,285
	<u>39,365,815</u>	<u>30,227,493</u>	<u>-</u>	<u>69,593,308</u>
	2018			Total (\$)
	Up to 1 year (\$)	1 to 5 years (\$)	Over 5 years (\$)	
Financial Assets				
Cash in hand and at bank	3,592,270	-	-	3,592,270
Accounts receivable and prepayments	972,079	-	-	972,079
Amounts due from related parties	-	86,034,055	-	86,034,055
	<u>4,564,349</u>	<u>86,034,055</u>	<u>-</u>	<u>90,598,404</u>
Financial Liabilities				
Account payable and accruals	39,927,116	-	-	39,927,116
Amounts due to related parties	-	1,035,275	-	1,035,275
Medium-term loan	-	29,310,285	-	29,310,285
	<u>39,927,116</u>	<u>30,345,560</u>	<u>-</u>	<u>70,272,676</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2019****3. 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 company's measurement currency. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The company'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 company's information technology and control systems, as well as the risk of human error and natural disasters. The company'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 monitoring controls applied by the company.

g) Reputation risk -

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

PALO SECO AGRICULTURAL ENTERPRISES LIMITED**NOTES TO THE FINANCIAL STATEMENTS****30 SEPTEMBER 2019****4. 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 company's accounting policies.

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. The company 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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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) **Significant increase of credit risk:**

The company computes twelve-month ECL for Stage 1 assets and lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. Assessing whether there has been a significant increase in credit risk required judgement takes into account reasonable and supportable forward-looking information.

ii) **Fair value measurement and valuation process**

In estimating the fair value of a financial asset or a liability, the company uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the company uses valuation models to determine the fair value of its financial instruments.

iii) **Fixed assets**

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. Judgement is also used in determining which depreciation method for fixed assets is used.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

5. Cash in Hand and Bank:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Cash on Hand	11,751	6,100
Cash at Bank	2,392,800	2,107,611
Short-term investments	<u>1,893,708</u>	<u>1,478,559</u>
	<u>4,298,259</u>	<u>3,592,270</u>

Cash and cash equivalents consist of cash on hand, balances with banks and short-term investments. The short-term investments comprise mutual and income funds held at local financial institutions. Interest is earned at 1.00% (2018: 1.00%) per annum. Cash at bank is also held at local financial institutions.

6. Accounts Receivables and Prepayments:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Accounts receivable	836,400	952,275
Accrued income	539	15
Other receivables and prepayments	139,993	138,516
Value Added Tax (VAT) receivable	<u>28,671</u>	<u>(4,049)</u>
	1,005,603	1,086,757
Less: Allowance for expected credit loss	<u>(186,410)</u>	<u>(114,678)</u>
	<u>819,193</u>	<u>972,079</u>
Allowance for expected credit loss:		
Balance brought forward	114,678	114,678
Opening adjustment for expected credit losses	71,732	-
Charge for the year	<u>-</u>	<u>-</u>
Balance carried forward	<u>186,410</u>	<u>114,678</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

7. Related Party Balances:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
<u>Amounts due from:</u>		
TRINTOPEC	86,893	92,329
TRINTOC	38,640	3,479,707
Ministry of Local Government	32,418,637	32,418,637
Ministry of Works and Infrastructure	2,140,116	4,913,637
Ministry of Labour & Small/Micro Enterprise Development	152,091	53,280
Ministry of Science, Technology and Tertiary Education	24,459	44,153
PETROTRIN	12,075,786	9,932,743
National Gas Company of Trinidad and Tobago Limited	<u>35,099,569</u>	<u>35,099,569</u>
	82,036,191	86,034,055
Less: Allowance for expected credit loss	<u>4,392,892</u>	<u>-</u>
	<u>77,643,299</u>	<u>86,034,055</u>
Allowance for expected credit loss:		
Balance brought forward	-	-
Opening adjustment for expected credit losses	4,392,892	-
Charge for the year	<u>-</u>	<u>-</u>
Balance carried forward	<u><u>4,392,892</u></u>	<u><u>-</u></u>
<u>Amounts due to:</u>		
Petrotrin	<u><u>917,208</u></u>	<u><u>1,035,275</u></u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

8. Property, Plant and Equipment:

	<u>Freehold Land</u> (\$)	<u>Leasehold Improvements</u> (\$)	<u>Buildings and Pastures</u> (\$)	<u>Furniture and Fittings</u> (\$)	<u>Machinery and Equipment</u> (\$)	<u>C E</u>
Cost:						
Balance, 1 October 2018	132,414	3,847,362	4,705,148	2,026,802	897,938	
Additions	-	-	-	-	-	
Disposals	-	-	-	-	-	
Reclassification	-	-	-	(11,033)	-	
Balance, 30 September 2019	<u>132,414</u>	<u>3,847,362</u>	<u>4,705,148</u>	<u>2,015,769</u>	<u>897,938</u>	
Accumulated Depreciation:						
Balance, 1 October 2018	-	1,975,105	4,705,148	1,346,489	874,849	
Charge for the year	-	187,226	-	73,138	4,618	
Disposals	-	-	-	-	-	
Reclassification	-	-	-	(11,033)	-	
Balance, 30 September 2019	<u>-</u>	<u>2,162,331</u>	<u>4,705,148</u>	<u>1,408,594</u>	<u>879,467</u>	
Net Book Value						
Balance, 30 September 2019	<u><u>132,414</u></u>	<u><u>1,685,031</u></u>	<u><u>-</u></u>	<u><u>607,175</u></u>	<u><u>18,471</u></u>	
Balance, 30 September 2018	<u><u>132,414</u></u>	<u><u>1,872,257</u></u>	<u><u>-</u></u>	<u><u>680,313</u></u>	<u><u>23,089</u></u>	

The freehold lands have not been revalued in accordance with IAS 16 – Property, Plant and Equipment as cabinet has a said lands to the related company- Heritage Petroleum Company Limited.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

8. Property, Plant and Equipment (Cont'd):

	<u>Freehold Land</u> (\$)	<u>Leasehold Improvements</u> (\$)	<u>Buildings and Pastures</u> (\$)	<u>Furniture and Fittings</u> (\$)	<u>Machinery and Equipment</u> (\$)	<u>C E</u>
Cost:						
Balance, 1 October 2017	132,414	3,847,362	4,705,148	2,020,852	897,938	
Additions	-	-	-	5,950	-	
Disposals	-	-	-	-	-	
Balance, 30 September 2018	<u>132,414</u>	<u>3,847,362</u>	<u>4,705,148</u>	<u>2,026,802</u>	<u>897,938</u>	
Accumulated Depreciation:						
Balance, 1 October 2017	-	1,767,076	4,705,148	1,264,881	869,077	
Charge for the year	-	208,029	-	81,608	5,772	
Disposals	-	-	-	-	-	
Balance, 30 September 2018	<u>-</u>	<u>1,975,105</u>	<u>4,705,148</u>	<u>1,346,489</u>	<u>874,849</u>	
Net Book Value						
Balance, 30 September 2018	<u><u>132,414</u></u>	<u><u>1,872,257</u></u>	<u><u>-</u></u>	<u><u>680,313</u></u>	<u><u>23,089</u></u>	
Balance, 30 September 2017	<u><u>132,414</u></u>	<u><u>2,080,286</u></u>	<u><u>-</u></u>	<u><u>755,971</u></u>	<u><u>28,861</u></u>	

The freehold lands have not been revalued in accordance with IAS 16 – Property, Plant and Equipment as cabinet has assigned said lands to the related company-PETROTRIN.

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. Investments:

	30 September	
	<u>2019</u>	<u>2018</u>
Fair Value at Other Comprehensive Income	(\$)	(\$)
Quoted Equity		
Investment - CLICO Investment Fund	1,094,140	900,736
Unquoted Equity		
Investment - The Co-operative Citrus Growers' Association of Trinidad and Tobago	<u>140,000</u>	<u>140,000</u>
	<u><u>1,234,140</u></u>	<u><u>1,040,736</u></u>

10. Deferred Taxation:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Balance, beginning of year	6,953,230	7,013,279
Effect on Statement of Comprehensive Income	<u>895,965</u>	<u>(60,049)</u>
Balance, end of year	<u><u>7,849,195</u></u>	<u><u>6,953,230</u></u>
Deferred taxation is attributable to the following items:		
Excess of net-book value over written down tax value	(105,612)	(116,161)
Taxable losses	<u>7,954,807</u>	<u>7,069,391</u>
	<u><u>7,849,195</u></u>	<u><u>6,953,230</u></u>

11. Accounts Payable and Accruals:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Trade payables	38,151,575	38,403,928
Accruals and provisions	1,124,298	1,430,535
Other payable	<u>89,942</u>	<u>92,653</u>
	<u><u>39,365,815</u></u>	<u><u>39,927,116</u></u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

12. **Medium-Term Loan:**

	30 September	
	<u>2019</u> (\$)	<u>2018</u> (\$)
First Citizens Bank Limited	<u>29,310,285</u>	<u>29,310,285</u>

The balance represents a three-year demand loan taken in September 2018 to facilitate the payment of a judgement debt and statutory interest owed. The loan is repayable over six (6) semi-annual interest-only payments commencing six (6) months after the date of initial disbursement. Two (2) interest payments in the sum of **\$1,114,401** were remitted for financial year 2019. A principal payment is expected at maturity in September 2021. The interest rate is fixed at 3.75% per annum. The entire loan is secured by a Deed of Guarantee from the Government of the Republic of Trinidad and Tobago.

13. **Stated Capital:**

	30 September	
	<u>2019</u> (\$)	<u>2018</u> (\$)
Authorised: 70,000 ordinary shares of no par value.		
Issued and fully paid: 60,358 ordinary shares at \$5 per share	<u>301,790</u>	<u>301,790</u>

14. **Project Expenses:**

	30 September	
	<u>2019</u> (\$)	<u>2018</u> (\$)
NGC Road Rehabilitation and Community Upgrade Projects	-	(853,388)
PETROTRIN Projects	51,117	165,550
Salaries and wages	212,972	1,548,910
Motor vehicle rental and expenses	30,841	93,325
Demolition	-	19,223
	<u>294,930</u>	<u>973,620</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

15. Other Direct Expenses:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Salaries, benefits and national insurance	<u>765,349</u>	<u>1,479,037</u>

16. Administrative and General Expenses:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Public relations and recruitment costs	31,710	31,631
Bad and doubtful debts	1,886,971	(3,397,768)
Computer and office equipment rental	172,630	174,007
Depreciation	334,157	407,335
Directors' fees and expenses	429,876	413,906
Insurance	26,208	44,495
Janitorial	110,967	133,763
Building rental expense	37,875	39,750
Motor vehicles rental and expenses	185,356	365,428
Office expenses	100,469	101,178
Professional fees	2,042,777	119,548
Repairs and maintenance	64,124	130,158
Safety expenses	5,259	1,772
Salaries, benefits and national insurance	1,492,841	2,803,529
Security	193,268	181,859
Utilities	<u>202,425</u>	<u>252,284</u>
	<u>7,316,913</u>	<u>1,802,875</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

17. **Taxation:**

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Business Levy	(35,085)	(28,019)
Green Fund Levy	(17,543)	(13,978)
Deferred taxation	<u>895,965</u>	<u>(60,049)</u>
	<u>843,337</u>	<u>(102,046)</u>
Reconciliation arising from using the basic rate of tax as follows:		
Net (loss)/profit before taxation	<u>(2,989,395)</u>	<u>194,162</u>
Tax calculated at 30%	896,819	(58,249)
Expenses not deductible for tax purposes	(854)	(1,800)
Business Levy	(35,085)	(28,019)
Green Fund Levy	<u>(17,543)</u>	<u>(13,978)</u>
	<u>843,337</u>	<u>(102,046)</u>

18. **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 company.

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	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
Assets		
Amounts due from related parties	<u>82,036,191</u>	<u>86,034,055</u>
Liabilities		
Amounts due to related parties	<u>923,958</u>	<u>1,035,275</u>
Income		
Sales from related parties	<u>3,388,487</u>	<u>4,661,251</u>
Expenses		
Directors' fees	<u>429,876</u>	<u>413,906</u>

PALO SECO AGRICULTURAL ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

19. Contingent Liabilities:

	30 September	
	<u>2019</u>	<u>2018</u>
	(\$)	(\$)
i) Performance and rehabilitation bonds	<u>415,788</u>	<u>415,788</u>
<p>Performance and rehabilitation bonds require the company to make payments to third parties in the event that the company does not perform or rehabilitate what is expected of them under the terms of the related contracts. The equivalent value of one of the short-term investments held with a local financial institution has been placed as security for the bonds.</p>		
ii) Provision for legal matters	<u>255,000</u>	<u>435,976</u>
a. Legal action against the company by employee union (on behalf of former employee - SS), in relation to the claim of unfair dismissal, in the amount of \$125,000.		
b. Legal action against the company by former employee - SSL in relation to the claim of unlawful discrimination (race), in the amount of \$130,000.		

The above-listed balances were settled in the financial year 2019/2019 and 2019/2020 and the financial statements have been adjusted to reflect the actual settlement amounts.