



Chartered Accountants
& Business Advisors

PKF LIMITED

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

FINANCIAL STATEMENTS

30 SEPTEMBER 2016



Chartered Accountants
& Business Advisors

PKF LIMITED

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

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The Vehicle Management Corporation of Trinidad and Tobago Limited
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THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of The Vehicle Management Corporation of Trinidad and Tobago Limited, which comprise the statement of financial position as at 30 September 2016, the statements of comprehensive income, changes in 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 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, including the Companies Act; 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.

A handwritten signature in blue ink, appearing to be 'Natasha Prince', written over a horizontal line.

Natasha Prince (Ms.)
Chief Executive Officer

Date 6th March 2023

A handwritten signature in blue ink, appearing to be 'Roddy Batchasingh', written over a horizontal line.

Roddy Batchasingh (Mr.)
Deputy Chairman

Date 6th March 2023

Directors: Chairman – Lt. Col. Neil Bennett (Ret'd.); Deputy Chairman – Roddy Batchasingh
Mark Lee Son, Melissa Boodhoo-James, Fazal Khan



Chartered Accountants
& Business Advisors

PKF LIMITED

INDEPENDENT AUDITORS' REPORT

The Shareholders
The Vehicle Management Corporation of
Trinidad and Tobago Limited

We have audited the accompanying financial statements of The Vehicle Management Corporation of Trinidad and Tobago Limited, which comprise the statement of financial position as of 30 September 2016, the statements of comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Basis for Qualified Opinion

The company did not maintain proper records in relation to inventory balances held at the one of its branches as at 30 September 2016. We were therefore unable to satisfy ourselves as to the accuracy and completeness of the spare parts balance included under inventories in the Statement of Financial Position as at 30 September 2016.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Vehicle Management Corporation of Trinidad and Tobago Limited as of 30 September 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Barataria
TRINIDAD
6 March 2023

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.

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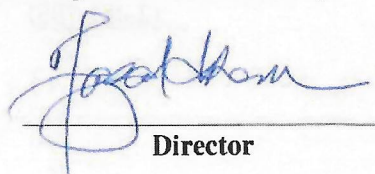
Directors: Renée-Lisa Philip Mark K. Superville Jenine Felician-Romain Darcel Corbin

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

STATEMENT OF FINANCIAL POSITION

	<u>ASSETS</u>	30 September	
	<u>Notes</u>	<u>2016</u> (\$)	<u>2015</u> (\$)
Current Assets:			
Cash in hand and at bank	6	577,820	870,638
Short-term investments	7	3,382	13,280
Accounts receivable and prepayments	8	22,228,986	24,501,681
Inventories	9	<u>11,724,181</u>	<u>14,693,802</u>
Total Current Assets		34,534,369	40,079,401
Non-Current Assets:			
Fixed assets	10	<u>20,924,253</u>	<u>22,324,846</u>
Total Assets		<u>55,458,622</u>	<u>62,404,247</u>
<u>LIABILITIES AND SHAREHOLDER'S EQUITY</u>			
Liabilities:			
Accounts payable and accrued liabilities	11	27,619,112	27,945,303
Deferred taxation	12	582,171	589,820
Loans	13	<u>14,455,000</u>	<u>18,585,000</u>
Total Liabilities		<u>42,656,283</u>	<u>47,120,123</u>
Shareholder's Equity:			
Stated capital	14	92,844,312	92,844,312
Accumulated deficit		<u>(80,041,973)</u>	<u>(77,560,188)</u>
Total Shareholder's Equity		<u>12,802,339</u>	<u>15,284,124</u>
Total Liabilities and Shareholder's Equity		<u>55,458,622</u>	<u>62,404,247</u>

These financial statements were approved by the Board of Directors and authorised for issue on 6 March 2023 and signed on their behalf by:


Director


Director

(The accompanying notes form part of these financial statements)

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

STATEMENT OF COMPREHENSIVE INCOME

		30 September	
	<u>Notes</u>	<u>2016</u> (\$)	<u>2015</u> (\$)
Sales		6,804,205	11,115,235
Less: cost of goods sold	15	<u>6,755,570</u>	<u>9,933,495</u>
		<u>48,635</u>	<u>1,181,740</u>
Administrative expenses	16	2,990,787	3,837,420
Advertising		25,150	154,333
Audit and accounting fees		100,000	98,500
Bad debt expense		-	78,253
Bank charges and loan interest	17	15,636	12,309
Car wash expenses		116,491	220,874
Depreciation		1,917,576	1,902,284
Directors' fees		163,246	515,250
Donations		500	6,100
Insurance		294,941	351,975
Legal and professional fees		124,235	203,094
Local and overseas travel		7,622	16,216
Loss on disposal of vans	9	374,341	-
Motor vehicle expenses		65,815	112,930
Rental of equipment		93,710	109,465
Repairs and maintenance		270,261	438,672
Salaries and staff benefits	18	7,049,606	7,229,878
Stationery and printing		141,117	216,942
Training and development		<u>74,250</u>	<u>58,654</u>
		<u>13,825,284</u>	<u>15,563,149</u>
Loss from operations		(13,776,649)	(14,381,409)
Other income:			
GORTT deficit funding		9,999,920	12,750,000
Interest income		102	8,106
Other income	19	<u>1,342,437</u>	<u>1,130,069</u>
Net loss before taxation		(2,434,190)	(493,234)
Taxation	20	<u>(47,595)</u>	<u>(62,911)</u>
Net loss for the year		<u>(2,481,785)</u>	<u>(556,145)</u>

(The accompanying notes form part of these financial statements)

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2016

	<u>Stated Capital</u> (\$)	<u>Accumulated Deficit</u> (\$)	<u>Shareholder's Equity</u> (\$)
Balance as at 1 October 2014	92,844,312	(77,004,043)	15,840,269
Net loss for the year	-	(556,145)	(556,145)
Balance as at 1 October 2015	92,844,312	(77,560,188)	15,284,124
Net loss for the year	-	(2,481,785)	(2,481,785)
Balance as at 30 September 2016	<u>92,844,312</u>	<u>(80,041,973)</u>	<u>12,802,339</u>

(The accompanying notes form part of these financial statements)

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

STATEMENT OF CASH FLOWS

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
OPERATING ACTIVITIES:		
Net loss before taxation	(2,434,190)	(493,234)
Adjustments for:		
Gain on disposal of fixed assets	(419)	-
Bad debt expense	-	78,253
Depreciation	<u>1,917,576</u>	<u>1,902,284</u>
Changes in operating assets and liabilities	(517,033)	1,487,303
Net change in inventories	2,969,621	(3,773,345)
Net change in accounts receivable and prepayments	2,272,695	7,405,990
Net change in accounts payable and accrued liabilities	<u>(326,191)</u>	<u>(716,946)</u>
	4,399,092	4,403,002
Taxation paid	<u>(55,244)</u>	<u>(3,737)</u>
Cash provided by operating activities	<u>4,343,848</u>	<u>4,399,265</u>
INVESTING ACTIVITIES:		
Net change in fixed assets	<u>(516,564)</u>	<u>(154,013)</u>
Cash used in investing activities	<u>(516,564)</u>	<u>(154,013)</u>
FINANCING ACTIVITIES:		
Net change in loans	(4,130,000)	(4,130,000)
Net change in capital introduced	<u>-</u>	<u>-</u>
Cash used in financing activities	<u>(4,130,000)</u>	<u>(4,130,000)</u>
Net change in cash and cash equivalents	(302,716)	115,252
Cash and cash equivalents - at beginning of year	<u>883,918</u>	<u>768,666</u>
- at end of year	<u><u>581,202</u></u>	<u><u>883,918</u></u>
Represented by:		
Cash in hand and at bank	577,820	870,638
Short-term investment	<u>3,382</u>	<u>13,280</u>
	<u><u>581,202</u></u>	<u><u>883,918</u></u>

(The accompanying notes form part of these financial statements)

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

1. Incorporation and Principal Business Activity:

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

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

2. Going Concern:

The Corporation has generated a net loss of **\$2,481,785** for the year ended 30 September 2016 and this has increased the Corporation's Accumulated Deficit to **\$80,041,973** as at 30 September 2016. The Corporation continues to be dependent on its line ministry for funding via the Government's Deficit Funding facility and without this funding the Corporation would have generated a net deficit of **\$12,481,705** for the year ended 30 September 2016. Notwithstanding these facts, the financial statements have been prepared on the going concern basis. This basis has been deemed appropriate in view of the Corporation's ability to continue its operation using internally generated cash flow and funding from the Ministry of Transport.

3. Significant Accounting Policies:

(a) Basis of financial statements preparation -

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

(b) Use of estimates -

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

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. Significant Accounting Policies (Cont'd):

(c) New Accounting Standards and Interpretations -

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

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Amendments regarding changes in methods of disposal (effective for accounting periods beginning on or after 1 January 2016).

IFRS 7 Financial Instruments: Disclosures - Servicing contracts and applicability to condense interim financial statements (effective for accounting periods beginning on or after 1 January 2016).

IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).

IFRS 10 Consolidated Financial Statements - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).

IFRS 11 Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation (effective for accounting periods beginning on or after 1 January 2016).

IFRS 12 Disclosure of Interest in Other Entities - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016).

IFRS 14 Regulatory Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016).

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017).

IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019).

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. Significant Accounting Policies (Cont'd):

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

- | | |
|---------|--|
| IAS 1 | Presentation of Financial Statements - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 7 | Statement of Cash Flows - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2017). |
| IAS 12 | Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017). |
| IAS 16 | Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 16 | Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016). |
| IFRS 19 | Employee Benefits: Disclosures - Amendments regarding discount rate: regional market issue (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 27 | Separate Financial Statements - Amendments reinstalling the equity method as an accounting option for investments in subsidiaries, joint effective for accounting periods beginning on or after 1 January 2016). |
| IAS 28 | Investment in Associates - Amendments regarding the application of consolidation exception (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 34 | Interim Financial Reporting - Amendments regarding disclosure of information "elsewhere in the interim financial report" (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 38 | Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective for accounting periods beginning on or after 1 January 2016). |
| IAS 41 | Agriculture - Amendments bringing bearer plants into the scope of IAS 16 (effective for accounting periods beginning on or after 1 January 2016). |

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

3. Significant Accounting Policies (Cont'd):

(d) Property, plant and equipment -

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

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

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

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

(e) Investments -

The Corporation has classified all investments as available for sale.

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

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

(f) Inventories -

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

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. Significant Accounting Policies (Cont'd):

(g) **Financial instruments -**

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

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

Financial assets

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

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

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

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

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

**THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED**

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. Significant Accounting Policies (Cont'd):

(g) Financial instruments (cont'd) -

Impairment of financial assets

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

- i)** Significant financial difficulty of the issuer or obligor.
- ii)** A breach of contract, such as default or delinquency in interest or principal payments.
- iii)** It becoming probable that the borrower will enter in bankruptcy or other financial reorganization.
- iv)** The disappearance of an active market for that financial asset because of financial difficulties.
- v)** Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the Corporation or national or economic conditions that correlate with defaults on assets in the Corporation.

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

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. Significant Accounting Policies (Cont'd):

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

Impairment of financial assets (cont'd)

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

i) **Financial assets measured at amortised cost**

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

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

ii) **Financial assets measured at cost**

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

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. Significant Accounting Policies (Cont'd):

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

Financial liabilities

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

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

Cash and cash equivalents

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

Trade receivables

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

Trade payables

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

Bank loans

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

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. Significant Accounting Policies (Cont'd):

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

Financial liabilities (cont'd)

Finance Leases

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

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

(h) **Revenue recognition -**

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

(i) **Foreign currency -**

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

(j) **Comparative figures -**

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

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. Financial Risk Management:

Financial risk factors

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

(a) **Interest rate risk -**

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

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

(b) **Credit risk -**

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

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

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

(c) **Liquidity risk -**

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

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

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. Financial Risk Management (Cont'd):

(d) **Currency risk -**

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

(e) **Operational risk -**

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

(f) **Compliance risk -**

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

(g) **Reputation risk -**

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

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5. Critical Accounting Estimates and Judgments:

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

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

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

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

- i) Whether investments are classified as held to maturity investments, available for sale or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) Which depreciation method for plant and equipment is used.

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

i) Impairment of assets

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

ii) Plant and equipment

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

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6. Cash in Hand and at Bank:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Petty cash - San Fernando	6,000	6,000
Petty cash - Tobago	5,000	5,000
Petty cash - Port of Spain	10,000	10,000
First Citizens Bank Limited US\$ savings account	2,268	2,259
First Citizens Bank Limited UK£ account	958	956
First Citizens Bank Limited TT\$ chequing account	<u>553,594</u>	<u>846,423</u>
	<u><u>577,820</u></u>	<u><u>870,638</u></u>

7. Short-term Investments:

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

8. Accounts Receivable and Prepayments:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Trade debtors	35,778,689	33,489,178
Public Transport Service Corporation – 85 Yutong Buses (see Note 13)	14,392,626	18,522,626
VAT recoverable	2,159,169	2,491,196
Other receivables	44,054	46,508
Prepayments	<u>445,423</u>	<u>543,838</u>
	52,819,961	55,093,346
Less: Provision for bad debts	<u>(30,590,975)</u>	<u>(30,591,665)</u>
	<u><u>22,228,986</u></u>	<u><u>24,501,681</u></u>
Provision for Bad Debts:		
Balance at beginning of year	30,591,665	30,513,245
Movement for the year	<u>(690)</u>	<u>78,420</u>
Balance at end of year	<u><u>30,590,975</u></u>	<u><u>30,591,665</u></u>

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9. Inventories:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Panel Vans (see note below)	1,148,947	2,806,416
Spare parts	6,089,818	6,993,742
Work-in-progress	4,485,416	4,893,644
	<u>11,724,181</u>	<u>14,693,802</u>

Note –

During the year ended 30 September 2015, the Corporation was awarded a contract for the supply and delivery of ten (10) Panel Vans to the Trinidad and Tobago Postal Corporation (TTPOST). VMCOTT acquired 10 Toyota Hiace Panel Vans at a cost of **\$2,908,516** (including landing and other costs) which were to be transferred to TTPOST. The vehicles did not meet the specifications outlined in the Invitation to Bid issued by TTPOST and were not accepted. VMCOTT has agreed to refund the 50% deposit paid by TTPOST for the vehicles.

During the year, the Corporation sold six (6) of the vans to a creditor for **\$1,385,229**. The cost allocated to the vans was **\$1,759,570** and a loss of **\$374,341** was realised in the Statement of Comprehensive Income.

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10. Fixed Assets:	Leasehold Improvements (\$)	Construction Work-in- Progress (\$)	Plant and Machinery (\$)	Office Equipment (\$)	Motor Vehicles (\$)	Computer Software & Equipment (\$)	Total (\$)
Cost							
Balance as at 1 October 2015	43,098,792	612,999	14,997,199	3,405,796	1,510,583	4,033,080	67,658,449
Additions	10,300	451,357	8,390	28,353	-	21,145	519,545
Balance as at 30 September 2016	<u>43,109,092</u>	<u>1,064,356</u>	<u>15,005,589</u>	<u>3,434,149</u>	<u>1,510,583</u>	<u>4,058,550</u>	<u>68,162,319</u>
Accumulated Depreciation							
Balance as at 1 October 2015	26,081,235	-	11,628,838	2,428,635	1,256,720	3,938,175	45,333,603
Charge for the year	1,211,909	-	295,999	245,537	98,269	65,862	1,917,576
Disposals	-	-	-	-	-	(13,113)	(13,113)
Balance as at 30 September 2016	<u>27,293,144</u>	<u>-</u>	<u>11,924,837</u>	<u>2,674,172</u>	<u>1,354,989</u>	<u>3,990,924</u>	<u>47,238,066</u>
Net Book Value							
Balance as at 30 September 2016	<u>15,815,948</u>	<u>1,064,356</u>	<u>3,080,752</u>	<u>759,977</u>	<u>155,594</u>	<u>47,626</u>	<u>20,924,253</u>
Balance as at 30 September 2015	<u>17,017,557</u>	<u>612,999</u>	<u>3,368,361</u>	<u>977,161</u>	<u>253,863</u>	<u>94,905</u>	<u>22,324,846</u>

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10. <u>Fixed Assets:</u>	Leasehold Improvements (\$)	Construction Work-in- Progress (\$)	Plant and Machinery (\$)	Office Equipment (\$)	Motor Vehicles (\$)	Computer Software & Equipment (\$)	Total (\$)
Cost							
Balance as at 1 October 2014	43,060,754	612,999	14,961,676	3,356,468	1,510,583	4,001,956	67,504,436
Additions	<u>38,038</u>	-	<u>35,523</u>	<u>49,328</u>	-	<u>31,124</u>	<u>154,013</u>
Balance as at 30 September 2015	<u>43,098,792</u>	<u>612,999</u>	<u>14,997,199</u>	<u>3,405,796</u>	<u>1,510,583</u>	<u>4,033,080</u>	<u>67,658,449</u>
Accumulated Depreciation							
Balance as at 1 October 2014	24,876,009	-	11,332,533	2,188,338	1,158,451	3,875,988	43,431,319
Charge for the year	<u>1,205,226</u>	-	<u>296,305</u>	<u>240,297</u>	<u>98,269</u>	<u>62,187</u>	<u>1,902,284</u>
Balance as at 30 September 2015	<u>26,081,235</u>	-	<u>11,628,838</u>	<u>2,428,635</u>	<u>1,256,720</u>	<u>3,938,175</u>	<u>45,333,603</u>
Net Book Value							
Balance as at 30 September 2015	<u>17,017,557</u>	<u>612,999</u>	<u>3,368,361</u>	<u>977,161</u>	<u>253,863</u>	<u>94,905</u>	<u>22,324,846</u>
Balance as at 30 September 2014	<u>18,184,745</u>	<u>612,999</u>	<u>3,629,143</u>	<u>1,168,130</u>	<u>352,132</u>	<u>125,968</u>	<u>24,073,117</u>

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11. Accounts Payable and Accrued Liabilities:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Trade payables	12,397,312	12,682,570
Accruals	1,031,309	443,965
Accrued vacation leave	(3,001)	484,960
Advance payments on procurement	7,532,337	7,562,327
Deferred income	399,819	399,819
Salaries, gratuities, director fees and deductions payable	615,223	725,549
Insurance claim settlement on behalf of Police	848,910	848,910
Refund due to TTPOST (Note 9)	1,764,105	1,764,105
VAT liability (Note 23)	3,033,098	3,033,098
	<u>27,619,112</u>	<u>27,945,303</u>

12. Deferred Taxation:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Balance at beginning of year	589,820	530,646
Effect of Statement of Comprehensive Income	(7,649)	59,174
Balance at end of year	<u>582,171</u>	<u>589,820</u>
Deferred taxation is attributable to the following items:		
Excess of net book value over written-down tax value	582,171	589,820
	<u>582,171</u>	<u>589,820</u>

The Corporation has not recognised the deferred tax asset on taxable losses totaling \$104,388,228 (2015: \$103,321,124) in accordance with IAS 12 Income Taxes.

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13. Loans:

	30 September	
	2016	2015
	(\$)	(\$)
Trinidad and Tobago Unit Trust Corporation (UTC)	<u>14,455,000</u>	<u>18,585,000</u>

This balance represents a **TT\$41.3 million** loan granted for the purpose of purchasing sixty (60) 29-33 seater buses and twenty-five (25) 49-seater buses for use by the Public Transportation Services Corporation (PTSC) from Yutong Honk Kong Limited. It is repayable over a period of ten (10) years. Interest accrues at a rate of 4.90% per annum and is repayable semi-annually in arrears commencing six months after the drawdown date. A letter of comfort has been issued by the Government of the Republic of Trinidad and Tobago for the security of the loan. Payments towards the loan are made directly by the Ministry of Finance and during the year interest of **\$862,429** was paid.

The loan with UTC was supposed to be transferred to PTSC within the subsequent financial period, however, past Management did not initiate negotiations to this effect. The loan was repaid in full as at 30 September 2020.

14. Stated Capital:

	30 September	
	2016	2015
	(\$)	(\$)
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
2 shares of no par value	2	2
Additional transfers by the Government of the Republic of Trinidad and Tobago through:		
Payments of loan instalments	55,000,000	55,000,000
Infrastructure Development Fund	<u>37,844,310</u>	<u>37,844,310</u>
	<u>92,844,312</u>	<u>92,844,312</u>

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15. Cost of Goods Sold:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Opening stock	11,887,386	10,920,457
Purchases	2,301,822	7,452,533
Salaries, wages and other staff expenses	<u>3,141,596</u>	<u>3,447,891</u>
	17,330,804	21,820,881
Less: Closing stock	<u>10,575,234</u>	<u>11,887,386</u>
	<u>6,755,570</u>	<u>9,933,495</u>

16. Administrative Expenses:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Computer expenses	27,460	29,541
Electricity	386,027	357,259
Interest and penalties	165,636	81,914
Entertainment expenses	54,129	183,588
Medical expenses	8,430	7,511
Office expenses	520,547	566,889
Other expenses	162,463	254,186
Publications and subscriptions	5,170	7,608
Safety supplies	23,862	75,174
Sanitation	70,722	52,719
Security expense	1,098,692	1,732,050
Telephone expense	<u>467,649</u>	<u>488,981</u>
	<u>2,990,787</u>	<u>3,837,420</u>

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17. Bank Charges and Loan Interest:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Bank charges	15,647	16,718
Loan interest	862,429	1,062,304
Foreign exchange loss	(11)	(4,409)
	<u>878,065</u>	<u>1,074,613</u>
Less: Reimbursed interest expense	<u>(862,429)</u>	<u>(1,062,304)</u>
	<u><u>15,636</u></u>	<u><u>12,309</u></u>

18. Salaries and Staff Benefits:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Salaries, wages and other staff expenses	6,641,132	6,792,404
National Insurance	405,408	432,835
Uniforms	3,066	4,639
	<u>7,049,606</u>	<u>7,229,878</u>

19. Other Income:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Car wash	841,882	751,347
Miscellaneous income	232,536	186,722
Rental income	267,600	192,000
Gain on disposal of fixed assets	419	-
	<u>1,342,437</u>	<u>1,130,069</u>

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20. Taxation:

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Business Levy	(36,829)	(748)
Green Fund Levy	(18,415)	(2,989)
Deferred taxation	<u>7,649</u>	<u>(59,174)</u>
	<u>(47,595)</u>	<u>(62,911)</u>
 Reconciliation arising from using the basic rate of tax as follows:		
Net loss before taxation	<u>(2,434,190)</u>	<u>(493,234)</u>
Tax rate at 25%	608,548	123,309
Tax effect of expenses not deductible for tax purposes	(35,636)	(26,146)
Business Levy	(36,829)	(748)
Green Fund Levy	(18,415)	(2,989)
Permanent difference relating to assets, which do not attract wear and tear	(299,762)	(291,797)
Effect of change in tax rate	1,275	(9,862)
Taxable losses utilized/(not recognized)	<u>(266,776)</u>	<u>145,322</u>
	<u>(47,595)</u>	<u>(62,911)</u>

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21. Related Party Transactions:

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

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

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

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

	30 September	
	<u>2016</u>	<u>2015</u>
	(\$)	(\$)
Assets		
Amounts due from related parties and key management personnel	-	-
Income		
Service repairs	11,265	12,350
Expenses		
Directors' fees and travelling	163,245	513,000
Key management compensation		
Short-term benefits	1,015,510	1,285,161
Post employment benefits	<u>182,400</u>	<u>285,600</u>
	<u>1,197,910</u>	<u>1,570,761</u>

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22. Fair Values:

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

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

23. VAT Liability:

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

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

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

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

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

The Corporation made payments in 2014 and 2015 totalling \$618,000, however, during the year no payments were made towards the liability.

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23. Contingent Liabilities:

The Company dismissed three employees during the year after they were arrested by the Trinidad and Tobago Police Service (TTPS) following the discovery of missing inventory in February 2016. The terminated employees submitted a legal challenge against VMCOTT for wrongful termination after the TTPS closed their case against them without laying any charges. The employees were represented by the Government Industrial and General Workers' Union (GIGWU) in the legal challenge.

The matter was settled for one of the employees in February 2019 with the payment of twelve (12) months salary and accrued vacation leave. VMCOTT has re-submitted documentation with respect to the settlement with this employee and is presently awaiting notification from the Industrial Court to formally bring this matter to a close.

For the two other terminated employees, the legal matter was deferred to 29 July 2019 with an evidence and argument report submitted on 18 September 2019. The Human Resource Officer attended the mention and report on 30 September 2019 and the GIGWU requested a conciliation meeting, which took place on 3 February 2020 at the Industrial Court. VMCOTT is presently awaiting correspondence from the court on this matter.

Management believes that the matter with the two other employees will be dismissed due to the evidence supplied by VMCOTT. In accordance with the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, VMCOTT has not recognized any liabilities as it expects the matter would be dismissed with no monetary outflow by the Company.