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Chartered Accountants
& Business Advisors

PKF LIMITED

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2018

PKF

Chartered Accountants
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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
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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 2018, 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.

Natasha Prince (Ms.)
Chief Executive Officer

Date 19th September 2024

Lt. Col. Neil Bennett (Ret'd.)
Chairman

Date 19th September 2024

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& Business Advisors

PKF LIMITED

INDEPENDENT AUDITORS' REPORT

The Shareholders
The Vehicle Management Corporation of Trinidad and Tobago Limited

Opinion

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 at 30 September 2018, 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.

In our opinion, 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 2018 and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards (IFRSs) issued by the International Accounting Standards Board.

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 The Vehicle Management Corporation of Trinidad and Tobago 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 Related to Going Concern

We draw attention to Note 2 in the financial statements which discloses that as at 30 September 2018, the Company's current liabilities exceeded its current assets by **$10,011,570.** The Corporation generated net income of **$709,262** for the year ended 30 September 2018 and this has reduced the Corporation's Accumulated Deficit to **$89,115,506** as at 30 September 2018. The Corporation continues to be dependent on its line ministry, the Ministry of Works and Transport, for funding via the Government's Deficit Funding facility and without this funding the Corporation would have generated a net deficit of **$10,593,768** for the year ended 30 September 2018.

In the absence of continued support from the Ministry of Works and Transport, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion was not qualified in respect of this matter

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 the 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.

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

Responsibilities of Management and the Board of Directors for the Financial Statements (cont'd)
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 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.

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 skepticism 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 auditor's 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.

PKF

19 September 2024
Barataria

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION

ASSETS

	Notes	30 September 2018 ($)	30 September 2017 ($)
Current Assets:			
Cash in hand and at bank	6	642,871	560,489
Short-term investments	7	39,704	2,397
Accounts receivable and prepayments	8	19,261,479	18,636,173
Inventories	9	3,158,226	3,598,795
Total Current Assets		23,102,280	22,797,854
Non-Current Assets:			
Fixed assets	10	20,601,108	22,396,788
Total Assets		**43,703,388**	**45,194,642**

LIABILITIES AND SHAREHOLDER'S EQUITY

	Notes	2018 ($)	2017 ($)
Current Liabilities:			
Accounts payable and accrued liabilities	11	28,983,850	27,386,647
Loans-current portion	12	4,130,000	4,130,000
Total Current Liabilities		33,113,850	31,516,647
Non-Current Liabilities:			
Deferred taxation	13	513,273	563,818
Loans-current portion	12	2,065,000	6,195,000
Total Non-Current Liabilities		2,578,273	6,758,818
Total Liabilities		35,692,123	38,275,465
Shareholder's Equity:			
Stated capital	14	97,126,771	96,743,945
Accumulated deficit		(89,115,506)	(89,824,768)
Total Shareholder's Equity		8,011,265	6,919,177
Total Liabilities and Shareholder's Equity		**43,703,388**	**45,194,642**

These financial statements were approved by the Board of Directors and authorised for issue on 19 September 2024 and signed on their behalf by:

Director **Director**

(The accompanying notes form part of these financial statements)

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Notes	30 September 2018 ($)	30 September 2017 ($)
Sales		3,096,676	5,352,463
Less: cost of goods sold	15	4,826,655	12,634,902
		(1,729,979)	(7,282,439)
Administrative expenses	16	2,809,559	2,426,111
Advertising		100,327	271,133
Audit and accounting fees		80,000	80,000
Bad debt expenses		(3,125,878)	-
Bank charges and loan interest	17	21,886	23,252
Car wash expenses		26,125	133,993
Depreciation		1,987,430	1,958,301
Directors' fees		324,000	324,000
Donations		521	200
Insurance		227,563	290,761
Legal and professional fees		276,728	225,901
Local and overseas travel		5,927	8,282
Loss on disposal of vans	9	-	202,544
Motor vehicle expenses		68,017	49,489
Rental of equipment		(11,375)	80,800
Repairs and maintenance		268,644	302,500
Salaries and staff benefits	18	7,017,299	7,344,925
Stationery and printing		45,342	106,509
Training and development		150,485	6,522
		10,272,600	13,835,223
Loss from operations		(12,002,579)	(21,117,662)
Other income:			
GORTT deficit funding		11,303,030	10,000,000
Interest income		1,555	1,615
Other income	19	1,400,320	1,377,079
Net income/(loss) before taxation		702,326	(9,738,968)
Taxation	20	6,936	(43,827)
Net income/(loss) for the year		709,262	(9,782,795)

(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 2018

	Stated Capital ($)	Accumulated Deficit ($)	Shareholder's Equity ($)
Balance as at 1 October 2016	92,844,312	(80,041,973)	12,802,339
GORTT Infrastructure Development Fund	3,899,633	-	3,899,633
Net loss for the year	-	(9,782,795)	(9,782,795)
Balance as at 1 October 2017	96,743,945	(89,824,768)	6,919,177
GORTT Infrastructure Development Fund	382,826	-	382,826
Net income for the year	-	709,262	709,262
Balance as at 30 September 2018	**97,126,771**	**(89,115,506)**	**8,011,265**

(The accompanying notes form part of these financial statements)

THE VEHICLE MANAGEMENT CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS

	30 September 2018 ($)	30 September 2017 ($)
OPERATING ACTIVITIES:		
Net income/(loss) before taxation	702,326	(9,738,968)
Adjustments for:		
Gain on disposal of fixed assets	(1,325)	-
Bad debt reversal/provision	(3,125,878)	-
Depreciation	1,987,430	1,958,301
Changes in operating assets and liabilities	(437,447)	(7,780,667)
Net change in inventories	440,568	8,125,386
Net change in accounts receivable and prepayments	2,500,574	3,592,813
Net change in accounts payable and accrued liabilities	1,597,203	(232,465)
	4,100,898	3,705,067
Taxation paid	(43,609)	(62,180)
Cash provided by operating activities	4,057,289	3,642,887
INVESTING ACTIVITIES:		
Proceeds from the sale of assets	35,411	-
Net change in fixed assets	(225,836)	(3,430,836)
Cash used in investing activities	(190,425)	(3,430,836)
FINANCING ACTIVITIES:		
Net change in loans	(4,130,000)	(4,130,000)
Net change in stated capital	382,825	3,899,633
Cash used in financing activities	(3,747,175)	(230,367)
Net change in cash and cash equivalents	119,689	(18,316)
Cash and cash equivalents - at beginning of year	562,886	581,202
Cash and cash equivalent - at end of year	**682,575**	**562,886**
Represented by:		
Cash in hand and at bank	642,871	560,489
Short-term investment	39,704	2,397
	682,575	**562,886**

(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 2018

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 net income of **709,262** for the year ended 30 September 2018 and this has reduced the Corporation's Accumulated Deficit to **$89,115,506** as at 30 September 2018. Additionally, there is an excess of current liabilities over current assets of **$10,011,570**. 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 **$10,593,768** for the year ended 30 September 2018.

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 Works and 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 2018

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

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

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 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 (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 12 Disclosure of Interest in Other Entities - Amendments regarding the specification of the disclosure requirements for an entity's interest classified as held-for-sale, held for distribution or as a discontinued operation (effective for accounting periods beginning on or after 1 January 2017).

IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).

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

IFRS 17 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021).

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

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

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 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).

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 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).

THE VEHICLE MANAGEMENT CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2018

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 2018

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 2018

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 is 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 2018

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 2018

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.

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.

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 2018

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 2018 ($)	30 September 2017 ($)
Petty Cash	21,000	21,300
First Citizens Bank Limited US$ savings account	2,268	2,268
First Citizens Bank Limited UK£ account	958	958
First Citizens Bank Limited TT$ chequing account	618,645	535,963
	642,871	**560,489**

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 2018 ($)	30 September 2017 ($)
Trade debtors	36,343,418	36,000,231
Public Transport Service Corporation – 85 Yutong Buses **(see Note 12)**	6,132,626	10,262,626
VAT recoverable	1,797,303	2,121,808
Other receivables	1,794,712	245,211
Prepayments	658,516	597,272
	46,726,575	49,227,148
Less: Provision for bad debts (see below)	(27,465,097)	(30,590,975)
	19,261,478	**18,636,173**
Provision for Bad Debts:		
Balance at beginning of year	30,590,975	30,590,975
Movement for the year	3,353,140	-
Reversal of bad debt provision	(6,479,018)	-
Balance at end of year	**27,465,097**	**30,590,975**

9. Inventories:

	30 September 2018 ($)	30 September 2017 ($)
Spare parts	3,115,215	3,471,371
Work-in-progress	43,011	127,424
	3,158,226	**3,598,795**

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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 2017	46,250,852	942,644	15,010,689	3,602,259	1,510,583	4,276,128	71,593,155
Additions	86,323	-	86,028	60,894	-	78,469	311,714
Disposal	-	-	-	-	(393,079)	(7,965)	(401,044)
Reclassification	-	-	-	(85,878)	-	-	(85,878)
Balance as at 30 September 2018	46,337,175	942,644	15,096,717	3,577,275	1,117,504	4,346,632	71,417,947
Accumulated Depreciation							
Balance as at 1 October 2017	28,558,409	-	12,217,507	2,918,384	1,453,258	4,048,809	49,196,367
Charge for the year	1,318,988		297,812	231,303	24,567	114,760	1,987,430
Disposal	-	-	-	-	(360,321)	(6,637)	(366,958)
Balance as at 30 September 2018	29,877,397	-	12,515,319	3,149,687	1,117,504	4,156,932	50,816,839
Net Book Value							
Balance as at 30 September 2018	16,459,778	942,644	2,581,398	427,588	-	189,700	20,601,108
Balance as at 30 September 2017	17,692,443	942,644	2,793,182	672,475	57,325	227,319	22,385,388

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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 2016	43,109,092	1,064,356	15,005,589	3,434,149	1,510,583	4,038,550	68,162,319
Additions	2,841,864	329,644	5,100	16,650	-	237,578	3,430,836
Transfers	299,896	(451,356)	-	151,460	-	-	-
Balance as at 30 September 2017	46,250,852	942,644	15,010,689	3,602,259	1,510,583	4,276,128	71,593,155
Accumulated Depreciation							
Balance as at 1 October 2016	27,293,144	-	11,924,837	2,674,172	1,354,989	3,990,924	47,238,066
Charge for the year	1,265,265	-	292,670	244,212	98,269	57,885	1,958,301
Balance as at 30 September 2017	28,558,409	-	12,217,507	2,918,384	1,453,258	4,048,809	49,196,367
Net Book Value							
Balance as at 30 September 2017	17,692,443	942,644	2,793,182	683,875	57,325	227,319	22,396,788
Balance as at 30 September 2016	15,815,948	1,064,356	3,080,752	759,977	155,594	47,626	20,924,253

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11. Accounts Payable and Accrued Liabilities:

	30 September 2018 ($)	30 September 2017 ($)
Trade payables	11,084,452	11,346,104
Accruals	987,104	824,138
Accrued vacation leave	445,390	604,332
Advance payments on procurement	7,244,375	7,244,375
Deferred income	399,819	399,819
Salaries, gratuities, director fees and deductions payable	1,800,184	1,302,923
Insurance claim settlement on behalf of Police	848,910	848,910
Refund due to TTPOST (**Note 9**)	3,131,943	1,764,105
VAT liability (**Note 23**)	3,033,098	3,033,098
Business Levy payable	5,717	12,562
Green Fund Levy payable	2,858	6,281
	28,983,850	27,386,647

12. Loans:

	30 September 2018 ($)	30 September 2017 ($)
Trinidad and Tobago Unit Trust Corporation (UTC)	6,195,000	10,325,000
Less Current Portion	(4,130,000)	(4,130,000)
Non Current Portion	2,065,000	6,195,000

This balance represents a **TT$41.3 million** loan granted for the purpose of purchasing sixty (60) 29-33 seater buses and twenty-five (25) 49-seater buses for use by the Public Transportation Services Corporation (PTSC) from Yutong Honk Kong Limited. It is repayable over a period of ten (10) years. Interest accrues at a rate of 4.90% per annum and is repayable semi-annually in arrears commencing six months after the drawdown date. A letter of comfort has been issued by the Government of the Republic of Trinidad and Tobago for the security of the loan. Payments towards the loan are made directly by the Ministry of Finance and during the year interest of **$455,194** was paid.

The loan with the UTC was supposed to be transferred to PTSC within the subsequent financial period, however, prior management had not initiated negotiations to this effect. The loan was repaid in full as at 30 September 2020 and cleared from the Corporation's books after the last installment journal was entered when the statement from UTC was received.

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13. Deferred Taxation:

	30 September 2018 ($)	30 September 2017 ($)
Balance at beginning of year	563,818	582,171
Effect of Statement of Comprehensive Income	(50,545)	(18,353)
Balance at end of year	**513,273**	**563,818**
Deferred taxation is attributable to the following items:		
Excess of net book value over written-down tax value	513,273	563,818
	513,273	**563,818**

The Corporation has not recognised the deferred tax asset on taxable losses totaling **$113,598,501** (2017: **$115,867,227**) in accordance with IAS 12 Income Taxes.

14. Stated Capital:

	30 September 2018 ($)	30 September 2017 ($)
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	42,126,769	41,743,943
	97,126,771	**96,743,945**

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15. Cost of Goods Sold:

	30 September 2018 ($)	30 September 2017 ($)
Opening stock	9,850,331	10,575,234
Purchases	961,497	2,232,845
Salaries, wages and other staff expenses	3,424,590	3,425,618
	14,236,418	16,233,697
Less: Closing stock	9,409,763	3,598,795
	4,826,655	12,634,902

16. Administrative Expenses:

	30 September 2018 ($)	30 September 2017 ($)
Computer expenses	45,862	79,194
Electricity	455,826	345,911
Interest and penalties	227,675	50,917
Entertainment expenses	55,390	116,196
Medical expenses	-	4,891
Office expenses	532,507	540,223
Other expenses	174,552	182,427
Publications and subscriptions	2,350	2,795
Safety supplies	25,289	24,625
Sanitation	48,576	57,031
Security expense	715,154	675,009
Telephone expense	526,378	346,892
	2,809,559	2,426,111

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17. Bank Charges and Loan Interest:

	30 September 2018 ($)	30 September 2017 ($)
Bank charges	23,510	22,568
Loan interest	455,194	657,564
Foreign exchange loss	(1,624)	684
	477,080	680,816
Less: Reimbursed interest expense	(455,194)	(657,564)
	21,886	23,252

18. Salaries and Staff Benefits:

	30 September 2018 ($)	30 September 2017 ($)
Salaries, wages and other staff expenses	6,610,144	6,850,575
National Insurance	372,940	457,451
Uniforms	34,215	36,899
	7,017,299	7,344,925

19. Other Income:

	30 September 2018 ($)	30 September 2017 ($)
Car wash	559,979	679,417
Miscellaneous income	659,016	581,262
Rental income	180,000	116,400
Gain on disposal of fixed assets	1,325	-
	1,400,320	1,377,079

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20. Taxation:

	30 September 2018 ($)	30 September 2017 ($)
Business Levy	(29,073)	(41,453)
Green Fund Levy	(14,536)	(20,727)
Deferred taxation	50,545	18,353
	6,936	**(43,827)**

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

	2018 ($)	2017 ($)
Net income/(loss) before taxation	702,326	(9,738,968)
Tax rate at 30% (2017: 25%)	(210,698)	2,434,742
Tax effect of expenses not deductible for tax purposes	(50,041)	(19,226)
Business Levy	(29,073)	(41,453)
Green Fund Levy	(14,536)	(20,727)
Tax on exempt income	466	403
Permanent difference relating to assets, which do not attract wear and tear	(369,800)	469,124
Effect of change in tax rate	-	3,059
Taxable losses utilized/(not recognized)	680,618	(2,869,749)
	6,936	**(43,827)**

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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 2018 ($)	2017 ($)
Assets		
Amounts due from related parties and key management personnel	-	-
Income		
Service repairs	36,723	19,104
Expenses		
Directors' fees and travelling	324,000	324,000
Key management compensation		
Short-term benefits	969,171	1,327,237
Post employment benefits	114,000	266,000
	1,083,171	1,593,237

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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 totaling **$618,000**, however, during the prior and current year no payments were made towards the liability.

VMCOTT is committed to meeting the tax liability and, based on the tax amnesty between October to December 2024, will be making payments towards the outstanding VAT liability to reduce the outstanding balances.

24. <u>Contingent Liabilities:</u>

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. The next court hearing is scheduled for November 2024.