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Urban Development Corporation of
Trinidad and Tobago Limited

ABRIDGED VERSION

The Urban Development Corporation of Trinidad and Tobago Limited 2007 Financial Accounts.



Independent Auditor's Report

To the shareholders of Urban Development Corporation of Trinidad And Tobago Limited and its Subsidiaries

Report on the consolidated financial statements

We were engaged to audit the accompanying consolidated financial statements of Urban Development Corporation of Trinidad And Tobago Limited (the "Company") and its Subsidiaries (together the "Group"), which comprise the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with International Standards on Auditing. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

a) *Commission of enquiry*

Subsequent to the year ended 31 December 2007, the Government of the Republic of Trinidad and Tobago (GORTT) appointed a Commission of Enquiry (the "Commission") into the operations of the construction sector and the Company as discussed in Note 3. The Commission's report dated 29 March 2010 made several recommendations as discussed in Note 3. Since there have been no investigations into the results of the Commission, to date, we were unable to determine whether the implications of this matter are properly accounted for and adequately disclosed in the consolidated financial statements. The possible effects on the consolidated financial statements could be material and pervasive.

b) *Subsequent events*

The Group's accounting records did not provide sufficient appropriate evidence that all events occurring between the date of the consolidated financial statements and the date of our auditor's report requiring adjustment to, or disclosure in the consolidated financial statements were appropriately identified by management and that the necessary adjustments and/or disclosures were included in the consolidated financial statements as at 31 December 2007. There were no satisfactory audit procedures that could have been performed to ensure that all applicable subsequent events were appropriately reflected in the Group's consolidated financial statements as at the year end. As a result, we are unable to determine whether any adjustments would be required to the elements making up the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended. In addition, we were unable to determine whether any additional note disclosures relevant to the users of the financial statements should be included in the consolidated financial statements as at 31 December 2007.



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Independent Auditor's Report (Continued)

Basis for disclaimer of opinion (continued)

c) Going concern

We were unable to obtain sufficient evidence to support management's use of the going concern assumption in the preparation of the consolidated financial statements for the year ended 31 December 2007. The consolidated financial statements do not disclose that material uncertainties exist that may cast significant doubt about the entity's ability to continue as a going concern in accordance with International Accounting Standard (IAS) 1: Presentation of financial statement. However, the existence of the following factors as at the balance sheet date cast significant doubt about the use of the going concern assumption by the Group in the preparation of the consolidated financial statements for the year:

- i. The Group experienced negative operating cash flows for the year of (\$417,692,171) and incurred substantial operating losses during the year (\$21,824,348) (2006: (\$110,720,326)). The Group was in a net current liability position of \$42,426,622 (2006: \$1,719,446,618) at the end of the year.
- ii. The gearing ratio of the Group is 91% (2006: 84%), which is comprised mainly of third party debt obligations guaranteed by the Government of the Republic of Trinidad and Tobago (GORTT).
- iii. The Group is dependent on the GORTT to provide guarantees in order for the Group to restructure and/or repay existing loan facilities and to obtain new loan facilities. The Group is also dependent on capital contributions from the GORTT to support its primary operating activities. Capital contributions received from the GORTT as at the end of the year amounted to \$75,748,578 (2006: \$73,559,392). However, no letter of financial support was made available to us from the GORTT to confirm its continued financial support of the Group and no reliable subsequent consolidated financial statements and cash flow budgets were available.

We were unable to perform necessary additional audit procedures to obtain sufficient appropriate audit evidence of mitigating factors to be able to conclude that a material uncertainty does not exist regarding the entity's ability to continue as a going concern.

d) Leased properties

Additionally, as discussed in Note 6 to the consolidated financial statements, the Group is the lessee under five long term operating leases for properties with the Government of the Republic of Trinidad and Tobago (GORTT). The Group has recorded the properties covered by these lease agreements as leased properties in the consolidated financial statements with a corresponding entry being made to a capital contribution account in equity. In addition, these properties are carried at fair value and are revalued annually with revaluation gains being reflected in the capital contribution account. Under IAS 17 (Leases), the Group does not have the risks and rewards associated with ownership of the land and therefore the land does not qualify for recognition as an asset of the Group. If the proper accounting treatment was adopted, properties totalling \$585,207,941 (2006: \$639,527,947) would not be recognised in the consolidated financial statements and the contributed capital account would also be reduced.

This matter also resulted in a qualification of our audit report in the prior year.

If this adjustment was made, total assets would be \$5,465,469,302 (2006: \$3,480,909,483) and total equity would be (\$108,347,196) (2006: (\$88,712,034)).

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

Pascual A. Lopez

13 December 2013
Port of Spain
Trinidad, West Indies



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Urban Development Corporation of Trinidad and Tobago Limited and its Subsidiaries

Consolidated Balance Sheet

	As at 31 December	
	2007	2006
	\$	\$
ASSETS		Restated
Non-current Assets		
Leasehold properties	585,207,941	639,527,947
Other property, plant and equipment	4,063,105,304	2,509,245,176
Value Added Tax recoverable	518,706,686	294,384,507
Due from the Government of the Republic of Trinidad and Tobago	60,651,492	71,188,657
Prepaid lease payments	8,157,544	14,493,298
Accounts receivable and prepayments	93,204,731	143,586,078
Loan receivable from the Government of the Republic of Trinidad and Tobago	--	7,554,819
	<u>5,329,033,698</u>	<u>3,679,980,482</u>
Current Assets		
Development work in progress	169,617,914	75,100,612
Accounts receivable and prepayments	363,340,644	315,200,271
Loan receivable from the Government of the Republic of Trinidad and Tobago	7,554,819	15,109,679
Cash and cash equivalents	181,130,168	35,046,386
	<u>721,643,545</u>	<u>440,456,948</u>
Total Assets	<u>6,050,677,243</u>	<u>4,120,437,430</u>
EQUITY AND LIABILITIES		
Capital And Reserve		
Share capital	999,602	999,602
Accumulated deficit	(185,095,376)	(163,271,028)
Contributed capital	660,956,519	702,737,339
	<u>476,860,745</u>	<u>540,465,913</u>
Non-current Liabilities		
Borrowings	4,809,610,526	1,419,909,568
Deferred tax liability	135,805	158,383
	<u>4,809,746,331</u>	<u>1,420,067,951</u>
Current Liabilities		
Accounts payable and accruals	556,030,239	457,175,084
Borrowings	201,439,732	1,410,537,724
Reserve development fund	5,562,187	5,863,515
Deposit on account	1,038,009	192,853,673
Derivative financial instrument	--	90,723,570
Reserve operating grant	--	2,750,000
	<u>764,070,167</u>	<u>2,159,903,566</u>
Total Equity And Liabilities	<u>6,050,677,243</u>	<u>4,120,437,430</u>

On 27 September 2013, the Board of Directors of Urban Development Corporation of Trinidad and Tobago Limited authorised these consolidated financial statements for issue.

Director

Director



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Urban Development Corporation of
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Consolidated Income Statement

	Year Ended 31 December	
	2007	2006
	\$	\$
		Restated
Contract revenue		
- Project management fees	22,100,676	10,174,746
- Recoverable contract costs	658,336,435	370,424,657
	680,437,111	380,599,403
Contract costs incurred	(658,336,435)	(370,424,657)
Gross Profit	22,100,676	10,174,746
Other Income	4,611,987	1,599,726
Gain on disposal of housing projects	29,133,300	--
Other losses	(6,962,728)	(198,620)
Cost of interest rate lock transaction - derivative financial instrument	--	(90,723,570)
Administrative expenses	(43,711,831)	(21,235,995)
Operating Profit/(Loss)	5,171,404	(100,383,713)
Finance income	5,237,516	6,646,071
Finance costs	(16,517,771)	(8,669,798)
Finance costs - net	(11,280,255)	(2,023,727)
Loss Before Taxation	(6,108,851)	(102,407,440)
Taxation	(15,715,497)	(8,312,886)
Loss For The Year	(21,824,348)	(110,720,326)



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Consolidated Statement of Changes in Equity

	Share Capital \$	Retained Earnings/ (Accumulated Deficit) \$	Contributed Capital \$	Total \$
Balance at 1 January 2006				
As previously reported	999,602	15,808,553	386,471,000	403,279,155
Loan repayments by GORTT recognised as contributed capital	--	--	70,996,968	70,996,968
Prior year adjustment	--	(68,359,255)	--	(68,359,255)
Balance at 1 January 2006 - restated	999,602	(52,550,702)	457,467,968	405,916,868
Loss for the year - restated	--	(110,720,326)	--	(110,720,326)
Contributed capital for the year	--	--	245,269,371	245,269,371
Balance as at 31 December 2006 - restated	999,602	(163,271,028)	702,737,339	540,465,913
Balance at 1 January 2007	999,602	(163,271,028)	702,737,339	540,465,913
Loss for the year	--	(21,824,348)	--	(21,824,348)
Contributed capital for the year	--	--	(41,780,820)	(41,780,820)
Balance as at 31 December 2007	999,602	(185,095,376)	660,956,519	476,860,745



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Urban Development Corporation of Trinidad And Tobago Limited and its Subsidiaries Consolidated Cash Flow Statement

	Year Ended 31 December	
	2007 \$	2006 \$
Operating Activities		
Loss before taxation	(6,108,851)	(102,407,440)
Adjustments to reconcile profit from operations before taxation to net cash from operating activities:		
Depreciation and amortisation	1,401,865	839,098
Derivative financial instrument	--	90,723,570
Impairment provision and unwinding	(4,408,151)	(6,423,210)
Foreign exchange loss	18,902,391	4,834,565
Interest expenses	18,352,305	21,850,316
Interest income	(52,730)	(29,931)
(Gain)/loss on disposal of housing projects and other assets	(29,133,300)	5,690
	(1,046,471)	9,392,658
Change In Operating Assets And Liabilities		
Increase in VAT recoverable	(224,322,179)	(176,137,501)
Increase in accounts receivable and prepayments	6,649,155	(175,504,946)
Increase in accounts payable and accruals	73,668,973	46,653,925
(Increase)/decrease in work in progress	(94,517,302)	201,837,380
Decrease/(increase) in amounts due from Government of the Republic of Trinidad and Tobago	10,537,165	(18,766,031)
Decrease in loan receivable	15,109,679	15,109,660
Decrease in reserve development fund	(301,328)	(29,948,353)
(Decrease)/increase in deposit on account	(191,815,665)	164,031,673
(Decrease)/increase in reserve operating grant	(2,750,000)	750,000
	(408,787,973)	37,418,465
Taxation paid	(8,904,198)	(12,840,320)
Net Cash (Outflow)/Inflow From Operating Activities	(417,692,171)	24,578,145
Investing Activities		
Purchase of land and other property, plant and equipment	(1,721,324,392)	(970,100,408)
Proceeds from sale of properties and equipment	415,064,048	59,101
Interest received	52,730	29,931
Net Cash Outflow From Investing Activities	(1,306,207,614)	(970,011,376)
Financing Activities		
Proceeds from borrowings	3,364,599,890	1,775,285,040
Repayment of borrowings	(1,399,895,846)	(809,102,759)
Derivative financial instruments	(90,723,570)	--
Increase in capital contributions for the period	2,189,186	2,562,424
Net Cash Inflow From Financing Activities	1,876,169,660	968,744,705
Increase In Cash And Cash Equivalents	152,269,875	23,311,474
Cash And Cash Equivalents		
At beginning of year	35,046,386	11,734,912
Increase	152,269,875	23,311,474
Effects of exchange rate changes on cash and cash equivalents	(6,186,093)	--
At end of year	181,130,168	35,046,386
Represented By		
Cash	181,063,404	34,981,745
Highly liquid short term investments	66,764	64,641
	181,130,168	35,046,386