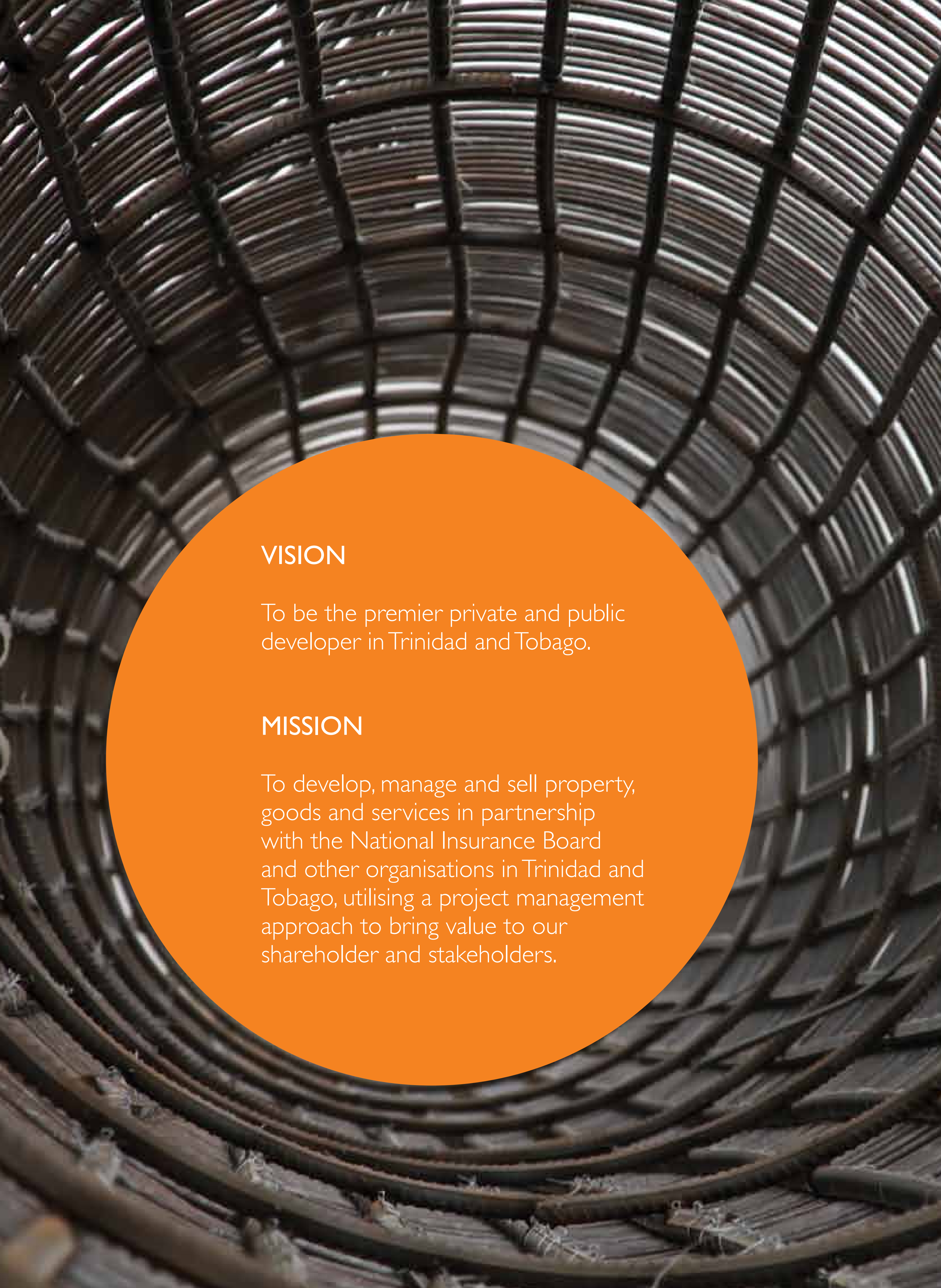
NIPDEC


ANNUAL REPORT 2012

## Focusing on the Core

Dotting Trinidad and Tobago's landscape are the many projects in which NIPDEC was involved. Our successes of the past have laid a solid foundation and serve as a reminder of our commitment to making an impact on the economic and social landscapes of the country. In the financial year of 2012, we examined the organisation's existing systems and fine-tuned our focus. We have returned to the centre of our purpose – delivery on time and of a service of the highest calibre, and ensuring that the country gets value for money.

It is fitting that we celebrate our 35th anniversary in the year of the Golden Jubilee of Trinidad and Tobago's independence. This annual report speaks to the role of the company in creating many landmarks that play an intrinsic role in the contemporary history of the islands. On the cover, as through a camera lens, we focus on one that is the most beautiful marker of the capital's skyline, the Twin Towers. Overlooking the gulf, the Twin Towers stand as testimony to NIPDEC's achievements and are symbols of what we can deliver.



## VISION

To be the premier private and public developer in Trinidad and Tobago.

## MISSION

To develop, manage and sell property, goods and services in partnership with the National Insurance Board and other organisations in Trinidad and Tobago, utilising a project management approach to bring value to our shareholder and stakeholders.

# CONTENTS

Our Core Values represent who we are and what is truly important to us:

# CORE VALUES

### MUTUAL RESPECT
We value and respect each other as persons as well as members of the same team, subscribing to the same Vision, Mission and Values.

### CUSTOMER FOCUS
We recognise that meeting and exceeding the expectations of our customers must guide our decision making.

### TRANSPARENCY
We are honest, open, clear and timely in communicating and conducting our business affairs with each other, our customers and business associates.

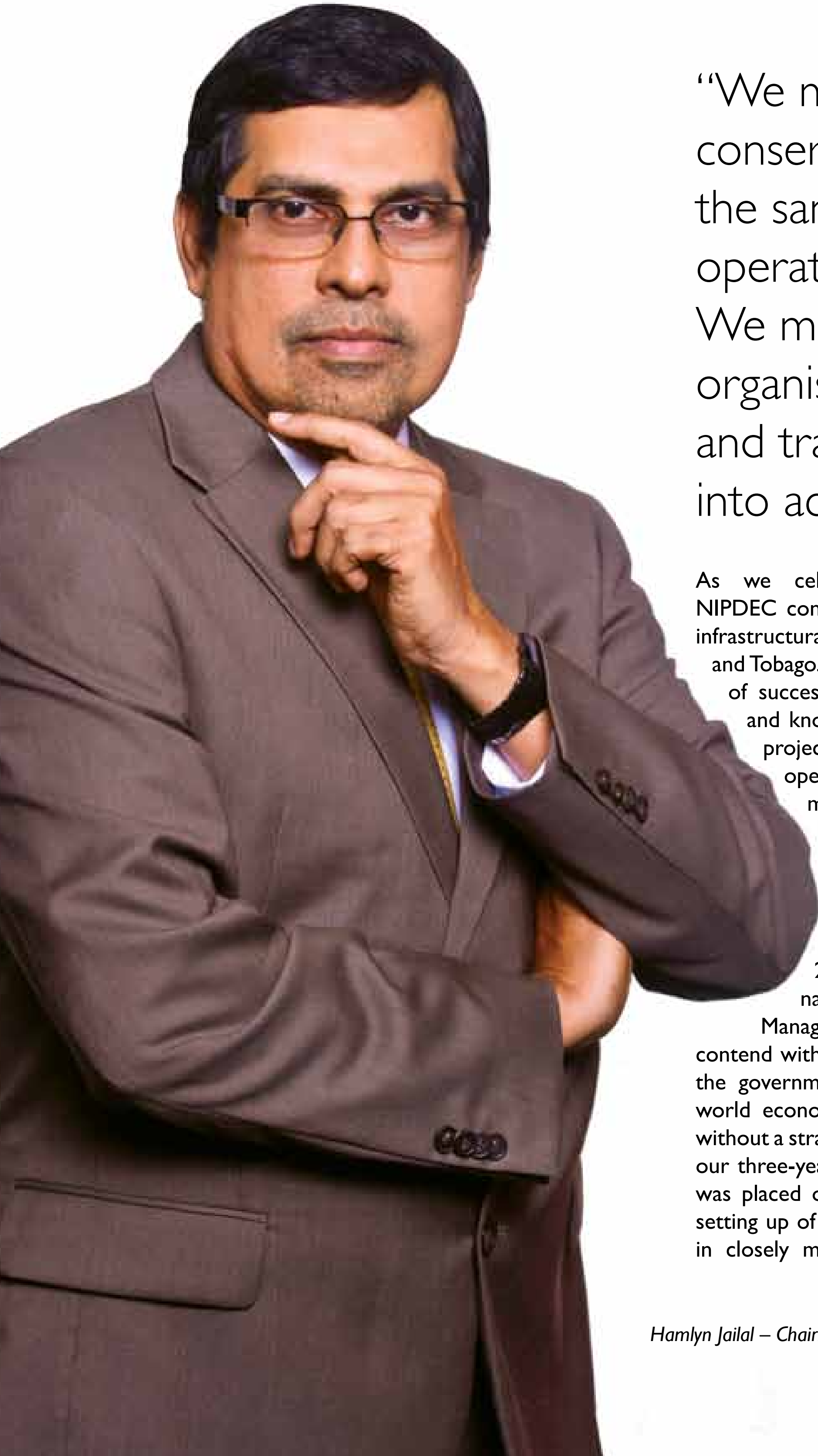
### INTEGRITY
We strive towards consistency between our words and actions and are committed to personal and professional ethical performance throughout NIPDEC.

### FAIRNESS
We are fair and equitable in our treatment of each other.

### COMPETENCE
Our dedication to excellence requires not only lifelong learning and development of our individual skills but also continual assessment of our ability to add value to NIPDEC.

### LOYALTY
As part of NIPDEC we are committed to ensuring the best interests of the Organisation and protecting its assets.

### TEAMWORK
We promote collaborative development as we work, learn and strive for excellence together.



"We must be fiscally conservative while at the same time being operationally aggressive. We must build an organisation willing to learn and translate that learning into action."

As we celebrate thirty-five years in business, NIPDEC continues to leave an indelible mark on the infrastructural and construction landscape of Trinidad and Tobago. In 2012, NIPDEC enjoyed a fair measure of success as we demonstrated our competence and knowledge in the fields of procurement and project management. With prudent management, operational efficiency and cost-effective measures we were able to move from a loss position in 2011 of TT$1.577 million to realise a profit of TT$7.751 million in 2012. 2013 looks more attractive.

Notwithstanding the healthy profit of 2012, NIPDEC had some choppy waters to navigate. We said farewell to one General Manager and welcomed another. NIPDEC had to contend with a sluggish economy as our biggest client, the government, tried to grapple with an uncertain world economy. For years, NIPDEC has functioned without a strategic plan. We are almost ready to present our three-year strategic plan. In 2012, great emphasis was placed on NIPDEC's procurement process. The setting up of a Project Review Committee was critical in closely monitoring every project. NIPDEC also

*Hamlyn Jailal – Chairman*

made great strides in the storage and distribution of pharmaceuticals and non-pharmaceutical items to public health institutions in Trinidad and Tobago. Much was accomplished but we must continue steadfastly to look for more innovative and creative ways to achieve better results.

The Board and Management must provide inspirational leadership to ensure success and we must do so in the words of Kenneth Blanchard, American author, speaker and consultant, "In the past a leader was a boss. Today's leaders must be partners with their people... they no longer can lead solely based on positional power."

As we move forward, we will insist on prompt and efficient service to all our customers. The rewards will be great. Henry Forde, the renowned American industrialist, put it aptly when he said "A business absolutely devoted to service will have only one worry about profits, they will be embarrassingly large."

The road ahead will not be an easy one. Our competition is not asleep. Our clients are demanding excellence. Fortunately, we do not use borrowed money to grow nor are we entitled to any form of government subvention. We must be fiscally conservative while at the same time being operationally aggressive. We must build an organisation willing to learn and translate that learning into action.

We are a private company and must be self-motivated and self-initiated. The Board, Management and Staff must have complete determination and steely resolve to ensure a successful 2013.

To my fellow Board members, I commend you for your unwavering and unstinting support in the course of national development. You provided real service and that service came with sincerity and integrity.

And to the entire Management and Staff of our highly valued company, not forgetting our Tobago family, I salute you for your unswerving commitment to duty. The handsome gains we realised in 2012 are testimony to your efficiency and productivity. However, we can do better as we work together to reconstruct an even brighter future for NIPDEC.

I must also pay special tribute to our shareholder, the National Insurance Board of Trinidad and Tobago, for your unfailing support. We enjoyed the lively discussions and the candid talk. We look forward to deepening and strengthening our relationship.

Our outstanding achievement in 2012 would not have been possible without the support of our best client, the Government of the Republic of Trinidad and Tobago. We thank you for the trust you have placed in us. We owe it to you and country that NIPDEC must ensure at all times that best practices are rigidly observed, especially in terms of procurement and project management.

My faith and confidence in NIPDEC is undiminished. With renewed spirit and decisive leadership, this thirty-five year old company is well set to transform the landscape of our twin-island Republic. We approach 2013 fully cognizant of our core values of moral respect, customer focus, transparency, integrity, fairness, competence, loyalty and teamwork permeating the entire NIPDEC family.

May God be with all of us.

**HAMLYN JAILAL**
Chairman

## We have a wealth of expertise and systems that can stand up to the pillars of transparency and accountability. We have experienced and competent people in NIPDEC.

As the country celebrated its 50th anniversary this year, the anticipation and excitement at the prospect of change and renewal this event would have caused in 1962 finds resonance in the corridors of NIPDEC.

The fiscal year 2011-2012 was a year of change and review. There were changes to the structure and administration of NIPDEC and my entry as General Manager took effect in June 2012. In this year NIPDEC sought to enhance the operational processes that already existed in order to return to our core services of Project and Construction Management. The focus was bipartite: not merely a review of the systems in place but also a focus on the human resource that makes the systems effective. We have a wealth of expertise and systems that can stand up to the pillars of transparency and accountability. We have experienced and competent people in NIPDEC. We do not physically build; it is an intellectual sale that we do, thus it is important that employees are recognised as an integral part of the processes, and their motivation and commitment are consequently pivotal to the success of the organisation.

### Economic Review & Financial Review

In 2011, the Trinidad and Tobago economy recorded its third year of contraction as economic data showed a decline in overall economic activity. The deterioration was attributed to little to no growth in the energy sector, and a decline in the non-energy sector.

The global economy is still struggling to find steady ground and the debt overhang in several of the European countries clouds the economic outlook. Emerging markets continue to drive global growth,

*Lynford Cheddie – General Manager*

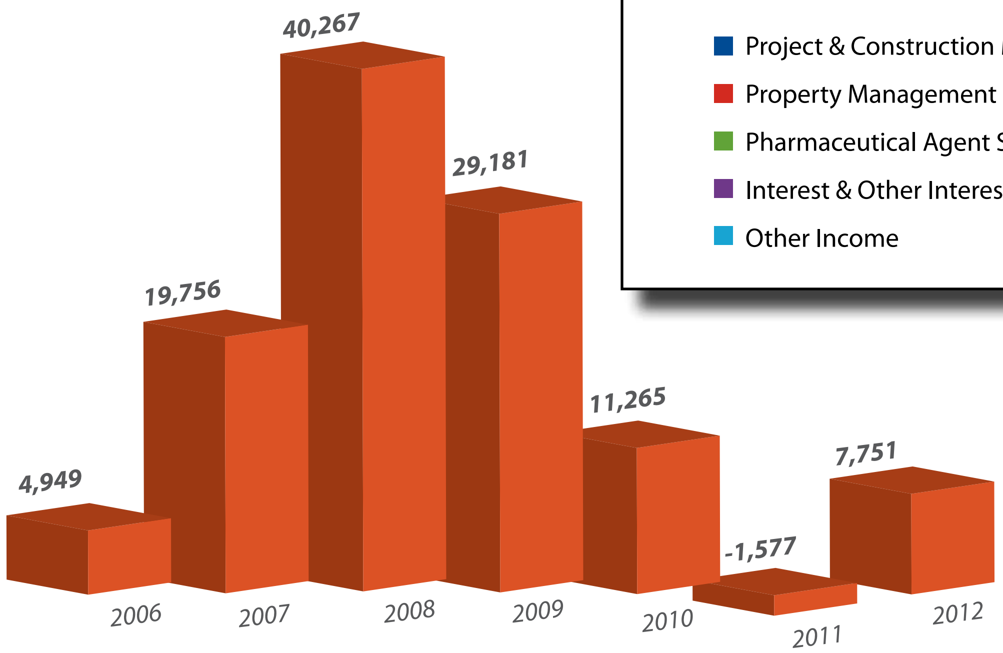
performing much better than the developed countries. The link between the Caribbean and the global economy continues to be the downfall of the region.

Minimal growth in economic activity in Trinidad and Tobago for fiscal 2011-2012 is expected with improvements in the energy sector. The non-energy sector is likely to benefit from government stimulus and as such more projects are expected to be undertaken by government which can only benefit NIPDEC.

During the period of 2011-2012, the company recorded a profit of TT$7.751 million. This is an increase in the previous year's figure which had to be restated because of over stated revenue, resulting in a loss of TT$1.577million in 2010-2011. The increase in profit was due to increased revenue and prudent control of operating expenditure.

NIPDEC was instrumental in the raising of a bond with the total value of TT$500m during this financial period; this bond was raised to fund expenditure under the Ministry of Works and Infrastructure.

Fig. 1 GRAPH OF NET PROFIT

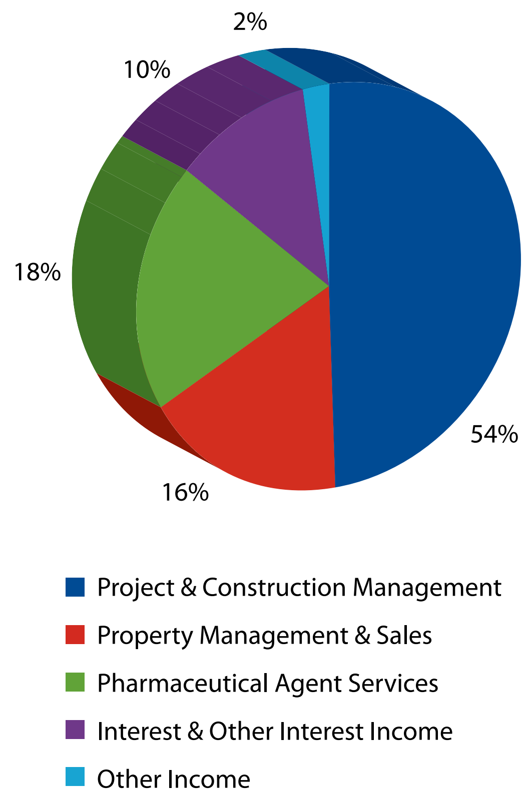



## Projects Highlights

During fiscal year 2011-2012, NIPDEC continued to partner with the Government of the Republic of Trinidad and Tobago (GORTT) to develop the national landscape and promote social well-being, which is evident through our various projects.

The contribution to income was comprised in the following manner:

Fig. 2 PIE CHART OF INCOME



Outlined below is a synopsis of the major projects which are being managed by NIPDEC on behalf of the Government of the Republic of Trinidad and Tobago:

### Motor Vehicle Authority (MVA) Project - Transformation of the Licensing Office Division

In March 2012, the Ministry of Transport (MOT) engaged the services of NIPDEC to continue the transformation of the management and services offered by the Licensing Division via the Motor Vehicle Authority (MVA) Project - Phase 2.

Phase 2 of the MVA Project is complex and encompasses the following overarching components:

- Provide a Project Management Team with transformation expertise to manage the Transformation Project and the Implementation Partner
- Procure an Implementation Partner and all goods and services to facilitate the transformation effort
- Project manage the building/retrofitting and commissioning of several Motor Vehicle Authority (MVA) Access Centres and the MVA Head Office
- Recruit and train operational staff for the Motor Vehicle Authority (MVA) Access Centres and the MVA Head Office
- Implement a core service set, for new and renewed drivers' licenses and new vehicle title/registration
- Project manage the development and implementation of Release 2.0 of the MVA application

### Construction of Multiple Judicial Complexes throughout Trinidad

In fiscal 2011-2012, the Ministry of Justice (MOJ) embarked on a Programme of Works to improve the timeliness of the delivery of Judicial Services throughout Trinidad. As part of the process to achieve this, the GORTT and the MOJ are undertaking the construction of four Judicial Complexes at the following proposed locations:

- Trincity
- Carlsen Field
- Penal
- Sangre Grande

NIPDEC has been engaged by the MOJ, to provide Project Management Services to deliver the Programme of Works in the most expeditious and efficient manner.

### Construction of a Meteorological Complex at Piarco, Trinidad

The Ministry of Public Utilities (MPU) has engaged NIPDEC to provide Project Management Services for the design and construction of a new building complex to house the Meteorological Services Division (MET) at Piarco. The Building Complex includes an administration and operations building, connected by a covered walkway to a Rawinsonde (upper air) building, an instrument enclosure, car park and ancillary facilities.

The proposed administration and operations building is a three-storey structure that should be ideal for usage without modification over the next twenty years. The building must be able to function as a Disaster Shelter, withstanding hurricane and earthquake forces in accordance with relevant Codes and Standards.

### Construction of a six storey building on the site of the Old National Broadcasting Network (NBN) Building, Port of Spain

NIPDEC continues to be engaged by the Ministry of Public Administration to demolish the existing structures at #17 Abercromby Street, Port of Spain and design and construct a new six storey building.

The intent of the new building complex will be to house all employees of the Ministry of Public Administration under the same building, as its employees are currently spread across several locations.

NIPDEC has made significant headway on this project having already engaged a Design Team to advise on the demolition works, in addition to completing the geotechnical investigation.

### Immigration Detention Centre, San Fernando

NIPDEC has been working with the Ministry of National Security to design and construct a National Training Centre and offices to house the Immigration Division's

Deportation and Investigation Unit for the southern area.

The Immigration Division is desirous of constructing a new facility, to be located at Carib Street, San Fernando, for housing the following departments:

- Traffic Index
- Permanent Residence and Citizens Extensions and E-Visa
- Backup Disaster Site
- Information Technology
- Deportation & Investigation Unit
- Machine Readable Passport
- Training Centre

NIPDEC has already engaged the Design Team, demolished the structure and will proceed to construct the new facility.

## Strategic Approach

We recently celebrated our 35th anniversary, and when we reflect, we recognise that NIPDEC has delivered on many projects that now form an integral part of the landscape of Trinidad and Tobago. With this in mind and moving forward, it means that a more proactive, strategic approach must be adopted to ensure future success of the organisation.

We have commenced the process of developing a strategic plan with the involvement of the Arthur Lok Jack Graduate School of Business. This will form the roadmap for the future development of the company. Earlier, we saw from the contribution of revenue chart that there was a high dependence on project management fees for survival of the organisation. This will be explored in the strategic plan as we look to shift and diversify the company's revenue portfolio thereby not being dependent on the country's economic situation.

While doing this, however, NIPDEC will maintain its objective of improving the satisfaction of our valued clients with regard to value for money, innovation and sensitivity to their needs.

As indicated in the opening paragraphs, NIPDEC wants its employees to remain committed to the processes while we, concomitantly, take care of their needs. Extra training in relevant areas is being examined and salaries have been increased in 2012 to be more competitive as an employer. In addition, we are exploring ways to ensure that employees maintain a healthy work-life balance.

## Deepening our ties to the Community

NIPDEC remains unwavering in its goal of adding value to the community at large. In 2011, NIPDEC joined with other eco-minded organisations and installed three bins in Port of Spain. This year, the environment remained in the forefront of our Health and Safety week. We partnered with other private companies and the Chaguaramas Development Authority (CDA) in a clean-up drive on the island of Chacachacare, off the northwest coast of Trinidad. Over 150 bags of garbage were collected by our team of employees, who represented all levels and departments in the organisation. And, of course, NIPDEC continues to work with PURE (Programme for Upgrading Road Efficiency Unit) to bring improvements to the rural community. Our underlying mission is to contribute to the national good as we strive to become a more visible, and effectual, corporate citizen in Trinidad and Tobago.

## Special Thanks

As this period comes to a close, I would like to thank my management colleagues and all the employees for their loyalty and dedication to excellence. To all our valued clients who supported us during our 35 years of existence and to our Chairman and Board of Directors for their ongoing contribution and confidence they have placed in us, we say thank you.

Special thanks as well to our shareholder, the National Insurance Board of Trinidad and Tobago (NIBTT) for their continued support and guidance.

Let us continue to look forward to a NIPDEC which operates within a framework of integrity, transparency and commitment. We will do the right things. We will do the simple but necessary things. We will ensure that the citizens of Trinidad and Tobago benefit from the projects we undertake.

We hold strong to our commitment to being developers, enhancing people's lives and creating better worlds.

**LYNFORD CHEDDIE**
General Manager

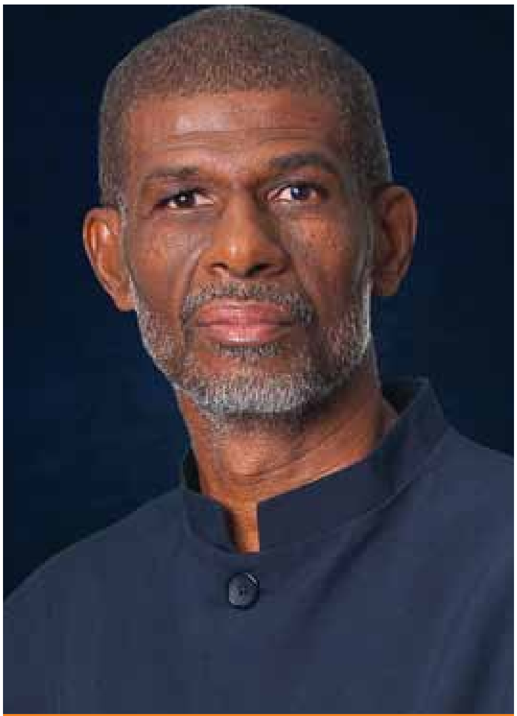
**RAVI RAMOUTAR**
Director

**HAMLYN JAILAL**
Chairman

**NAVINDRA RAMNANAN**
Director

**MELISSA BART-SMITH**
Director

**LORNA CHARLES**
Director



**JOHN BOISSELLE**
Director

**KRISHMANIE MISIR**
Director

**Lynford Cheddie**
General Manager

**Richard Gittens**
Head, Finance and Accounting

**Alana Umraw**
Head, Legal Services / Company Secretary

**Miriam Wilson-Edwards**
Manager, Internal Audit

**Nahum Forde**
Head, Human Resources

**Nishi Bhagan**
Head, Pharmaceuticals

**Nivish Singh**
Head, Property Development

NIPDEC

FINANCIAL STATEMENTS 2012

Independent Auditors' Report to the Shareholders of
The National Insurance Property Development Company Limited

We have audited the accompanying financial statements of The National Insurance Property Development Company Limited (NIPDEC), which comprise the statement of financial position as at June 30, 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising 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, 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.

*Auditors' Responsibility*
Our responsibility is to express an opinion on the 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 about 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 auditor's judgement, 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 auditor considers internal controls 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 controls. 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.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of NIPDEC as at June 30, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

September 20, 2012
Port of Spain
Trinidad and Tobago

# Statement of Financial Position

June 30, 2012

| | Notes | 2012 $'000 | Restated 2011 $'000 | Restated 2010 $'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Net investment in leased assets | 4 | **35,086** | 46,909 | 62,217 |
| Investment properties | 5 | **29,400** | 29,400 | 42,986 |
| Property, plant and equipment | 6 | **17,569** | 18,447 | 17,576 |
| Defined pension benefit asset | 7 | **29,849** | 30,348 | 28,889 |
| Available for sale investment | 9 | **10,217** | 10,217 | 10,217 |
| | | **122,121** | 135,321 | 161,885 |
| **Current assets** | | | | |
| Cash and short-term deposits | 8 a) | **153,934** | 160,135 | 207,148 |
| Restricted cash | 8 b) | **644,655** | 1,000,060 | 443,472 |
| Accounts receivable and prepayments | 10 | **156,685** | 229,254 | 188,933 |
| Net investment in leased assets | 4 | **12,053** | 15,261 | 13,516 |
| Project costs incurred less project advances | | **275,405** | 277,636 | 272,676 |
| Amounts due by parent company | 20 | **31,682** | 33,097 | 24,776 |
| | | **1,274,414** | 1,715,443 | 1,150,521 |
| **Total assets** | | **1,396,535** | 1,850,764 | 1,312,406 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity** | | | | |
| Stated capital | 11 | **25,000** | 25,000 | 25,000 |
| Revaluation reserve | 12 | **13,375** | 13,375 | 12,905 |
| Retained earnings | | **141,073** | 133,322 | 135,369 |
| | | **179,448** | 171,697 | 173,274 |
| **Non-current liabilities** | | | | |
| Borrowings | 14 | **27,893** | 40,381 | 55,778 |
| **Current liabilities** | | | | |
| Bank overdraft | | **—** | — | 1,240 |
| Borrowings | 14 | **12,503** | 15,510 | 15,845 |
| Accounts payable and accruals | 15 | **243,476** | 374,708 | 567,617 |
| Project advances less project costs incurred | 16 | **924,194** | 1,239,447 | 489,631 |
| Dividends payable | 13 | **9,021** | 9,021 | 9,021 |
| | | **1,189,194** | 1,638,686 | 1,083,354 |
| **Total equity and liabilities** | | **1,396,535** | 1,850,764 | 1,312,406 |

*The accompanying notes form an integral part of these financial statements.*

Director

Director

# Statement of Comprehensive Income

Year ended June 30, 2012

| | Notes | 2012 $'000 | Restated 2011 $'000 |
|---|---|---|---|
| **Income** | | | |
| Project and construction management fees | | **37,423** | 20,960 |
| Property management and sales | | **11,100** | 9,830 |
| Pharmaceutical agent services | | **12,866** | 12,641 |
| Interest income from leases | | **5,146** | 6,436 |
| Other interest income | | **1,931** | 2,843 |
| Gain on projects | | **—** | 24 |
| Loss on disposal of property, plant and equipment | | **(84)** | (413) |
| Other income | | **1,071** | 1,701 |
| Total income | | **69,453** | 54,022 |
| Direct costs incurred | | **(10,802)** | (5,903) |
| Total income less direct costs | | **58,651** | 48,119 |
| **Expenditure** | | | |
| Staff costs | 17 | **(33,864)** | (32,491) |
| Finance costs | 18 | **(4,934)** | (5,395) |
| Administration expenses | 19 | **(4,747)** | (3,870) |
| Accommodation costs | | **(5,541)** | (5,802) |
| Bad debts | | **(24)** | 1,120 |
| Depreciation | 6 | **(1,333)** | (928) |
| Vehicle expenses | | **(412)** | (407) |
| Loss on revaluation of investment property | | **—** | (2,086) |
| Total expenses | | **(50,855)** | (49,859) |
| **Profit (loss) before tax** | | **7,796** | (1,740) |
| Taxation | | **(45)** | (307) |
| **Profit (loss) for year** | | **7,751** | (2,047) |
| **Other comprehensive income for the year** | | | |
| Revaluation of property, plant and equipment | | **—** | 470 |
| **Total comprehensive income for the year** | | **7,751** | (1,577) |

*The accompanying notes form an integral part of these financial statements.*

# Statement of Changes in Equity

Year ended June 30, 2012

| | Stated Capital $'000 | Revaluation Reserve $'000 | Retained Earnings $'000 | Total Equity $'000 |
|---|---|---|---|---|
| **Balance at June 30, 2010, as previously stated** | **25,000** | **12,905** | **136,561** | **174,466** |
| Prior period adjustment (Note 26) | — | — | (1,192) | (1,192) |
| **Balance at June 30, 2010, as restated** | **25,000** | **12,905** | **135,369** | **173,274** |
| Total comprehensive income for the year, as restated | — | 470 | (2,047) | (1,577) |
| **Balance at June 30, 2011, as restated** | **25,000** | **13,375** | **133,322** | **171,697** |
| **Balance at June 30, 2011, as restated** | **25,000** | **13,375** | **133,322** | **171,697** |
| Total comprehensive income for the year | — | — | 7,751 | 7,751 |
| **Balance at June 30, 2012** | **25,000** | **13,375** | **141,073** | **179,448** |

*The accompanying notes form an integral part of these financial statements.*

# Statement of Cash Flows

Year ended June 30, 2012

| | 2012 $'000 | Restated 2011 $'000 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before taxation | **7,796** | (1,740) |
| Adjustments for: | | |
| Depreciation | **1,333** | 928 |
| Loss (gain) on disposal of plant, property and equipment | **84** | (87) |
| Loss on disposal of investment property | **—** | 500 |
| Loss on revaluation of investment properties | **—** | 2,086 |
| Defined benefit pension income (expense) | **499** | (1,459) |
| Increase in (write back of) provision for bad debts | **24** | (1,120) |
| | **9,736** | (892) |
| Changes in: | | |
| Amounts due by parent company | **1,415** | (8,321) |
| Project costs less project advances | **2,231** | (4,960) |
| Accounts receivable and prepayments | **72,545** | (39,201) |
| Accounts payable and accruals | **(131,232)** | (192,909) |
| Advances on projects | **(315,253)** | 749,816 |
| | **(360,558)** | 503,533 |
| Taxes paid | **(45)** | (307) |
| **Net cash (used in) generated from operating activities** | **(360,603)** | 503,226 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Capital receipts from finance lease | **15,031** | 13,563 |
| Purchase of property, plant and equipment | **(873)** | (1,339) |
| Proceeds from sale of plant, property and equipment | **334** | 97 |
| Proceeds from sale of investment property | **—** | 11,000 |
| **Net cash generated from investing activities** | **14,492** | 23,321 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayments of borrowings | **(15,495)** | (15,732) |
| **Net cash used in financing activities** | **(15,495)** | (15,732) |
| **Net (decrease) increase in cash and cash equivalents** | **(361,606)** | 510,815 |
| **Cash and cash equivalents at the beginning of the year** | **1,160,195** | 649,380 |
| **Cash and cash equivalents at the end of the year** | **798,589** | 1,160,195 |
| **Cash and cash equivalents comprise:** | | |
| Cash on hand and at bank | **79,603** | 72,815 |
| Money market instruments less than 90 days | **74,331** | 87,320 |
| Restricted cash | **644,655** | 1,000,060 |
| | **798,589** | 1,160,195 |

*The accompanying notes form an integral part of these financial statements.*

## 1. Incorporation and Principal Activity

The National Insurance Property Development Company Limited (NIPDEC) is incorporated in the Republic of Trinidad and Tobago and is a wholly owned subsidiary of the National Insurance Board of Trinidad and Tobago (NIB or the Parent). NIPDEC's registered office is located at 56-60 St. Vincent Street, Port of Spain, Trinidad, West Indies. The principal activities of NIPDEC are:

a) Providing project management services on various major construction projects to its clients which include large state enterprises and the Government of Trinidad and Tobago (GORTT) so as to ensure these projects are successfully completed on time and within budget from project conception to completion.

b) Commercial services including maintenance and rental of buildings and car parks, acting as a receipt agent for mortgage portfolios and procurement of miscellaneous items for the Government of Trinidad and Tobago.

c) Managing, on behalf of the Ministry of Health, the procurement, storage and distribution of pharmaceutical and non-pharmaceutical medical supplies to various health care facilities in Trinidad and Tobago, which are operated by the Regional Health Authorities.

These financial statements were authorised for issue by the Board of Directors on September 20, 2012.

## 2. Basis of preparation

### *a) Statement of compliance*

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

### *b) Basis of preparation*

These financial statements have been prepared on an historical cost basis, except for the measurement at fair value of available-for-sale investments, freehold and investment properties.

### *c) Functional and presentation currency*

These financial statements are presented in Trinidad and Tobago dollars, which is NIPDEC's functional currency. All values are rounded to the nearest thousand except when otherwise stated.

### *d) Use of estimates and judgements*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is identified below:

| | |
|---|---|
| Accounting Policy (b) | Net investment in leased assets – lease classification |
| Accounting Policy (i) | Receivables |
| Accounting Policy (m) | Provisions |
| Note 4 | Accounting for an arrangement containing a lease |

**2. Basis of preparation (continued)**

***d) Use of estimates and judgements (continued)***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

| | |
|---|---|
| Note 7 | Measurement of defined benefit obligation |
| Note 9 | Key assumptions used in discounted cash flow projections |

**3. Significant Accounting Policies**

***a) Foreign currency***

Foreign currency transactions and non-monetary assets and liabilities are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss of the financial period in which they arise.

***b) Net investment in leased assets***

Leases in terms of which NIPDEC assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in NIPDEC's statement of financial position.

***c) Investment properties***

Investment properties consist of buildings, warehouses, car parks and land held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. The fair values are based on market values.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

The investment properties are stated at independent professional valuations as at June 22, 2011. NIPDEC's policy is to revalue its investment properties every three years or at such shorter intervals as determined, if in its opinion there is a material change to market values.

***d) Property, plant and equipment***

*(i) Owned assets*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see accounting policy (e)) except for freehold properties which are stated at valuations conducted by independent professional valuators every 3 years. NIPDEC recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to NIPDEC and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

## 3. Significant Accounting Policies

### d) *Property, plant and equipment (continued)*

*(ii) Depreciation*

Land is not depreciated. Property, plant and equipment is depreciated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life as follows:

| | |
|---|---|
| Freehold buildings | 2% |
| Fixtures and fittings and plant and machinery | $12^1/2$% |
| Furniture and equipment | 10% |
| Computer equipment and computer software | $33^1/3$% |
| Motor vehicles | 25% |
| Other | 10-25% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

*(iii) Disposal*

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in profit or loss of the financial period in which they arise.

### e) *Impairment*

The carrying amounts of NIPDEC's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

*(i) Calculation of recoverable amount*

The recoverable amount of non-financial assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*(ii) Reversals of impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation if no impairment loss has been recognised.

## 3. Significant Accounting Policies (continued)

### *f) Pension benefits*

NIPDEC operates a defined benefit pension plan which covers all permanent employees. The pension costs of this plan are assessed using the projected unit cost method. Under this method, the cost of providing pensions is charged to profit or loss so as to spread the regular cost over the service lives of the employees in accordance with the advice of independent actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows less the fair value of plan assets, together with adjustments for unrecognised past-service costs.

Actuarial gains and losses are recognised in the statement of comprehensive income only if they fall outside the prescribed corridor of 10% of the greater of the plan's assets and its liabilities. These gains and losses are recognised by amortising them over the average remaining working lifetime of employees.

### *g) Financial instruments*

A financial instrument is any contract that gives rise to both a financial asset and a financial liability or equity instrument of another enterprise.

Financial instruments carried on NIPDEC's statement of financial position include; cash and short-term deposits, held-to-maturity investments, accounts receivable, accounts payable and borrowings via Build Own Lease Transfer (BOLT) arrangements. The main purpose of borrowings is to raise finance for construction of buildings under BOLT.

*(i) Classification*

#### a) Financial assets at fair value through profit or loss

A financial asset is classified into the 'financial assets at fair value through profit or loss' category if acquired principally for the purpose of selling in the short-term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

#### b) Loans and receivables

Loans and receivables include financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as available-for-sale.

#### c) Held-to-maturity financial assets

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity that NIPDEC's management has the positive intent and ability to hold to maturity.

NIPDEC does not currently hold any financial assets at fair value through profit or loss, loans and receivable and held-to maturity financial assets.

#### d) Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale investments are stated at fair value with any resultant gain or loss recognised in the statement of comprehensive income.

## 3. Significant Accounting Policies (continued)

### *g) Financial instruments (continued)*

*ii) Recognition and measurement*

Regular-way purchases and sales of financial assets are recognised on trade date - the date on which NIPDEC commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and NIPDEC has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Fair value reflects the present value of future cash flows associated with a financial asset or liability where an active market exists. Under normal circumstances, observable market prices or rates are used to determine fair value. For financial instruments with no active market or a lack of price transparency, fair values are estimated using calculation techniques based on factors such as discount rates, credit risk and liquidity. The assumptions and judgments applied here affect the derived fair value of the instruments.

Gains and losses arising from changes in the fair value of the financial assets in the available-for-sale category are included in the statement of comprehensive income in the period in which they arise.

Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the statement of comprehensive income.

### *h) Cash and cash equivalents*

Cash and cash equivalents comprise short-term highly liquid investments with original maturities of three months or less. These balances are readily convertible into known amounts of cash without notice.

### *i) Receivables*

Receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that NIPDEC will not be able to collect all amounts due, according to the original terms of the receivable. The amount of the provision is recognised in profit or loss.

### *j) Project costs and project advances*

NIPDEC acts as a project or construction manager and in some instances as a paying agent on behalf of its client. This means that construction costs incurred on various projects are recorded through project cost accounts and these costs are subsequently billed to and refunded by the client to NIPDEC. These refunds are credited directly to the project cost accounts. In certain instances, monies are received in advance of costs being incurred, and these amounts have been separately classified in the statement of financial position as project advances.

For these projects, typically all costs are reimbursable, and NIPDEC therefore does not bear the risk of cost overruns or losses on projects.

### *k) Borrowings*

Borrowings are recognised initially at proceeds received net of transaction costs incurred. Borrowings are subsequently stated at the amortised cost using the effective interest rate method, any differences between proceeds and redemption value is recognised in profit or loss over the period of the borrowing. Principal and interest payment due within the next twelve months are classified as current liabilities, and all remaining amounts are treated as non-current.

## 3. Significant Accounting Policies (continued)

### *l) Accounts payable and accruals*

Trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

### *m) Provisions*

Provisions are recognised when NIPDEC has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation, and a reliable estimate of the amount of the obligation can be made.

### *n) Revenue recognition*

Revenues earned by NIPDEC are recognised on the following bases:

*Project management fees and construction management fees*
These fees are recognised in income based on the contract costs incurred to date as a percentage of the total estimated cost of the project. The timing of revenue recognition through profit or loss may differ from the fee payment schedule agreed by the client. Any differences are treated as deferred income in the statement of financial position.

*Lease income*
Interest income on leased assets is taken into income under the amortisation method.

*Interest income and expenses*
This is accounted for on the accruals basis.

*Other income and expenditure*
This is recognised on an accruals basis unless collectability is doubtful.

### *o) Taxation*

NIPDEC is exempt from corporation tax by virtue of Legal Notice No. 94 dated May 3, 1987. However, NIPDEC is required to pay green fund levy which is disclosed as taxation in profit or loss.

### *p) Comparatives*

Where necessary, comparative figures have been adjusted to conform to changes in the presentation in current year.

### *q) New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of NIPDEC, except for IFRS 9 *Financial Instruments*, which becomes mandatory for NIPDEC's 2015 financial statements and could change the classification and measurement of financial assets. NIPDEC does not plan to adopt this standard early and the extent of the impact has not been determined.

## 4. Net Investment in Leased Assets

| | Gross Investment $'000 | Unearned Interest $'000 | Net investment 2012 $'000 | Net investment 2011 $'000 |
|---|---|---|---|---|
| Government of Trinidad & Tobago - Industrial Court Building | — | — | **—** | 4,000 |
| Government of St. Lucia - Ministry of Works | 21,002 | 4,709 | **16,293** | 19,799 |
| Government of Trinidad & Tobago - Attorney General Building | 34,728 | 3,882 | **30,846** | 38,371 |
| | | | **47,139** | 62,170 |
| Not later than 1 year | | | **12,053** | 15,261 |
| Later than 1 year, not later than 5 years | | | **35,086** | 46,909 |
| Later than 5 years | | | **—** | — |
| | | | **35,086** | 46,909 |
| **Net investment in finance leases** | | | **47,139** | 62,170 |

During the year ended June 30, 2012 an amount of $5,146 (2011: $6,436) was recognised as rental income in the profit and loss account.

These leased assets yielded interest at rates varying from 7.2% to 12.4%.

## 5. Investment Properties

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **Leasehold land and buildings** | | |
| 1500 sq. ft at 47, St. Vincent Street, Port of Spain (land only) | **3,600** | 3,600 |
| Chaguaramas Warehouse | **7,500** | 7,500 |
| | **11,100** | 11,100 |
| **Chattel buildings** | | |
| Riverside Car Park, Piccadilly Street, Port of Spain | **7,000** | 7,000 |
| Multi-Storey Car Park, Edward Street, Port of Spain | **10,000** | 10,000 |
| | **17,000** | 17,000 |
| **Lands held for development** | | |
| Toco | **1,300** | 1,300 |
| Total | **29,400** | 29,400 |
| Opening balance at July 1 | **29,400** | 42,986 |
| Disposals during the year | **—** | (11,500) |
| Diminution in value | **—** | (2,086) |
| Closing balance at June 30 | **29,400** | 29,400 |

The investment properties have been independently valued by Linden Scott and Associates Ltd, Chartered Valuation Surveyors. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer, and a knowledgeable, willing seller in an arm's length transaction at the date of valuation, in accordance with International Valuation Standards Committee standards. The date of the last valuation report was June 22, 2011.

## 6. Property, Plant and Equipment

| | Freehold Property $'000 | Fixtures and Fittings $'000 | Office & Computer Equipment $'000 | Computer Software $'000 | Motor Vehicles $'000 | Plant & Machinery $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| **Year ended June 30, 2012** | | | | | | | |
| Opening balance net book amount | 15,000 | 1,117 | 1,320 | 158 | 848 | 4 | 18,447 |
| Additions | — | 5 | 446 | 14 | — | 408 | 873 |
| Disposal | — | (6) | (13) | — | (399) | — | (418) |
| Depreciation charge | (120) | (269) | (579) | (82) | (267) | (16) | (1,333) |
| Closing balance net book amount | 14,880 | 847 | 1,174 | 90 | 182 | 396 | 17,569 |
| Cost or valuation | 15,000 | 4,250 | 11,126 | 254 | 3,820 | 2,529 | 36,979 |
| Accumulated depreciation | (120) | (3,403) | (9,952) | (164) | (3,638) | (2,133) | (19,410) |
| Net book amount | 14,880 | 847 | 1,174 | 90 | 182 | 396 | 17,569 |
| **Year ended June 30, 2011** | | | | | | | |
| Opening balance net book amount | 14,100 | 1,247 | 1,156 | 122 | 946 | 5 | 17,576 |
| Additions | — | 141 | 716 | 104 | 378 | — | 1,339 |
| Disposal | — | — | (10) | — | — | — | (10) |
| Depreciation charge | 430 | (271) | (542) | (68) | (476) | (1) | (928) |
| Revaluation | 470 | — | — | — | — | — | 470 |
| Closing balance net book amount | 15,000 | 1,117 | 1,320 | 158 | 848 | 4 | 18,447 |
| Cost or valuation | 15,000 | 4,254 | 10,932 | 241 | 4,595 | 2,121 | 37,143 |
| Accumulated depreciation | — | (3,137) | (9,612) | (83) | (3,747) | (2,117) | (18,696) |
| Net book amount | 15,000 | 1,117 | 1,320 | 158 | 848 | 4 | 18,447 |

***Revaluation of freehold property***

The freehold property has been independently valued by Linden Scott and Associates, Chartered Valuation Surveyors. Fair value was determined by reference to market based evidence. The date of the last valuation report was June 2011. The next valuation is due in June 2014.

If the freehold property was measured using the cost model, the carrying amounts would be $1.412 million (2011: $1.412 million).

## 7. Defined Pension Benefit Asset

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **a) Amounts recognised in the statement of financial position are as follows:** | | |
| Present value of obligation | **36,146** | 29,375 |
| Fair value of plan asset | **(66,547)** | (61,735) |
| Benefit surplus | **(30,401)** | (32,360) |
| Unrecognised actuarial gain | **552** | 2,012 |
| Benefit plan asset in the statement of financial position | **(29,849)** | (30,348) |
| **b) Amounts recognised in the statement of comprehensive income are as follows:** | | |
| Current service cost | **1,395** | 1,322 |
| Interest on obligation | **1,873** | 1,621 |
| Expected return on plan assets | **(4,307)** | (4,081) |
| Past service cost | **1,929** | — |
| Net pension income | **890** | (1,138) |
| **c) Movement in net asset recognised in the statement of financial positions are as follows:** | | |
| Opening defined benefit asset | **(30,348)** | (28,889) |
| Net income recognised in the statement of comprehensive income | **890** | (1,138) |
| Contributions paid | **(391)** | (321) |
| Closing defined benefit asset | **(29,849)** | (30,348) |
| **d) Actual return on plan assets** | | |
| Expected return on plan assets | **4,307** | 4,081 |
| Actuarial loss on plan assets | **923** | 1,546 |
| Actual return on plan assets | **5,230** | 5,627 |
| **e) Changes in the present value of the defined benefits obligation are as follows:** | | |
| Defined benefit obligation at start of the year | **29,375** | 25,405 |
| Service cost | **1,395** | 1,322 |
| Interest cost | **1,873** | 1,621 |
| Members' contribution | **391** | 321 |
| Past service cost | **1,929** | — |
| Actuarial loss | **2,383** | 1,709 |
| Benefits paid | **(1,130)** | (939) |
| Expense allowance | **(70)** | (64) |
| Defined benefit obligation at end of the year | **36,146** | 29,375 |

## 7. Defined Pension Benefit Asset (continued)

### f) Changes in fair value of plan assets are as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Plan assets at start of year | **61,735** | 56,469 |
| Expected returns on plan assets | **4,307** | 4,081 |
| Actuarial loss | **923** | 1,546 |
| Company contributions | **391** | 321 |
| Members' contributions | **391** | 321 |
| Benefits paid | **(1,130)** | (939) |
| Expense allowance | **(70)** | (64) |
| Plan assets at end of the year | **66,547** | 61,735 |

### g) The principal actuarial assumptions used for accounting purposes were:

| | 2012 | 2011 |
|---|---|---|
| Discount rate | **5.50%** | 6.50% |
| Expected return on plan assets | **6.00%** | 7.00% |
| Overall salary increases | **4.75%** | 5.75% |
| Salary inflation | **4.00%** | 5.00% |
| Promotion and seniority | **0.00%** | 0.00% |
| Future pension increases | **0.00%** | 0.00% |

The expected rate of return on assets is set by reference to estimated long term returns on the target asset allocation for the plan at that date. Allowance is made for some excess performance from the plan's equity portfolio.

NIPDEC expects to contribute $0.338 million to its defined benefit pension plan in 2012/2013 (2011: $0.254 million).

### h) The major categories of plan assets as a percentage of total plan assets are as follows:

| | 2012 | 2011 |
|---|---|---|
| Equity securities | **31.5%** | 32.4% |
| Debt securities | **60.2%** | 57.8% |
| Money market instruments/cash | **8.3%** | 9.8% |
| | **100.0%** | 100.0% |

The Plan does not hold any assets which were issued by NIPDEC (2011: 1.1% of the assets were bonds issued by NIPDEC).

### i) Experience history for the year ended June 30

| | 2012 $'000 | 2011 $'000 | 2010 $'000 | 2009 $'000 | 2008 $'000 |
|---|---|---|---|---|---|
| Defined benefit obligation | **36,146** | 29,375 | 25,405 | 22,905 | 19,052 |
| Fair value of plan asset | **(66,547)** | (61,735) | (56,469) | (52,631) | (54,040) |
| Surplus | **(30,401)** | (32,360) | (31,064) | (29,726) | (34,988) |
| Gain (loss) on plan liabilities | **369** | (1,709) | 1,470 | 496 | 1,357 |
| Gain (loss) on plan assets | **923** | 1,546 | (49) | (6,553) | 4,193 |

## 8. Cash and Cash Equivalents

### *a) Cash and short-term deposits*

Short-term deposits are made for varying periods of between one and three months, depending on the immediate requirements of NIPDEC, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is $153,934 (2011: $160,135).

### *b) Restricted cash*

Restricted cash refers to monies held by NIPDEC for expenditure in strict accordance to the uses identified and approved by the client.

## 9. Available-for-Sale Investment

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Government of Trinidad and Tobago Bonds (2011: CLICO deposit) | **10,217** | 10,217 |
| Principal | **18,883** | 18,883 |
| Fair value adjustment | **(8,666)** | (8,666) |
| | **10,217** | 10,217 |

A deposit of $18.883 million with Colonial Life Insurance Company (Trinidad) Limited (CLICO) matured on April 18, 2009 and the principal due on maturity was not repaid. On September 8, 2010 the GORTT announced that CLICO was insolvent and depositors whose principal balances exceed $75,000 would be repaid via the issuance of GORTT backed tradable IOUs amortised over 20 years without interest. During the year, the deposit was converted into zero-coupon bonds with maturities of 1 to 20 years.

## 10. Accounts Receivable and Prepayments

| | 2012 $'000 | Restated 2011 $'000 |
|---|---|---|
| Trade debtors - Projects and others | **50,116** | 50,868 |
| - Ministry of Health | **89,858** | 85,745 |
| Direct recoverable expenditure – Ministry of Health | | |
| - Pharmaceuticals and other related programmes | **13,034** | 50,636 |
| Less provision for doubtful debts | **(6,378)** | (6,630) |
| Net trade debtors and direct recoverable expenditure | **146,630** | 180,619 |
| Prepayments and other sundry receivables | **10,055** | 48,635 |
| | **156,685** | 229,254 |

## 11. Stated Capital

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| ***Authorised*** | | |
| Unlimited number of ordinary shares of no par value | | |
| Unlimited number of preferred shares of no par value | | |
| ***Issued and fully paid*** | | |
| 25,000 ordinary shares of no par value | **25,000** | 25,000 |

## 12. Revaluation Reserve

The revaluation reserve comprises revaluation surplus on freehold property.

## 13. Dividends Payable

The Board of Directors at their 289th meeting held on February 5, 2010 approved a dividend representing 40% of the profit for the period ended June 30, 2009 in the amount of $9,021 thousands. No payments were made during the period.

## 14. Borrowings

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| i) National Insurance Board | — | 3,963 |
| ii) First Caribbean International Bank Limited | **10,084** | 14,220 |
| iii) First Citizens Merchant Bank | **30,312** | 37,708 |
| | **40,396** | 55,891 |
| Borrowings – current (due within 1 year) | **12,503** | 15,510 |
| Borrowings – non-current (due between 1 and 5 years) | **27,893** | 40,381 |
| Total borrowings | **40,396** | 55,891 |

### i) National Insurance Board

The loan is unsecured and is repayable in semi-annual payments over fifteen years at a rate of interest of 11% per annum with effect from November 30, 1997. The loan was repaid during the year.

### ii) First Caribbean International Bank Limited

This loan facility was provided by CIBC Caribbean, now First Caribbean International Bank Limited, for the purpose of financing the construction of the Ministry of Communications, Works, Transport and Public Utilities Building in St. Lucia. The loan is repayable in monthly installments over fifteen years at a rate of interest of 10.5% per annum with effect from February 20, 2001. The security held is as follows:

a) First legal mortgage over the leasehold lands and building;

b) Collateral assignment of the site lease on which the building stands;

c) Assignment of all lease rentals to service loan;

Assignment of fire insurance over the property with Minville & Chastanet (through CIC insurance) for XCD $5.9 million and assignment of property insurance with Consolidated Insurance Consultants for XCD $14.7 million;

e) Guarantee of lease payment from the Government of St. Lucia.

The fair value of this loan was $10.084 million as at June 30, 2012 (2011: $14.220 million).

## 14. Borrowings (continued)

### *iii) First Citizens Merchant Bank*

This bond provided financing for the Attorney General Building. The bond is repayable in semi-annual payments over twelve years at a rate of interest approximately 7.04% per annum with effect from October 1, 2003.

The security held is as follows:

a) First legal mortgage over land and building;

b) Assignment of all lease rentals to service loan;

c) Assignment of fire and general perils insurance over the building for full replacement cost;

d) Guarantee of lease payment from the Government of Trinidad and Tobago.

The fair value of the bond was $30.312 million as at June 30, 2012 (2011: $37.708 million).

## 15. Accounts Payable and Accruals

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Trade payables - Projects and other | **163,550** | 184,741 |
| - Due to pharmaceutical suppliers | **31,015** | 144,874 |
| | **194,565** | 329,615 |
| Accrued expenses and other payables | **18,109** | 14,628 |
| Project surplus funds over expenses | **17,394** | 17,611 |
| Deferred income - project and construction management fees | **13,408** | 12,854 |
| | **243,476** | 374,708 |

Terms and conditions of the above financial liabilities:
- Trade payables are non-interest bearing and are normally settled on 30 day terms for projects.
- Trade payables - Pharmaceuticals payments are non-interest bearing and are normally settled on 45 day terms as per contracts with suppliers.

*Due to pharmaceutical suppliers* - Pursuant to a contractual relationship with the Ministry of Health, NIPDEC is responsible for the procurement, storage and distribution of pharmaceutical and non-pharmaceutical medical supplies to various health care facilities operated by the Regional Health Authorities.

As part of its contractual obligations, NIPDEC receives and checks invoices from suppliers, and records the liability due to them. The Ministry of Health in turn reimburses NIPDEC for the payment of the medical suppliers' invoices made on its behalf. Amounts due from the Ministry of Health have been included in accounts receivable.

*Project surplus funds over expenses* - represent excess advances remaining after the completion of specific projects.

## 16. Project Advances Less Project Costs Incurred

Included within this balance at June 30, 2012 is an amount of $815 million (2011: $985 million) held on behalf of the Ministry of Works and Transport in relation to the Programme for the Upgrade of Road Efficiency (P.U.R.E.) and the New Transport Authority Project. This amount represents the net undisbursed portion of the proceeds received from the bonds issued during the financial year (Note 25 (c)) to finance these projects.

## 17. Staff Costs

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Payroll costs | **33,365** | 33,950 |
| Defined benefit pension expense | **499** | (1,459) |
| | **33,864** | 32,491 |

## 18. Finance Costs

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Interest on borrowings | **4,404** | 5,222 |
| Loss on foreign exchange | **441** | — |
| Bank charges | **89** | 173 |
| | **4,934** | 5,395 |

## 19. Administration Expenses

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Advertising and promotions | **818** | 489 |
| Public relations and donations | **363** | 157 |
| Professional and legal fees | **1,515** | 1,691 |
| Office supplies and other administration expenses | **2,051** | 1,383 |
| Loss on foreign exchange | **—** | 150 |
| | **4,747** | 3,870 |

## 20. Related Parties

*Identity of related parties*

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

NIPDEC is a wholly owned subsidiary of the National Insurance Board which is owned by the GORTT. In the ordinary course of its business, NIPDEC enters into transactions concerning the exchange of goods, provision of services and financing with NIB as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include First Citizens Bank Limited, First Citizens Merchant Bank and various Ministries of the GORTT.

The sales to and purchases from related parties are at arm's length. Outstanding balances at the year's end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party's receivables or payables. For the year ended June 30, 2012 NIPDEC has made a provision of $6.38 million for doubtful debts relating to amounts owed by related parties (2011: $6.63 million). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

**20. Related Parties (continued)**

The following table provides the total amount of material transactions, which have been entered into with related parties as at or for the year ended June 30, 2012 and June 30, 2011.

| | | Income from Related Parties $'000 | Purchases from Related Parties $'000 | Amounts due from Related Parties $'000 | Amounts due to Related Parties $'000 |
|---|---|---|---|---|---|
| **Government of Trinidad and Tobago** | | | | | |
| Various Ministries and state owned entities (excluding NIB) – project management | **2012** | **24,403** | **—** | **144,566** | **—** |
| | **2011** | 24,926 | — | 129,788 | 7,971 |
| Leases receivable | **2012** | **5,146** | **—** | **55,730** | **—** |
| | **2011** | 6,436 | — | 75,905 | — |
| **National Insurance Board** | | | | | |
| Project management | **2012** | **—** | **—** | **32,367** | **685** |
| | **2011** | 1,227 | — | 33,514 | 417 |
| Loan payable | **2012** | **—** | **—** | **—** | **—** |
| | **2011** | — | 700 | — | 3,964 |

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| **Other transactions with related parties** | | |
| Directors' compensation | **627** | 369 |
| Key management compensation: | | |
| Short-term benefits | **4,699** | 5,577 |
| Long-term benefits | **83** | 61 |
| | **4,782** | 5,638 |

## 21. Financial Risk Management

***Overview***

NIPDEC has adopted risk management policies and has set appropriate limits and controls to manage and mitigate against financial risk. NIPDEC has exposure to the following risks from its use of financial instruments.

- Credit risk
- Liquidity risk
- Market risk.

***i) Credit risk***

Management has made the assessment that NIPDEC's exposure to credit risk is not considered significant due to the fact that NIPDEC trades with the Government of Trinidad and Tobago and recognised creditworthy third parties. Management monitors this on an on-going basis with the result that NIPDEC's exposure to bad debts is not considered significant. Except for the Government of Trinidad and Tobago, there are no significant concentrations of credit risk within NIPDEC.

*Managing of credit risk*
However, the credit risk in respect of certain customer balances are managed through NIPDEC's establishment of an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. NIPDEC has made special provision for the receivables based on information that they have that shows that the receivable balance is uncollectable.

The aging of trade debtors and direct recoverable expenditure at the reporting date was:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Current 0-30 days | **81,059** | 149,926 |
| Past due 1-30 days | **13,291** | 4,098 |
| Past due 31-60 days | **859** | 882 |
| Past due 61-90 days | **4,027** | 649 |
| Over 90 days | **53,771** | 31,694 |
| Total | **153,008** | 187,249 |

The movement in the allowance for doubtful debts accounts in respect of trade receivables during the year was:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Balance at July 1 | **6,630** | 7,750 |
| Write back of provision | **—** | (1,120) |
| Amounts written off | **(252)** | — |
| Balance at June 30 | **6,378** | 6,630 |

## 21. Financial Risk Management

### ii) *Liquidity risk*

Liquidity risk is the risk that NIPDEC will not be able to meet its financial obligations as they fall due.

*Management of liquidity risk*
NIPDEC manages its liquidity risk by monitoring its risk to shortage of funds using a daily cash balance, daily cash flow report and monthly investment schedule. This report considers the cash balance on a daily basis, the date of maturity of investments and projected cash flows for payments.

The following are the contractual maturities of financial liabilities, including interest payments:

| 2012 | Carrying Amount $'000 | Contractual cash flows $'000 | 0-12 months $'000 | 1-5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment in leased assets | 47,139 | 55,730 | 15,923 | 39,807 | — |
| Accounts receivable and prepayments | 156,685 | 156,685 | 156,685 | — | — |
| Due from related party | 31,682 | 31,682 | 31,682 | — | — |
| Cash and short-term deposits | 153,934 | 153,934 | 153,934 | — | — |
| | | | 358,224 | 39,807 | — |
| **Liabilities** | | | | | |
| Borrowings | 40,396 | 45,733 | 14,828 | 30,905 | — |
| Accounts payable and accruals | 243,476 | 243,476 | 243,476 | — | — |
| | | | 258,304 | 30,905 | — |
| **Net Gap** | | | 99,920 | 8,902 | — |

| 2011 | Carrying Amount $'000 | Contractual cash flows $'000 | 0-12 months $'000 | 1-5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Investment in leased assets | 62,170 | 75,905 | 20,207 | 55,698 | — |
| Accounts receivable and prepayments | 229,254 | 229,254 | 229,254 | — | — |
| Due from related party | 33,097 | 33,097 | 33,097 | — | — |
| Cash and short term deposits | 160,135 | 160,135 | 160,135 | — | — |
| | | | 442,693 | 55,698 | — |
| **Liabilities** | | | | | |
| Borrowings | 55,891 | 69,164 | 20,118 | 49,046 | — |
| Accounts payable and accruals | 374,708 | 374,708 | 374,708 | — | — |
| | | | 394,826 | 49,046 | — |
| **Net Gap** | | | 47,867 | 6,652 | — |

Borrowings are incurred to finance the construction of BOLT arrangements (Note 14). Borrowings are repaid from the installments received on these lease arrangements. The lease payments are also guaranteed by the Governments of St. Lucia and Trinidad and Tobago. As such, the liquidity exposure on borrowings is minimal.

## 21. Financial Risk Management

### *iii) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect NIPDEC's income or its holding of financial instruments. NIPDEC has exposure to market risks on interest rates and currency. NIPDEC's objective is to manage and control these exposures within acceptable parameters.

#### a) Interest rate risk

All of NIPDEC's financial liabilities and the majority of its financial assets are at fixed interest terms. Interest rates on short-term investments are determined by the market. As a result this minimises any interest rate risk faced by NIPDEC.

#### b) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

*Management of currency risk*

NIPDEC is exposed to currency risk with respect to its current assets and long term loans denominated in currencies other than its functional currency. NIPDEC's functional currency is Trinidad and Tobago dollars. These current assets and long-term loans are primarily denominated in United States (US) and Eastern Caribbean (EC) dollars.

As at June 30, 2012 NIPDEC had assets denominated in foreign currencies amounting to $30.68 million (2011: $34.34 million) and long-term loans denominated in foreign currencies amounting to $11.4 million (2011: $14.2 million).

The following exchange rate applied during the year:

| | **2012** | **2011** |
|---|---|---|
| US | **6.4017** | 6.3727 |
| EC | **2.3639** | 2.3479 |

**Sensitivity analysis:**

A one percent strengthening of the US$ against the following currencies at year end would increase (decrease) profit by the amounts shown below. This analysis is performed on the same basis for 2011 on the basis that all other variables remain constant.

| | **2012** | **2011** |
|---|---|---|
| | **$'000** | **$'000** |
| Effect in TT$: | | |
| US | **56** | 56 |
| EC | **137** | (97) |

NIPDEC mitigates against this risk by holding an appropriate percentage of its investment portfolio to provide a natural hedge. NIPDEC uses the spot market to adjust any imbalances.

## 22. Capital Management

It is NIPDEC's policy to maintain a strong capital base so as to sustain future development of the business. The Board of Directors monitors the return on capital which NIPDEC defines as equity.

## 23. Determination of Fair Values

A number of NIPDEC's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### *i) Investment properties*

An external, independent valuation company, having appropriate and recognised professional qualifications and recent experience in the location and category of property being valued, values the Board's investment property portfolio every 3-5 years. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties have each acted knowledgeably and willingly.

### *ii) Borrowings*

The fair value of NIPDEC's long-term loans (which have fixed interest rates) are based on estimated future discounted cash flows, which are discounted using market rates for loans of the same remaining maturities and are detailed in Note 14.

### *iii) Other*

The carrying amounts of financial assets and liabilities approximate their fair values because of the short-term maturities on these instruments. The carrying values of short-term deposits are assumed to approximate fair value due to their term to maturity not exceeding one year.

## 24. Commitments

### a) Capital commitments

There was no capital expenditure approved and contracted as at June 30, 2012 (2011: nil).

### b) Other

In carrying out its project and construction management activities as stated in Note 1, NIPDEC has entered into a number of contracts with various contractors and a few key customers for which obligations existed at the year end.

### c) Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases as at June 30 are:

| | **2012 $'000** | **2011 $'000** |
|---|---|---|
| Within one year | **128** | 180 |
| One to five years | **53** | 192 |
| | **181** | 372 |

## 25. Contingent Liabilities

### *a) Scarborough Hospital Project*

NIPDEC was retained on December 5, 1997 by the Ministry of Health for the provision of Project Management Consulting Services in the Health Sector Reform Programme (HSRP) which included the construction of the Scarborough Hospital Project. NIPDEC was paid a fee for its services, and all other costs, expenses and legal fees incurred by NIPDEC are reimbursed by the Ministry of Health. As such all legal expenses and losses arising from the Scarborough Hospital ongoing arbitration will be reimbursed by the Ministry of Health. No provisions have therefore been made for this matter.

### *b) Piarco Airport Development Limited Inquiry*

NIPDEC, as agent for the Ministry of Works & Transport (now the Ministry of Works & Infrastructure), was the project manager and procurement agent for the Piarco Airport Development Company. By virtue of this, NIPDEC entered into contracts with Contractors on this Project and has been named in certain legal actions. The Ministry of Works & Transport has issued a letter of indemnity dated May 2, 2007 stipulating that all liabilities or costs arising from claims for works completed on the Project will be borne by the Ministry of Works & Transport, save any claims arising out of the negligence of NIPDEC in the Project, which will be borne by NIPDEC. As a result, no provisions were established in this regard.

### *c) Off balance sheet borrowings*

NIPDEC holds several fixed rate bonds and one promissory note that are not recorded in the financial statements of NIPDEC. These borrowings were raised on behalf of the GORTT to finance various Government projects managed by NIPDEC for the GORTT. The bonds have tenures of 12 to 18 years with maturity dates of 2014 to 2028, whilst the promissory note has a tenure of 3 years.

The various Trust Deeds for the fixed rate bonds provide that NIPDEC's obligations to pay principal and interest on these bonds are limited to the maximum amount that NIPDEC has received from the GORTT for these obligations. Where bond repayments have become due, the GORTT has committed to and has been directly servicing the semi-annual principal and interest repayments.

These bonds have not been recorded in the books of NIPDEC since NIPDEC has no beneficial interest in these funds. NIPDEC acts as an agent to source and disburse funds in relation to projects undertaken on behalf of the GORTT. There is no outflow of resources by NIPDEC as interest and principal repayments are serviced directly by the GORTT, and the Trust Deeds provide for limited recourse against NIPDEC.

The promissory note is secured by a Letter of Comfort issued by the GORTT whereby the Government is guaranteeing that the funds will be made available to settle the obligations arising under the promissory note. All repayments of principal and interest are being serviced directly by the GORTT.

**25. Contingent Liabilities (continued)**

*c) Off balance sheet borrowings (continued)*

The principal outstanding on these limited recourse fixed rate borrowings amounted to $3.106 million at June 30, 2012 (2011: $2.693 million). An analysis of the borrowings is as follows:

| Trustee | Rate | Tenor | 2012 $'000 | 2011 $'000 |
|---|---|---|---|---|
| Republic Bank Limited | 7.30% | November 2002-2014 | **55,267** | 77,374 |
| RBTT Merchant Bank | 8.75% | October 2006-2018 | **155,054** | 190,835 |
| Trinidad and Tobago Unit Trust Corporation | 6.50% | October 2005-2017 | **91,667** | 108,333 |
| RBTT Trust Limited | 6.80% | July 2009-2022 | **682,000** | 682,000 |
| First Citizens Trustee Services Limited | 6.25% | March 2010-2028 | **500,000** | 500,000 |
| First Citizens Trustee Services Limited | 6.10% | September 2010-2028 | **360,000** | 360,000 |
| First Citizens Trustee Services Limited | 6.55% | May 2011-2030 | **750,000** | 750,000 |
| First Citizens Trustee Services Limited | 6.05% | October 2011-2026 | **500,000** | — |
| | | | **3,093,988** | 2,668,542 |
| **Promissory note** | | | | |
| ANSA Merchant Bank Ltd. | 4.30% | January 2010–2013 | **12,467** | 24,933 |

*d) Others*

As at June 30, 2012, NIPDEC is subject to several legal claims and actions. After taking legal advice with regard to the likelihood of success of the claims and actions, provisions were established where appropriate, based on legal advice received and precedent cases. NIPDEC is either vigorously defending these claims or attempting to settle the same (where advised) so as to reduce litigation costs.

In addition, NIPDEC also has several legal matters arising out of projects undertaken on behalf of various Client Ministries. For these matters, the claims, judgments and legal costs are fully reimbursed by the Client Ministries. As a result, no provisions have been made for these matters.

## 26. Prior Period Adjustment

*(i) Year ended June 30, 2010:*

The following table summarises the adjustments made to the statement of financial position on recording the prior period adjustment:

| | Accounts receivable & prepayments $'000 | Retained earnings $'000 |
|---|---|---|
| Balance as reported at June 30, 2010 | 190,125 | 136,561 |
| Effect of correction of error | (1,192) | (1,192) |
| Restated balance at June 30, 2010 | 188,933 | 135,369 |
| *(ii) Year ended June 30, 2011:* | | |
| Balance as reported at June 30, 2011 | 236,544 | 140,612 |
| Effect of correction of error | (7,290) | (7,290) |
| Restated balance at June 30, 2011 | 229,254 | 133,322 |

(iii) Project and construction management fees in the statement of comprehensive income were reduced by $6,098 for the year ended June 30, 2011 due to a correction of error.

## 27. Subsequent Event

The amount disclosed in Note 20, due to the Parent, is under dispute. The dispute resolution process under the contract for the works was initiated subsequent to year end. Consequently, the possible outcome of the process is unknown.


The Brian Lara Promenade


Cabildo Chambers – Attorney General Building

Port of Spain Magistrates Court


Scarborough Hospital in Tobago


The Museum of Police Service of Trinidad and Tobago

Karaoke

35th Anniversary

Arrival Day

Divali

Christmas 2011

Emancipation Day

Health & Safety Week

# NOTES

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