Nipdec 2013 Annual Report

Diversity in Motion

CONTENTS

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

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 approach 2014 with great optimism. Service and efficiency must be our watchwords. For better service and increased efficiency change is necessary."

HAMLYN JAILAL, Chairman

A writer once remarked, "People who achieve their goals do so with passion, planning, persistence and purpose." Notwithstanding the challenges of Fiscal 2013, NIPDEC was able to achieve some of its goals.

Our profitability moved from TT$7.751 million in 2012 to TT$7.889 million in 2013. NIPDEC also made key strides in organisational strengthening, operational efficiency and customer intimacy. There was a noticeable improvement in the work ethic and the manner of conducting business. More needs to be done as NIPDEC continues to be a pivotal player in the procurement and project management landscape of Trinidad and Tobago.

Fiscal 2013 began with measured excitement and eager anticipation. NIPDEC was engaged by several Government Ministries for the procurement and project management of key construction projects. Unfortunately, the construction of the Judicial Complexes in Trincity, Carlsen Field, Penal and Sangre Grande were all aborted. The Attorney General's Office in San Fernando was another flagship project. After completing the full designs, the project was put on hold. The construction of a Meteorological Complex at Piarco met a similar fate. Full designs were also completed for the Tobago Meteorological Complex. We are pleased to announce that construction will begin in January 2014.

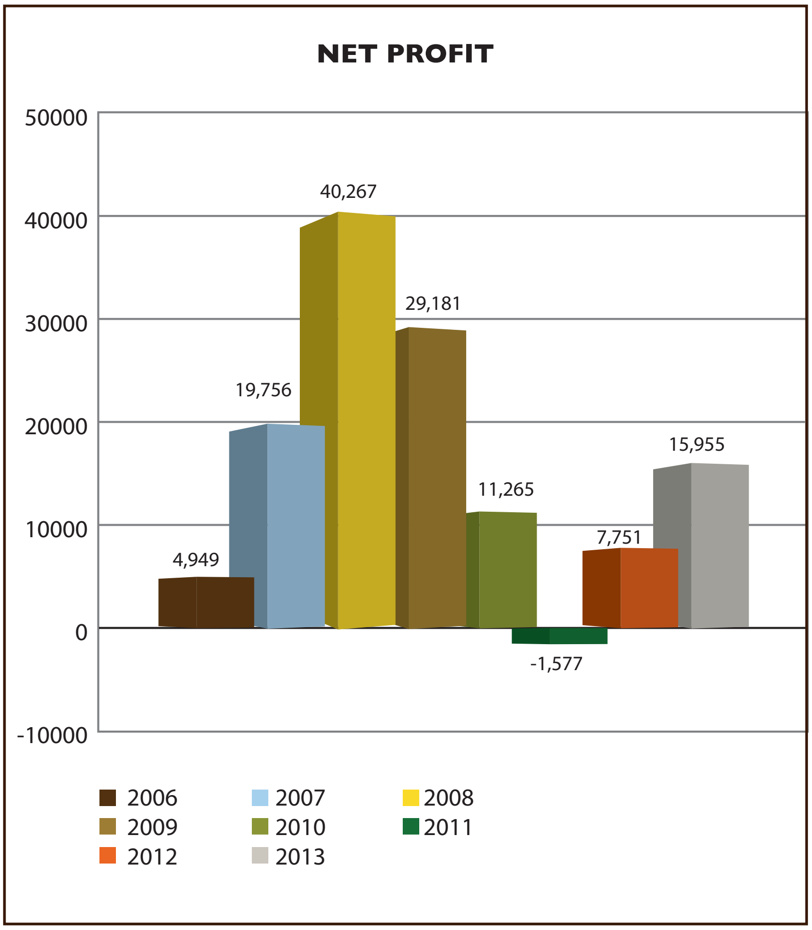
In the first quarter of 2014 several projects will enter construction phase. The COSTATT Main Campus in Chaguanas, the upgrade of the Arima District Health Facility, the construction of the Sangre Grande Enhanced Health Centre and the Carenage Health Centre. Others are soon to follow.

Our flagship project remains the Motor Vehicle Authority. Construction of the Head Office at Frederick Settlement, Caroni has started and is on schedule to be completed by June 2014.

With more projects and more business opportunities, NIPDEC has placed a high value on training. There is no substitute for knowledge. Knowledge promotes ideas and ideas are the real currency for success. Business success in today's constantly changing marketplace requires agility, responsiveness and the ability to innovate. NIPDEC must become an agile organisation looking to elevate its core business while actively seeking out new business opportunities.

Notwithstanding the achievements of 2013, NIPDEC has an over reliance on Government-related projects. In today's tough economic times, we must seek out new streams of income. The Board has mandated Management to further develop car park facilities especially in Arima, Sangre Grande and Tunapuna.

The achievements of 2013 would not have been possible without the guiding hand of the Board. I salute you for your monumental effort. Your service to others and sacrifice for country did not go unnoticed.



As a Board, we believe in the employees of NIPDEC. You are somebody. In our 36th year of business you have clearly demonstrated your unshakeable commitment and sense of purpose to your organisation. Let us continue to develop our God-given talents as we build a stronger and more efficient NIPDEC.

The Management of NIPDEC played a crucial role in reshaping the organisation. In order to achieve more at NIPDEC, management must motivate and inspire. Prominent American business icon Lee Iacocca once said, "Management is nothing more than motivating other people." Management sets the ethos of the organisation. Lee Iacocca further remarked, "I have always found that the speed of the boss is the speed of the team."

Fiscal 2013 witnessed a deepening and strengthening of the relationship between NIPDEC and our parent company, The National Insurance Board of Trinidad and Tobago. We commend the Chairman of the NIBTT Board, Mr. Adrian Bharath and his team as we create the right synergy for business opportunities.

We approach 2014 with great optimism. Service and efficiency must be our watchwords. For better service and increased efficiency change is necessary. As John F. Kennedy said, "Change is the law of life and those who look only to the past or present are certain to miss the future." We ask for the unity and cooperation of all to ensure a brighter future.

Hamlyn Jailal
Chairman

> "At NIPDEC, we believe diversity embraces respect for individuals regardless of gender, race, nationality and religion."
>
> NISHI BHAGAN, General Manager

The National Insurance Property Development Company Limited strives to maintain an environment that reflects diversity in the world we live in today. This is evident in our business conduct as we evolve and grow as an organisation. At NIPDEC, we adapt and adhere to internationally accepted best practice and we are committed to upholding the principles of fairness, transparency, accountability and growth for all employees.

At NIPDEC, we believe diversity embraces respect for individuals regardless of gender, race, nationality and religion. It fosters an environment that brings innovative ideas, improves efficiency, brings the warmth and energy of the people together, thereby having a greater understanding in the world in which we live and work.

Diversity in motion is indicative of the multitude of skills and talent at NIPDEC and the vast array of projects entrusted to us by the various Ministries. This emerges from PURE Projects, construction of hospitals and health centres, inclusive of furniture, fixture and equipment, judicial complexes, construction of the Motor Vehicle Authority and access centres, the procurement, storage and distributions of pharmaceuticals and CDAP items throughout Trinidad and Tobago and recently the engagement for the implementation of the smart card to be used in the health care system.

Our commitment to diversity is also reflective in our recruitment efforts. NIPDEC's policies and procedures provide employment for both local and international companies and individuals. We understand the need for training and providing our employees with the necessary tools to provide excellent customer services, which is vital for upward movement and growth of all sectors of the organisation.

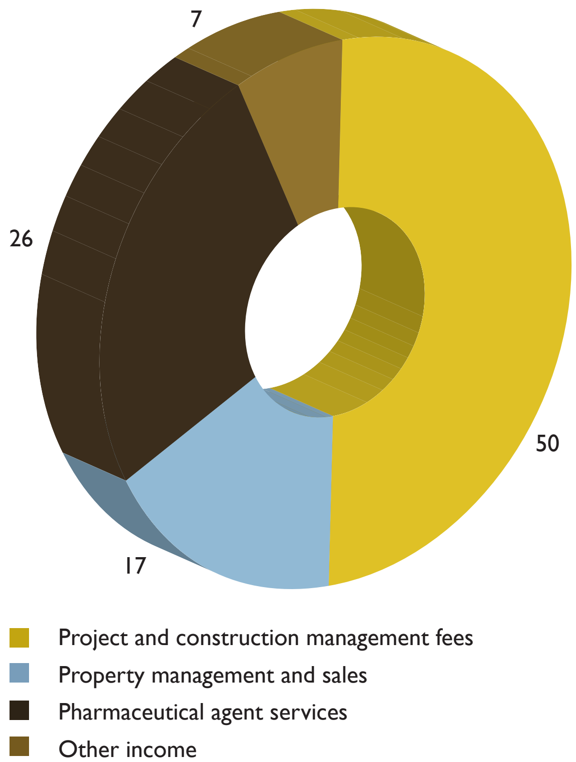
In the 2011-2012 financial year, NIPDEC sought to return to the core of our activities to improve our processes and, consequently, strengthen areas of timely delivery and quality service. As project work continues apace, and with more in train, in 2013 NIPDEC will be leveraging its capabilities in other areas. While NIPDEC maintains its key role in property development as a major revenue earner, there is an impetus to diversify what we offer, given the expertise in our human resource which is as yet underutilised, especially in the areas of Mechanical, Electrical and Facilities Management (MEF) and Real Estate and Commercial Services (RECS).

ECONOMIC OVERVIEW

While the US and other parts of the world are attempting to forge a solid path to economic recovery, Trinidad and Tobago has managed to stay afloat with growth in 2012 and 2013. Trinidad and Tobago's overall economic growth in 2013 increased to 1.6 per cent from 1.2 per cent in 2012. With regard to Quarry and Construction sub-sectors, there was an expansion of 3.0 per cent in 2013, and the sub-sector's contribution to GDP is expected to rise slightly to 5.1 per cent in 2013. Expenditure is also expected to increase in 2013 under the Infrastructure Development Fund (IDF) from $3,683.9 million in fiscal 2012 to $4,685.3 million as a result of higher infrastructural activity.

Moody's rating for Trinidad and Tobago, after its review in January 2013, maintained its stable outlook for Government Bonds in both local and foreign currency, rated BAA1. Standard & Poor also maintained its 2012 rating at A/A-1 for 2013, and the CARICris rating for 2012 and 2013 was steady at CariAAA. The latter expects an increased GDP of 1.5 per cent in 2013, driven by the energy industry and increased construction.

INCOME REVENUE



FINANCIAL REVIEW

During the period under review, NIPDEC followed the trend in the greater economy of slow but steady growth. After three years (2009-2011) of decreased performance following the global financial crisis of 2007-2008, NIPDEC has seen its second consecutive year of growth. In 2013, NIPDEC's Total Comprehensive Income increased to $15.955 million, an improvement from the 2012 figure of $7.751 million. This is our highest comprehensive income total since 2009. NIPDEC earned a profit for the year of $7.889 million, a minor increase over 2012.

An increase in the fair value of available-for-sale investments, which amounted to approximately $8.066 million, was a main contributor to the increased comprehensive income. This resulted in positive growth despite a minor drop in income from project and construction management fees, interest income from leases and special projects and other income.

We did see increased expenditure, rising to $58.918 million in the period under review against $50,855 million in the previous year. Although the increase was primarily a result of NIPDEC's operational requirements, we are committed to achieving greater levels of operational efficiency and discipline.

NIPDEC's total assets increased to $1.548.954 billion in the 2013 financial year, a marked increase over 2012, in which total assets amounted to $1.396.535 billion. Contributors to this growth were the available-for-sale investments, restricted cash, and accounts receivable and pre-payments. Overall, NIPDEC has maintained the steady pace of incremental growth started in 2012, a trajectory we are intent on maintaining as the wider economy continues to improve and the international picture – although still uncertain – continues to brighten.

CURRENT PROJECTS

NIPDEC offers five core services:

- Property Development
- Procurement and Contract Management
- Commercial Services
- Mechanical, Electrical and Facilities Development
- Real Estate Services

In fiscal 2013, NIPDEC continues to partner with the Government of Trinidad and Tobago in a range of projects for various ministries and bodies, such as the Ministry of Health, the Ministry of Food Production, the Ministry of Transport, Ministry of Justice and the Ministry of Gender, Youth and Child Development. It is important to highlight that NIPDEC is committed to an approach that is both ethical and fair to all stakeholders involved, and our procurement and tender processes can be held up to scrutiny.

The following are the key projects in which NIPDEC is involved, and includes both completed jobs as well as ongoing projects:

Ministry of Health

NIPDEC has been engaged by the Ministry of Health for construction of hospitals, health centres and refurbishment works at both Port of Spain General Hospital and Eric Williams Medical Sciences Complex. The demolition of the Old Carenage Health Centre was to allow for the construction of a new Health Centre with modern amenities, better suited for the community members.

NIPDEC is also involved in the design construction and outfitting of a new Sangre Grande Hospital inclusive of furniture, fixtures and equipment. The construction of the new Sangre Grande Enhanced Health Centre will provide health care services to the catchment population of approximately 100,000 persons. The Health Centre is about 1090 square metres. The estimated completion date for the new Sangre Grande Enhanced Health Centre is November 2014.

There is also the upgrade of the Arima District Health Facility with the appropriate infrastructure and services to meet international standards for health care facilities.

The new Acute Care Chaguanas Health Facility is a design/bid/build and will provide a range of primary services, 24-hour services and a dedicated operating and recovery area.

Ministry of Transport

The Government of Trinidad and Tobago is in the process of transforming and modernising the Licensing Division of the Ministry of Transport through the establishment of a new driver licensing and vehicle registration body, to be known as the Motor Vehicle Authority of Trinidad and Tobago (MVA). This transformation exercise will seek to improve the quality of services offered by the Division, improve road safety, strengthen consumer protection and reduce criminal activity by impacting the availability of unlicensed and stolen motor vehicles on the roads. This project will be done in three phases and is expected to be completed in August 2014.

NIPDEC have several smaller projects with the PTSC, for example, the upgrade of the Sangre Grande sewer treatment plant, the maxi taxi hub and the refurbishment of the terminals for general improvement of the ambience for the commuters.

Ministry of Justice

The Ministry of Justice has engaged NIPDEC with several projects inclusive of the upgrade of the Trinidad and Tobago Forensic Science Centre and the construction of the new Forensic Sciences Centre with Pathology Services. The upgrade allows for a post mortem and x-ray rooms.

Ministry of Gender, Youth and Child Development

NIPDEC is involved in the refurbishment of nine youth facilities, the project and construction management of a model children's home, transition homes, safe-way homes and a remand home for female offenders.

Ministry of Food Production

These jobs include the construction and project management of the building of agricultural access roads, the large farms fish landing sites and several of the pond projects as well. NIPDEC's role here is largely in the procurement of contractors and general oversight.

Our Staff Matters

NIPDEC recognises the strength and resilience of its people and continues to take a bipartite approach to the development of our company, in terms of the effective functionality of the processes and the development of our staff. It is important in growing our business, that we equip our employees with the tools, training and knowledge to take NIPDEC forward. Our investment in staff through the provision of training opportunities is an investment in the future of NIPDEC. Heads of Departments are encouraged to submit a training schedule for the year. We are also committed to recruiting the best people in project management.

A central focus has been on staff morale, and after a hiatus of eight years, a Family Day was held at WITCO grounds on August 17th, 2013. The aim was to reinforce a team ethos throughout the organisation and we plan to continue these activities with an upcoming cricket match in October, the children's party and staff Christmas party.

Moving Ahead – Multifaceted Momentum

We celebrated our 35th anniversary in 2012 acknowledging NIPDEC's role in the construction of many landmarks in Trinidad and Tobago. Our 36th year sees us examining how we can branch out into other areas: of being a pharmaceutical procurement hub, of facility management, and expansion of our real estate and commercial services. Within NIPDEC is the potential for reach beyond Trinidad and Tobago's shores, and with effective leadership that anchors the organisation, inspires staff and has a solid vision for the way forward, NIPDEC can move from strength to strength.

Acknowledgement and Appreciation

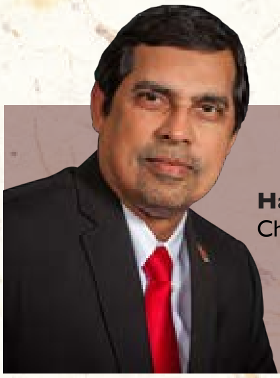
NIPDEC has been able to forge on successfully because of the support of its stakeholders and special appreciation must be expressed, firstly to the Board of Directors for their continued support and guidance.

Recognition of and gratitude must also be expressed to the management team and employees of NIPDEC who have worked assiduously on projects both ongoing and completed.

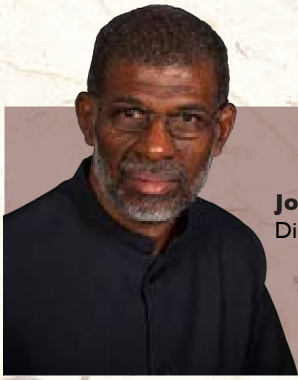
Special thanks as well, to the parent company, the National Insurance Board of Trinidad and Tobago for ensuring the continued viability and success of the organisation.

Nishi Bhagan
General Manager

BOARD OF DIRECTORS



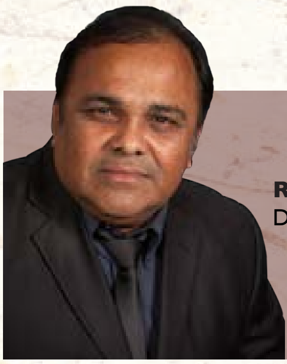
Hamlyn Jailal
Chairman



John Boisselle
Director

Mellissa Bart-Smith
Director

Keith Hordatt
Director



Reeyaz Rajab
Director

Adrian Barath
Director

Karen Gopaul
Director

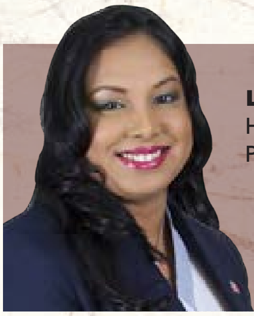
Krishmanie Misir
Director

Nishi Bagan
General Manager

Richard Gittens
Head
Finance and Accounting

Miriam Wilson-Edwards
Manager
Internal Audit

Florence Ria Ramdin
Head
Legal Services



Lolita Maharaj
Head
Pharmaceuticals

Cavelle Joseph
Head
Human Resources

Vyas Ramphalie
Head
Property Development

Jason Joseph
Company Secretary (Ag.)

Financial Statements 2013

INDEPENDENT AUDITOR'S 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, 2013, 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.

Auditor's 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants

October 30, 2013
Port of Spain
Trinidad and Tobago

June 30, 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Non-current assets			
Net investment in leased assets	4	**20,218**	35,086
Investment properties	5	**29,400**	29,400
Property, plant and equipment	6	**17,689**	17,569
Defined pension benefit asset	7	**30,499**	29,849
Available-for-sale investments	8	**17,330**	10,217
		115,136	122,121
Current assets			
Cash and short-term deposits	9 a)	**159,977**	153,934
Restricted cash	9 b)	**702,794**	644,655
Accounts receivable and prepayments	10	**260,125**	156,685
Net investment in leased assets	4	**7,969**	12,053
Project costs incurred less project advances		**274,916**	275,405
Amounts due by parent company	21	**28,037**	31,682
		1,433,818	1,274,414
Total assets		**1,548,954**	1,396,535
EQUITY AND LIABILITIES			
Equity			
Stated capital	11	**25,000**	25,000
Revaluation reserve	12	**13,375**	13,375
Fair value reserve	13	**8,066**	-
Retained earnings		**148,962**	141,073
		195,403	179,448
Non-current liabilities			
Borrowings	14	**14,359**	27,893
Current liabilities			
Borrowings	14	**13,511**	12,503
Accounts payable and accruals	15	**317,328**	243,476
Project advances less project costs incurred	16	**999,332**	924,194
Dividends payable	17	**9,021**	9,021
		1,339,192	1,189,194
Total equity and liabilities		**1,548,954**	1,396,535

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

Director

Director

STATEMENT OF COMPREHENSIVE INCOME

June 30, 2013

	Notes	2013 $'000	2012 $'000
Income			
Project and construction management fees		**33,550**	37,423
Property management and sales		**11,354**	11,100
Pharmaceutical agent services		**17,072**	12,866
Interest income from leases	4	**2,634**	5,146
Other interest income		**1,701**	1,931
Gain (loss) on disposal of property, plant and equipment		**3**	(84)
Special projects and other income		**596**	1,071
Total income		**66,910**	69,453
Direct costs incurred		**(36)**	(10,802)
Total income less direct costs		**66,874**	58,651
Expenditure			
Staff costs	18	**(37,382)**	(33,864)
Finance costs	19	**(3,104)**	(4,934)
Administration expenses	20	**(6,421)**	(4,747)
Accommodation costs		**(6,826)**	(5,541)
Bad debts		**(3,000)**	(24)
Depreciation	6	**(1,267)**	(1,333)
Vehicle expenses		**(918)**	(412)
Total expenses		**(58,918)**	(50,855)
Profit before tax		**7,956**	7,796
Taxation		**(67)**	(45)
Profit for the year		**7,889**	7,751
Other comprehensive income:			
Net change in fair value of available-for-sale investment	8	**8,066**	–
Total comprehensive income for the year		**15,955**	7,751

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

STATEMENT OF CHANGES IN EQUITY

Year Ended June 30, 2013

	Stated Capital $'000	Revaluation Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at June 30, 2011	25,000	13,375	-	133,322	171,697
Profit being total comprehensive income for the year	-	-	-	7,751	7,751
Balance at June 30, 2012	**25,000**	**13,375**	**-**	**141,073**	**179,448**
Balance at June 30, 2012	25,000	13,375	-	141,073	179,448
Total comprehensive income for the year					
Profit for the year	-	-	-	7,889	7,889
Other comprehensive income	-	-	8,066	-	8,066
Total comprehensive income for the year	-	-	8,066	7,889	15,955
Balance at June 30, 2013	**25,000**	**13,375**	**8,066**	**148,962**	**195,403**

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

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**7,956**	7,796
Adjustments for:		
Depreciation	**1,267**	1,333
(Gain)/loss on disposal of plant, property and equipment	**(3)**	84
Defined benefit pension (income) expense	**(650)**	499
Increase in provision for bad debts	**3,000**	24
	11,570	9,736
Changes in:		
Amounts due by parent company	**645**	1,415
Project costs less project advances	**489**	2,231
Accounts receivable and prepayments	**(103,440)**	72,545
Accounts payable and accruals	**78,813**	(131,232)
Advances on projects	**75,138**	(315,253)
	63,215	(360,558)
Taxes paid	**(67)**	(45)
Net cash from (used in) operating activities	**63,148**	(360,603)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital receipts from finance lease	**13,991**	15,031
Purchase of property, plant and equipment	**(1,436)**	(873)
Proceeds from sale of plant, property and equipment	**52**	334
Proceeds from redemption of available-for-sale investment	**953**	–
Net cash from investing activities	**13,560**	14,492
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	**(12,526)**	(15,495)
Net cash used in financing activities	**(12,526)**	(15,495)
Net increase/(decrease) in cash and cash equivalents	**64,182**	(361,606)
Cash and cash equivalents at the beginning of the year	**798,589**	1,160,195
Cash and cash equivalents at the end of the year	**862,771**	798,589
Cash and cash equivalents comprise:		
Cash and short-term deposits	**159,977**	153,934
Restricted cash	**702,794**	644,655
	862,771	798,589

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 October 30, 2013.

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.

2. BASIS OF PREPARATION *(continued)*

d) *Use of estimates and judgments*

The preparation of financial statements in conformity with IFRS requires management to make judgments, 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is identified below:

Accounting Policy 3(b)	Net investment in leased assets – lease classification
Accounting Policy 3(i)	Receivables
Accounting Policy 3(m)	Provisions
Note 4	Accounting for an arrangement containing a lease.

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 8	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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 three 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 *(continued)*

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	12.5%
Furniture and equipment	10%
Computer equipment and computer software	33.3%
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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

e) *Impairment (continued)*

(i) Calculation of recoverable amount (continued)

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.

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, available-for-sale investments, accounts receivable, accounts payable and borrowings via Build Own Lease Transfer (BOLT) arrangements (see accounting policy note (k)). The main purpose of borrowings is to raise finance for construction of buildings under BOLT.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial instruments (continued)

(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.

ii) Recognition and measurement

Regular-way purchases and sales of financial assets are recognised on the trade date at which NIPDEC becomes a party to the contractual provision of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Financial instruments (continued)

ii) Recognition and measurement (continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 as 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 with 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, 2012, 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.

June 30, 2013

4. NET INVESTMENT IN LEASED ASSETS

	Gross Investment $'000	Unearned Interest $'000	Net investment 2013 $'000	Net investment 2012 $'000
Government of St. Lucia – Ministry of Works	14,939	(3,336)	11,603	16,293
Government of Trinidad and Tobago – Attorney General Building	18,214	(1,630)	16,584	30,846
			28,187	47,139
Not later than 1 year			7,969	12,053
Later than 1 year, not later than 5 years			20,218	35,086
Later than 5 years			-	-
			20,218	35,086
Net investment in finance leases			28,187	47,139

During the year ended June 30, 2013 an amount of $2,634 (2012: $5,146) 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

	2013 $'000	2012 $'000
Leasehold land and buildings		
1,500 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**	29,400
Disposals during the year	**-**	-
Diminution in value	**-**	-
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, 2013							
Opening balance net book amount	14,880	847	1,174	90	182	396	17,569
Additions	-	118	126	61	328	803	1,436
Disposal	-	-	-	-	(49)	-	(49)
Depreciation charge	(120)	(269)	(495)	(77)	(169)	(137)	(1,267)
Closing balance net book Amount	14,760	696	805	74	292	1,062	17,689
Cost or valuation	15,000	4,368	11,253	315	3,953	3,332	38,221
Accumulated depreciation	(240)	(3,672)	(10,448)	(241)	(3,661)	(2,270)	(20,532)
Net book amount	14,760	696	805	74	292	1,062	17,689
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

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 (2012: $1.412 million).

7. DEFINED PENSION BENEFIT ASSET

	2013 $'000	2012 $'000
a) Amounts recognised in the statement of financial position are as follows:		
Present value of obligation	**42,657**	36,146
Fair value of plan asset	**(73,292)**	(66,547)
Benefit surplus	**(30,635)**	(30,401)
Unrecognised actuarial gain	**136**	552
Benefit plan asset in the statement of financial position	**(30,499)**	(29,849)
b) Amounts recognised in the statement of comprehensive income are as follows:		
Current service cost	**1,668**	1,395
Interest on obligation	**1,923**	1,873
Expected return on plan assets	**(3,938)**	(4,307)
Past service cost	**-**	1,929
Net pension income	**(347)**	890
c) Movement in net asset recognised in the statement of financial position is as follows:		
Opening defined benefit asset	**(29,849)**	(30,348)
Net (income) loss recognised in the statement of comprehensive income	**(347)**	890
Contributions paid	**(303)**	(391)
Closing defined benefit asset	**(30,499)**	(29,849)
d) Actual return on plan assets		
Expected return on plan assets	**3,938**	4,307
Actuarial gain on plan assets	**4,653**	923
Actual return on plan assets	**8,591**	5,230

7. DEFINED PENSION BENEFIT ASSET (continued)

e) Changes in the present value of the defined benefits obligation are as follows:

	2013 $'000	2012 $'000
Defined benefit obligation at start of the year	**36,146**	29,375
Service cost	**1,668**	1,395
Interest cost	**1,923**	1,873
Members' contributions	**304**	391
Past service cost	**-**	1,929
Actuarial loss	**5,069**	2,383
Benefits paid	**(2,385)**	(1,130)
Expense allowance	**(68)**	(70)
Defined benefit obligation at end of the year	**42,657**	36,146

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

	2013 $'000	2012 $'000
Plan assets at start of year	**66,547**	61,735
Expected returns on plan assets	**3,938**	4,307
Actuarial loss	**4,653**	923
Company contributions	**303**	391
Members' contributions	**304**	391
Benefits paid	**(2,385)**	(1,130)
Expense allowance	**(68)**	(70)
Plan assets at end of the year	**73,292**	66,547

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

	2013	2012
Discount rate	**5.00%**	5.50%
Expected return on plan assets	**n/a**	6.00%
Overall salary increases	**4.75%**	4.75%
Salary inflation	**4.00%**	4.00%

NIPDEC expects to contribute $0.355 million to its defined benefit pension plan in 2013/2014 (2013: $0.308 million).

7. DEFINED PENSION BENEFIT ASSET (continued)

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

	2013 $'000	2012 $'000
Equity securities	**38.6%**	31.5%
Debt securities	**58.0%**	60.2%
Money market instruments/cash	**3.4%**	8.3%
	100.0%	100.0%

The Plan does not hold any assets which were issued by NIPDEC (2012: NIL).

i) Experience history for the year ended June 30:

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Defined benefit obligation	**42,657**	36,146	29,375	25,405	22,905
Fair value of plan asset	**(73,292)**	(66,547)	(61,735)	(56,469)	(52,631)
Surplus	**(30,635)**	(30,401)	(32,360)	(31,064)	(29,726)
(Loss)/gain on plan liabilities	**(2,183)**	369	(1,709)	1,470	496
Gain/(loss) on plan assets	**4,653**	923	1,546	(49)	(6,553)

8. AVAILABLE-FOR-SALE INVESTMENTS

	2013 $'000	2012 $'000
Opening balance at January 1	**10,217**	10,217
Net change in fair value of available-for-sale investment	**8,066**	-
Less: Redemption of CLICO Zero Coupon Bond during the year	**(953)**	-
Closing balance at December 31	**17,330**	10,217

8. AVAILABLE-FOR-SALE INVESTMENTS (continued)

The GORTT backed Bonds (2 to 10 year maturities) with face value of $8,572 have been adjusted to fair value as at June 30, 2013. Bonds with maturity dates over 11 to 20 years were converted into units in the CLICO Investment Fund. The value of these units has been assessed by the Fund Manager. The composition of the available-for-sale investments at the end of the year is as follows:

	2013 $'000	2012 $'000
Units held in CLICO Investment Fund	**8,758**	-
Investment in CLICO Zero Coupon Bonds	**8,572**	10,217
	17,330	10,217

9. 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 $159,977 (2012: $153,934).

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.

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2013 $'000	2012 $'000
Trade debtors – Projects and others	**127,429**	50,116
– Ministry of Health	**114,971**	89,858
Direct recoverable expenditure – Ministry of Health		
– Pharmaceuticals and other related programmes	**4,277**	13,034
	246,677	153,008
Less provision for doubtful debts	**(6,378)**	(6,378)
Net trade debtors and direct recoverable expenditure	**240,299**	146,630
Prepayments and other sundry receivables	**19,826**	10,055
	260,125	156,685

	2013 $'000	2012 $'000
11. STATED CAPITAL		
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. FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments until the investments are derecognised or impaired.

	2013 $'000	2012 $'000
14. BORROWINGS		
ii) First Caribbean International Bank Limited	**5,483**	10,084
iii) First Citizens Merchant Bank	**22,387**	30,312
	27,870	40,396
Borrowings – current (due within 1 year)	**13,511**	12,503
Borrowings – non-current (due between 1 and 5 years)	**14,359**	27,893
Total borrowings	**27,870**	40,396

i) National Insurance Board

The loan is unsecured and is repayable in semi-annual payments over 15 years at a rate of interest of 11% per annum with effect from November 30, 1997. The loan was repaid during the year.

14. BORROWINGS (continued)

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 $5.483 million as at June 30, 2013 (2012: $10.084 million).

iii) First Citizens Merchant Bank

This bond provided financing for the Attorney General Building. The bond is repayable in semi-annual payments over 12 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 $22.387 million as at June 30, 2013 (2012: $30.312 million).

	2013 $'000	2012 $'000
15. ACCOUNTS PAYABLE AND ACCRUALS		
Trade payables – Projects and other	**253,658**	163,550
– Due to pharmaceutical suppliers	**18,690**	31,015
	272,348	194,565
Accrued expenses and other payables	**27,552**	18,109
Project surplus funds over expenses	**17,394**	17,394
Deferred income – project and construction management fees	**34**	13,408
	317,328	243,476

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, 2013 is an amount of $905 million (2012: $815 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 Transport Authority and Motor Vehicle Authority Projects. This amount represents the net undisbursed portion of the proceeds received from the bonds issued during the financial year (Note 26 (c)) to finance these projects.

17. 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 thousand. No payments were made during the period.

18. STAFF COSTS

	2013 $'000	2012 $'000
Payroll costs	**38,032**	33,365
Defined benefit pension (income) expense	**(650)**	499
	37,382	33,864

19. FINANCE COSTS

Interest on borrowings	**3,015**	4,404
(Gain)/loss on foreign exchange	**(64)**	441
Other	**153**	89
	3,104	4,934

20. ADMINISTRATION EXPENSES

Advertising and promotions	**439**	818
Public relations and donations	**296**	363
Professional and legal fees	**3,181**	1,515
Office supplies and other administration expenses	**2,505**	2,051
	6,421	4,747

21. 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.

21. RELATED PARTIES (continued)

NIPDEC is a wholly-owned subsidiary of the NIB. 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 end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended June 30, 2013 NIPDEC has made a provision of $14.18 million (2012: $6.38 million) for doubtful debts relating to amounts owed by related parties. 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.

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, 2013 and June 30, 2012.

		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	**2013**	**38,350**	**-**	**269,163**	**-**
	2012	24,403	-	144,566	-
Leases receivable	**2013**	**1,997**	**-**	**16,584**	**-**
	2012	2,857	-	30,846	-
National Insurance Board					
Project management	**2013**	**-**	**-**	**35,837**	**(426)**
	2012	-	-	38,147	(685)

	2013 $'000	2012 $'000
21. RELATED PARTIES (continued)		
Other transactions with related parties		
Directors' compensation	**572**	627
Key management compensation:		
Short-term benefits	**5,802**	4,699
Long-term benefits	**53**	83
	5,855	4,782

22. 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, credit-worthy 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.

22. FINANCIAL RISK MANAGEMENT

i) Credit risk (continued)

Managing of credit risk (continued)

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

	2013 $'000	2012 $'000
Current 0-30 days	**142,254**	81,060
Past due 1-30 days	**35,142**	13,291
Past due 31-60 days	**4,324**	859
Past due 61-90 days	**1,386**	4,027
Over 90 days	**63,571**	53,771
Total	**246,677**	153,008

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

	2013 $'000	2012 $'000
Balance at July 1	**6,378**	6,630
Decrease in provision	**-**	(252)
Balance at June 30	**6,378**	6,378

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.

22. FINANCIAL RISK MANAGEMENT (continued)

ii) Liquidity risk (continued)

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

	Carrying Amount $'000	Contractual cash flows $'000	0-12 months $'000	1-5 years $'000	More than 5 years $'000
2013					
Liabilities					
Borrowings	27,870	30,855	15,252	15,603	-
Accounts payable and accruals	313,965	313,965	313,965	-	-
	341,835	344,820	329,217	15,603	-
2012					
Liabilities					
Borrowings	40,396	45,733	14,828	30,905	-
Accounts payable and accruals	243,476	243,476	243,476	-	-
	283,872	289,209	258,304	30,905	-

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.

iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchanges 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. NIPDECs 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.

22. FINANCIAL RISK MANAGEMENT (continued)

iii) Market risk (continued)

b) Currency risk (continued)

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, 2013 NIPDEC had assets denominated in foreign currencies amounting to $32.1 million (2012: $30.7 million) and long-term loans denominated in foreign currencies amounting to $5.4 million (2012: $11.4 million).

The following exchange rate applied during the year:

	2013	**2012**
US	**6.424**	6.4017
EC	**2.363**	2.3639

Sensitivity analysis:

A one per cent 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 2012 on the basis that all other variables remain constant.

	2013	**2012**
	$'000	**$'000**
Effect in TT$:		
US	**56**	56
EC	**210**	137

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.

23. 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.

24. DETERMINATION OF FAIR VALUES

A number of the 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 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 had 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.

25. COMMITMENTS

a) Capital commitments
There is $2.4 million of capital expenditure approved and contracted as at June 30, 2013 (2012: 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

25. COMMITMENTS (continued)

c) Operating lease commitments

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

	2013 $'000	2012 $'000
Within one year	**262**	128
One to five years	**633**	53
	895	181

26. 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.

26. CONTINGENT LIABILITIES (continued)

c) *Off balance sheet borrowings (continued)*

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 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.

The principal outstanding on these limited recourse fixed rate borrowings amounted to $3.643 million at June 30, 2013 (2012: $3.106 million). An analysis of the borrowings is as follows:

Trustee	**Rate**	**Tenor**	**2013 $'000**	**2012 $'000**
Bonds				
Republic Bank Limited	7.30%	November 2002-2014	**44,214**	55,267
RBTT Merchant Bank	8.75%	October 2006-2018	**143,126**	155,054
Trinidad and Tobago Unit Trust Corporation	6.50%	October 2005-2017	**75,000**	91,667
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
	6.10%	September 2010-2028	**360,000**	360,000
	6.55%	May 2011-2030	**750,000**	750,000
	6.05%	Oct 2011-2026	**500,000**	500,000
	5.15%	July 2012-2025	**339,000**	-
	6.25%	Oct 2012-2032	**250,000**	-
			3,643,340	3,093,988

26. CONTINGENT LIABILITIES (continued)

c) *Off balance sheet borrowings (continued)*

Trustee	**Rate**	**Tenor**	**2013 $'000**	**2012 $'000**
Promissory note				
ANSA Merchant Bank Ltd.	4.30%	January 2010 - 2013	-	12,467

d) *Others*

As at June 30, 2013, NIPDEC is subject to several legal claims and actions. After taking legal advice as 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.

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NIPDEC

56-60 St.Vincent Street
Port of Spain
Tel: (868) 625-8749
Fax: (868) 623-0877
Website: **www.nipdec.com**