ANNUAL REPORT 2017

NIPDEC

MISSION

To continuously exceed customer service quality expectations and thereby achieve the market performance required to deliver superior financial returns to the shareholder.

VISION

To be the trusted center of excellence in delivering knowledge-based property and procurement services to the government and the private sector nationally and regionally.

Contents

Core Values | 4

Chairman's Review | 5

General Manager's Report | 6

Management Discussion & Analysis | 8

Board of Directors | Management Team | 11

Financial Statements | 12

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.

Fairness

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

Customer Focus

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

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 organization and protecting its assets.

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.

Teamwork

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

Chairman's Review

It is a pleasure to be chairman of NIPDEC at this time it carries a serious responsibility matched with tremendous opportunities.

During 2016 – 2017 NIPDEC continued to operate in an environment of general economic downturn and reduction in government capital expenditure upon which we relied for business opportunities, this resulted in a negative impact upon our accounts.

It is therefore with delight and tremendous anticipation we view the recent improvements in energy prices and the government's indications of a likely upturn in the economy as we continue to keep ourselves ready to respond as the market improves.

The focus for the new year therefore is on building capacity for the future so that we can take hold of opportunities that may arise and also strengthen ourselves to withstand all challenges that come at us.

The company has had the addition of several new directors representing our parent company the National Insurance Board of Trinidad and Tobago and we are confident that their input would advance the good fortunes of NIPDEC as we strive for excellence.

We extend our thanks to the outgoing board members; former chairman Mr. Michael Toney and directors Mr. Keston Nancoo and Mr. Selby Leslie.

We also thank the management and staff for their invaluable efforts.

We also extend our thanks and best regards to all our stakeholders inclusive of clients and supply partners who play a key role in ensuring that NIPDEC remains a high quality service provider.

John Boisselle
Chairman

General Manager's Report

NIPDEC continues to be a full service provider of property project management and procurement services to our many clients. We are at the cusp of expanding our service offerings and widening our client base as we create a secure platform for the financial future of the company.

The financial year 2016 to 2017 was no less challenging than the two years prior with a continuation of the low revenues and low capital expenditure on the part of government being reflected in the low volume of business and the resulting losses being experienced at NIPDEC. Thankfully we have taken the actions required to reduce our fixed costs and to create a more efficient organization and are now creating the basis of our launch into new business.

While we await the review of NIPDEC operations finances and prospects by international consultants the management of NIPDEC has completed an up-to-date strategic planning exercise with the assistance of local consultants. This exercise has illuminated a clear direction for NIPDEC and a series of definitive initiatives to take us there.

We also note the significant Improvement in Energy prices on the global market and the resultant positive effect on government revenues and the outlook for the economy. Recent statements by the government indicate it is committed to investing in growth and that it stands ready to play its part in implementing the growth initiatives both in respect of infrastructure and other softer project objectives.

Of course NIPDEC's fortunes and its future will depend on reducing its dependence on the local market and the Trinidad and Tobago government. An important part of new business will involve the company venturing into the provision of services to the private sector and to International customers and these continue to be a strategic priority.

In the current circumstances, NIPDEC's staff has produced outstanding performance, ensuring that the company delivers to its clients despite its much-reduced resource base. For this I thank them wholeheartedly not only for the past performance but for what their commitment means as we implement the required transformation of the organization.

I also want to thank the board of directors for its support and guidance and to welcome the new directors on the board. I would be remiss if I did not to also thank our clients who in our strategic assessments gave the company strong support even as they indicated the areas in which they would like to see us improve. Our partnership with them going forward is going to be critical for the success of all parties.

David C. Benjamin
General Manager

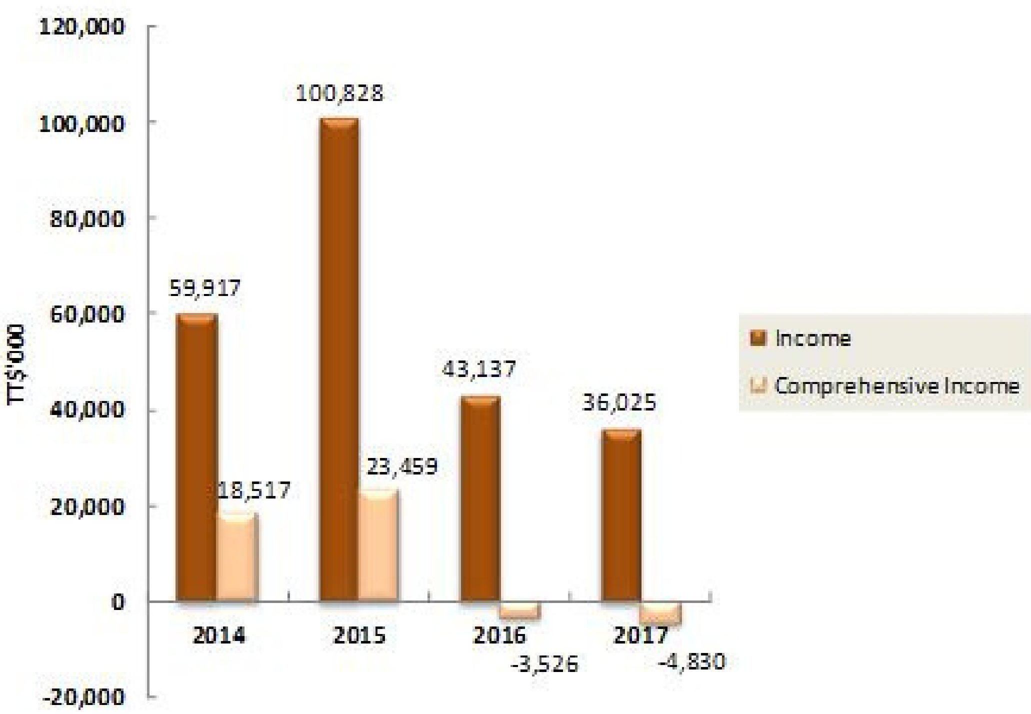
Management Discussion & Analysis

Performance

2017 performance continued in similar fashion to that of 2016. Although not as severe, total level of income fell by 16.5% to $ 36.0 million. Again, the main contributor to the decline was the drastic fall in Project and Construction Management Fees.

The financial constraints the government experienced in 2016 tightened even further during 2017 and with fewer projects coming our way coupled with unavailable funds to pay contractors, projects slowed down considerably and some even to a halt.

Figure 1 illustrates the four-year comparison for income.



Profits: The revenue levels generated in 2017 was not enough to breakeven despite operating expenditure remaining relatively flat. The $ 7.1 million reduction in income resulted in a loss after tax of $ 7.1 million and total comprehensive loss to $ 4.7 million.

The company's on-going efforts to streamline its operations saw a further reduction in staff costs by 17%. However additional administrative expenses mainly from legal fees and penalties and increases in bad debt provision limited the savings incurred.

Balance Sheet: NIPDEC's balance sheet remain fairly strong despite the losses incurred for the year. The company does not have any long-term debt to service and despite the challenges with the slow down of contractor payments, the company is able to service its non-project short-term obligations through its cash generated from the commercial operations. Total assets increased from $ 912 million to $1.0 billion at the end of June 2017. This was driven by a 12% increase in current assets and 5% increase in non-current assets. The company's leverage increased slightly from 68% to 72% with current liabilities increasing by 17%.

Future Prospects

• Owing to changes in the composition of the Board of Directors, the Strategic Plan that was approved in 2017 was not fully implemented and is currently undergoing a comprehensive review in light of the changes in the business and economic environment. It is anticipated the exercise will be completed in the 4th quarter of the 2017/18 financial year and subsequently rolled out by the 1st quarter of 2018/19.

• Government Projects: NIPDEC remains committed to providing its services to the government in support of the capital projects which drive economic expansion. The historical trend in the past twelve (12) months did show a shrink in the number and value of projects implemented. NIPDEC's share of projects will improve in the future with the right strategic relationship management initiatives and that will be a critical success factor.

• Procurement: Following the creation of the Office of the Procurement Regulator and the approval of the procedural rules in 2017, the board was appointed in early 2018 by former President Carmona. However, there still remains uncertainty about the length of time it will take to put in place all the necessary regulatory requirements, including the allocation of human and financial resources. NIPDEC has placed the need for expert capacity high on its list of strategic intent.

• Non-Government Projects: NIPDEC has begun engaging several private sector and quasi- private sector entities with a view to selling our services. While these initiatives are in their early stages, NIPDEC has already entered into small contracts with a few of these entities.

- International/Regional: NIPDEC continues to seek the opportunities to serve regional governments who may not have as ready access to specialist expertise. A few of these economies have since been hard hit by hurricane damage and are faced with recovery and redevelopment in the face of fiscal crisis. NIPDEC will liaise with the international development agencies who may be the primary financiers of the redevelopment efforts. Guyana, remains a prime economic growth prospect in CARICOM, with projected growth higher than global averages.

- Information Systems and Technology. In the past twelve (12) months NIPDEC has commenced phase 1 of upgrading its core information systems infrastructure. We have upgraded our ERP software which now operates on a Hyper-V server and replaced one (1) out of the remaining seven (7) aging servers with a virtual server. Our host for our emails was switched to a more reliable and efficient provider which will improve our communication systems. We will be moving towards a cloud based productivity and collaborative software in the coming months and also continue the replacement of the obsolete servers.

Board of Directors

John Boisselle - Chairman

Douglas Camacho – Deputy Chairman

Patrick A. Ferreira

Feyaad Khan

Brendon Nelson

Christine Debique

Margaret Roper-Wiltshire

Marvin Gonzales.

Niala Persad - Poliah

Management Team

David C. Benjamin - General Manager

Jabari Cozier - Head Finance & Accounting

Vyas Ramphalie - Head Property Development

Cavelle Joseph St. Omer - Head Human Resources

Roseann St. Rose - Head Pharmaceuticals

Kim Garibsingh - Company Secretary/Manager Legal Services

Miriam Wilson-Edwards - Manager, Internal Audit

Sean Cook - Manager, Facilities Management

The National Insurance Property Development Company Limited

Financial statements
June 30, 2017

Contents

Contents	Page
Statement of management's responsibilities	1
Independent auditors' report	2-3
Statement of financial position	4
Statements of profit or loss and other comprehensive loss	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to financial statements	8 – 47

The National Insurance Property Development Company Limited

Statement of management's responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of The National Insurance Property Development Company Limited, ('the Company') which comprise the statement of financial position as at June 30, 2017, the statements of profit or loss and other comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

General Manager	Head Finance & Accounting
May 4, 2018	May 4, 2018

Deloitte.

Deloitte & Touche
54 Ariapita Avenue
Woodbrook, Port of Spain
170309
Trinidad and Tobago

Tel: +1 (868) 628 1256
Fax:+1 (868) 628 6566
www.deloitte.com/tt

Independent auditors' report
to the shareholder of
The National Insurance Property Development Company Limited

Report on the audit of the financial statements

Qualified opinion

We were engaged to audit the financial statements of The National Insurance Property Development Company Limited (the 'Company'), which comprise the statement of financial position as at June 30, 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in shareholder's equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for qualified opinion

Unbilled project costs

The Company had unbilled project costs of $ 215.2 million on the statement of financial position as at June 30, 2017 (2016: $ 140.6 million). We were unable to obtain sufficient appropriate audit evidence for portions of the unbilled project costs amounting to $25.6 million, as Management was unable to provide supporting evidence for these balances, which were dated prior to June 2012. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the annual report, but does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Continued...

Deloitte.

Independent auditor's report (continued)
to the members of
The National Insurance Property Development Company Limited

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte + Touche

Deloitte & Touche

Port of Spain
Trinidad

May 8, 2018

The National Insurance Property Development Company Limited

Statement of financial position
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2017 $'000	2016 $'000 Restated	2015 $'000 Restated
		As at June 30,		
ASSETS				
Non-current assets				
Investment properties	5	34,300	31,400	31,400
Property, plant and equipment	6	18,092	18,080	18,997
Defined pension benefit asset	7	24,598	23,037	27,661
Available-for-sale investments	8	12,992	13,561	14,476
Total non-current assets		89,982	86,078	92,535
Current assets				
Cash at bank and in hand	9 (a)	120,939	123,076	136,718
Restricted cash	9 (b)	252,088	329,887	488,200
Accounts receivable and prepayments	10	331,455	230,529	403,168
Unbilled project costs	11	215,221	140,557	263,180
Amounts due from parent company	30	1,882	1,858	1,869
Total current assets		921,585	825,907	1,293,134
Total assets		**1,011,567**	**911,985**	**1,385,669**
EQUITY AND LIABILITIES				
Equity				
Share capital	12	25,000	25,000	25,000
Revaluation reserve	13	13,132	13,000	13,000
Fair value reserve	14	1,165	720	705
Retained earnings		243,602	248,877	252,418
Total shareholders' equity		282,899	287,597	291,123
Non-current liabilities				
Borrowings		-	-	4,792
Total non-current liabilities		-	-	4,792
Current liabilities				
Accounts payable and accruals	15	537,523	411,684	526,061
Advance project billings	16	124,217	66,167	85,896
Project advances	17	66,928	146,537	477,797
Total current liabilities		728,668	624,388	1,089,754
Total equity and liabilities		**1,011,567**	**911,985**	**1,385,669**

The notes on pages 8 to 47 form an integral part of these financial statements.

On May 4, 2018, the Board of Directors of the National Insurance Property Development Company Limited authorised these financial statements for issue

Douglas Camacho
Director

Claris Debique
Director

The National Insurance Property Development Company Limited

Statement of profit or loss and other comprehensive loss
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	Year ended June 30, 2017 $'000	2016 $'000
Income			
Project and construction management fees	18	8,647	27,287
Property management and sales	19	11,461	8,992
Pharmaceutical agent services	1 (c)	2,000	2,000
Interest income from leases	20	-	181
Other interest income	21	1,090	1,098
Revaluation of investment property	5	2,900	-
Other income	22	10,014	8,125
Special projects and other income	23	2,272	(886)
Total income		38,384	46,797
Direct costs incurred	24	2,359	3,660
Total income less direct costs		36,025	43,137
Expenditure			
Staff costs	25	28,368	34,057
Finance costs	26	(249)	(1,147)
Administration expenses	27	3,664	2,315
Accommodation costs	28	2,728	2,074
Bad debts	10	7,173	3,317
Depreciation	6	528	1,047
Vehicle expenses	29	846	909
Total expenses		43,058	45,572
(Loss)/profit before tax		(7,033)	565
Taxation		(64)	55
(Loss)/profit for the year after tax		(7,097)	510
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined pension benefit asset	7	1,822	(4,051)
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of land and building		132	-
Net change in fair value of available-for-sale investment	8	445	15
Other comprehensive income / (loss) for the year, net of income tax		2,399	(4,036)
Total comprehensive loss for the year		**(4,698)**	**(3,526)**

The notes on pages 8 to 47 form an integral part of these financial statements.

The National Insurance Property Development Company Limited

Statement of changes in equity
(Expressed in thousands of Trinidad and Tobago dollars)

	Stated capital $'000	Revaluation reserve $'000	Fair value reserve $'000	Retained earnings $'000	Total Equity $'000
Year ended June 30, 2017					
Balance at the beginning of the year	25,000	13,000	720	248,877	287,597
Loss for the year after tax	-	-	-	(7,097)	(7,097)
Other comprehensive income	-	132	445	1,822	2,399
Total comprehensive loss for the year	-	132	445	(5,275)	(4,698)
Balance at the end of the year	**25,000**	**13,132**	**1,165**	**243,602**	**282,899**
Year ended June 30, 2016					
Balance at the beginning of the year	25,000	13,000	705	252,418	291,123
Profit for the year after tax	-	-	-	510	510
Other comprehensive income/(loss)	-	-	15	(4,051)	(4,036)
Total comprehensive loss for the year	-	-	15	(3,541)	(3,526)
Balance at the end of the year	**25,000**	**13,000**	**720**	**248,877**	**287,597**
Year ended June 30, 2015					
Balance at the beginning of the year	25,000	13,000	548	229,116	267,664
Profit for the year after tax	-	-	-	28,663	28,663
Other comprehensive income/(loss)	-	-	157	(5,361)	(5,204)
Total comprehensive loss for the year	-	-	157	23,302	23,459
Balance at the end of the year	**25,000**	**13,000**	**705**	**252,418**	**291,123**

The notes on pages 8 to 47 form an integral part of these financial statements.

The National Insurance Property Development Company Limited

Statement of cash flows
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	Year ended June 30, 2017 $'000	2016 $'000 Restated
Cash flows from operating activities			
(Loss)/profit before taxation		(7,033)	565
Adjustments for:			
Depreciation		528	1,047
Defined benefit pension income		261	573
Increase in fair value of investment property		(2,900)	-
		(9,144)	2,185
Changes in:			
(Increase)/decrease in amounts due from parent company		(24)	11
Increase/(decrease) in unbilled project costs		(74,664)	122,623
(Increase)/decrease in accounts receivable and prepayments		(100,926)	172,639
Increase/(decrease) in accounts payable and accruals		125,839	(114,377)
Increase/(decrease) in advance project billings		58,050	(19,729)
Decrease in project advances		(79,609)	(331,260)
		(80,478)	(167,909)
Taxes paid		(64)	(55)
Net cash flows used in operating activities		(80,542)	(167,964)
Cash flows from investing activities			
Purchase of property, plant and equipment		(408)	(132)
Proceeds from sale of plant, property and equipment		-	3
Interest on investments		61	(23)
Proceeds from redemption of available-for-sale investment		953	953
Net cash from investing activities		606	801
Cash flows from financing activities			
Repayment of borrowings		-	(4,792)
Net cash used in financing activities		-	(4,792)
Net decrease in cash and cash equivalents		(79,936)	(171,955)
Cash and cash equivalents at the beginning of the year		452,963	624,918
Cash and cash equivalents at the end of the year		**373,027**	**452,963**
Cash and cash equivalents comprise			
Cash at bank and in hand	9(a)	120,939	123,076
Restricted cash	9(b)	252,088	329,887
		373,027	**452,963**

The notes on pages 8 to 47 form an integral part of these financial statements.

1. **Incorporation and principal activities**

The National Insurance Property Development Company Limited ('NIPDEC' or the 'Company') is incorporated in the Republic of Trinidad and Tobago and is a wholly owned subsidiary of the National Insurance Board of Trinidad and Tobago ('NIBTT') which was incorporated under Act No. 35 of 1971 (The National Insurance Act). 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 the Republic 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 GORTT.

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 May xx, 2018.

2. Application of new and revised International Financial Reporting Standards ('IFRS')

2.1 Amendments to IFRS and new interpretations that are mandatorily effective for the current year

In the current year, the Company applied a number of amendments to IFRS and new interpretations issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after July 1, 2016.

- **Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations***

  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other Standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

  A joint operator is also required to disclose the relevant information required by IFRS 3 and other Standards for business combinations.

  The application of these amendments had no material impact on the disclosures or the amounts recognised in the Company's financial statements.

- **Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances;

  a) when the intangible asset is expensed as a measure of revenue; or

  b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

  The application of these amendments had no material impact on the disclosures or the amounts recognised in the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

2.1 **Amendments to IFRS and new interpretations that are mandatorily effective for the current year (continued)**

- **Amendments to IAS 27: *Equity Method in Separate Financial Statements***

  Amendments were made to IAS 27 *Separate Financial Statements* to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. Consequently, an entity is permitted to account for these investments either:

  (i) at cost; or

  (ii) in accordance with IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement*); or

  (iii) using the equity method.

  This is an accounting policy choice for each category of investment.

  The application of these amendments has no material impact on the disclosures or the amounts recognised in the Company's financial statements.

- ***Annual Improvements 2012 – 2014***

  The *Annual Improvements to IFRS 2012-2014* include a number of amendments to various IFRS, which are summarised below.

  IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*— Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held-for-sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

  IFRS 7 *Financial Instruments: Disclosures*— Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

  IAS 19 *Employee Benefits (1998)*— Clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

  IAS 34 *Interim Financial Reporting*— Clarifies the meaning of 'elsewhere in the interim report' and require a cross-reference.

  The application of these amendments has no material impact on the disclosures or the amounts recognised in the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

2.1 **Amendments to IFRS and new interpretations that are mandatorily effective for the current year (continued)**

- **Amendments to IAS 1 *Disclosure Initiative***

  Amendments were made to IAS 1 *Presentation of Financial Statements* to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

  a) clarification that information should not be obscured by aggregating or by providing immaterial information. Materiality considerations apply to all parts of the financial statements, and even when a Standard requires a specific disclosure, materiality considerations do apply;

  b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate a single line items based on whether or not it will subsequently be reclassified to profit or loss;

  c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

  The Company reviewed the amendments to IAS 1 and made changes to the presentation of project costs and project advances in the statement of financial position and disclosures.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception.***

  Amendments were made to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures (2011)* to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

  a) The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
  b) A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
  c) When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
  d) An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

  The application of these amendments had no material impact on the disclosures or the amounts recognised in the Company's financial statements.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

2. Application of new and revised International Financial Reporting Standards ('IFRS') (continued)

2.2 New and revised IFRS in issue but not yet effective

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

• IFRS 9	Financial Instruments[2]
• IFRS 15	Revenue from Contracts with Customers[2]
• IFRS 16	Leases[3]
• Amendments to IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[4]
• Amendments to IFRS	Annual Improvements to IFRS 2014-2016 Cycle[2]
• Amendments to IAS 7	Disclosure Initiative[1]
• Amendments to IAS 40	Transfers of Investment Property[2]
• IFRIC 22	Foreign Currency Transactions and Advance Consideration[2]

[1] Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.
[4] Effective date deferred indefinitely.

2. **Application of new and revised International Financial Reporting Standards (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

- **IFRS 9 *Financial Instruments***

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of this IFRS was issued in July 2014 mainly to include: a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected loss model, as opposed to an incurred loss model under IAS 39. The expected loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. **Application of new and revised International Financial Reporting Standards (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

- **IFRS 9 *Financial Instruments* (continued)**

  - the new general hedge accounting requirements retain three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  The management of the Company anticipates that the application of IFRS 9 in the future may have a material impact on the amounts reported in respect of the Company's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

- **IFRS 15 *Revenue from Contracts with Customers***

  In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

  The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Guidance that is far more prescriptive has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2. **Application of new and revised International Financial Reporting Standards (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

- **IFRS 15 *Revenue from Contracts with Customers (continued)***

  The management of the Company anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. Management will choose to apply the Standard using a modified transition approach, which is to apply the Standard retrospectively only to contracts that are not completed contracts as at July 1, 2017.

- **IFRS 16 *Leases***

  IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The Standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

  IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. The management of the Company anticipates that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Company performs a detailed review.

- **Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

  Amendments were made to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

  a) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*).

  b) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

  These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

  The management of the Company does not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

- **Annual Improvements *2014 – 2016 Cycle***

  The *Annual Improvements to IFRS 2014-2016* include a number of amendments to various IFRS, which are summarised below.

  IAS 28 *Investments in Associates and Joint Ventures* — The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures 'at fair value through profit or loss'(FVTPL), is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

  The management of the Company does not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

- **Amendment to IAS 7 *Disclosure Initiative***

  Amendments were made to IAS 7 *Statement of Cash Flows* to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

  The IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary):

  a) changes from financing cash flows
  b) changes arising from obtaining or losing control of subsidiaries or other businesses
  c) the effect of changes in foreign exchange rates;
  d) changes in fair values; and
  e) other changes.

  The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

  The management of the Company does not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

- **Amendment to IAS 40 *Transfers of Investment Property***

  The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

  The management of the Company does not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

2. Application of new and revised International Financial Reporting Standards (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

- **IFRIC 22** ***Foreign Currency Transaction and Advance Consideration***

  IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, liability, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability.

  The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

  The management of the Company does not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

3. **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 the historical cost basis, except for the measurement at fair value of available-for-sale investments, investment properties and the revaluation of land and buildings.

c) **Functional and presentation currency**

These financial statements are presented in Trinidad and Tobago dollars, which represent NIPDEC's functional and presentation currency.

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 4(b)	Investment properties
Accounting policy 4(c)*(i)*	Property, plant and equipment *(owned assets)*
Accounting policy 4(h)	Accounts receivable
Accounting policy 4(k)	Provisions
Accounting policy 4(l)	Revenue recognition

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 pension benefit asset

4. **Summary of significant accounting policies**

a) **Foreign currency**

In preparation of the financial statements, foreign currency transactions 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 items denominated in foreign currencies are recognised in profit or loss of the financial year in which they arise. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognised in profit or loss in the financial year in which they arise except for:

i. Exchange differences on foreign currency borrowings relating to assets under construction for future productive use which are included in the cost of those assets when they are regarded as an adjustment to interest cost on those foreign currency borrowings.

b) **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 gain or losses therein recognised in the statement of profit or loss. Fair values are based on market values.

In order to determine fair values, independent valuators perform assessments every three years. In addition, management performs an assessment of fair value with sufficient regularity to ensure that market values do not differ materially from carrying amounts and when deemed appropriate performs its own assessment of fair value or requests an additional independent valuation.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in the statement of profit or loss in the financial year in which the property is derecognised.

4. **Summary of significant accounting policies (continued)**

c) **Property, plant and equipment**

(i) *Owned assets*

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see accounting policy (d)) except for freehold land and buildings which are stated at revalued amounts being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. The cost and accumulated depreciation accounts are restated proportionately with every revaluation.

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.

(ii) *Depreciation*

Freehold 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 properties	2%
Fixtures and fittings and plant and machinery	12 ½%
Furniture and office equipment	10%
Computer equipment and computer software	33 ⅓%
Motor vehicles	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*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. **Summary of significant accounting policies (continued)**

d) **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.

e) **Defined pension benefit asset**

(i) Retirement benefit costs and termination benefits

NIPDEC operates a defined pension benefit plan which covers all permanent employees. The cost of providing benefits is determined by using the projected unit credit method with actuarial valuations being carried out at the end of each annual reporting period. In accordance with IAS 19 *Employee Benefits*, remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on the plan assets(excluding interest) are reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service cost is recognised in profit or loss in the year of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

a) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
b) net interest expense or income; and
c) remeasurement.

4. **Summary of significant accounting policies (continued)**

e) **Defined pension benefit asset (continued)**

(ii) Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages, salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service. Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash flows expected to be made by the Company in respect of services provided by employees up to the reporting date.

(iii) Contributions from employees or third parties to defined benefit plan

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service as follows:

a) If the contributions are not linked to services they are reflected in the remeasurement of the net defined benefit liability(asset).

b) If contributions are linked to service, they reduce service costs.

f) **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 assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments. Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial asset or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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 judgements applied here affect the derived fair value of the instruments.

Financial instruments carried in NIPDEC's statement of financial position include, cash at bank and in hand, restricted cash, available-for-sale investments, accounts receivable, amounts due from parent company and accounts payable.

4. **Summary of significant accounting policies (continued)**

f) **Financial instruments (continued)**

(i) Financial assets

Financial assets are classified into the following specified categories:

a) financial assets 'at fair value through profit or loss'(FVTPL);
b) 'held-to-maturity' investments;
c) 'available-for-sale' (AFS)
d) 'loans and receivables'

The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. All 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.

a) **Financial assets at FVTPL**

A financial asset is classified as at FVTPL 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. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The Company does not hold any financial assets at FVTPL.

b) **Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method less any impairment. The Company does not currently hold any held-to maturity financial assets.

c) **Available-for-sale financial assets**

AFS financial assets are non-derivative 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 profit or loss and other comprehensive (loss)/ income.

d) **Loans and receivables**

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

4. **Summary of significant accounting policies (continued)**

f) **Financial instruments (continued)**

(i) Financial assets (continued)

d) **Loans and receivables (continued)**

Effective interest method

The effective interest method is a method of calculating the amortised cost of debt instrument and of allocating interest income over the relevant period. Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed by the Company for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For the Company's AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to the profit or loss in the period.

The Company's trade receivables are assessed for impairment on a collective and individual basis. Objective evidence of impairment for the Company's portfolio of receivables include the past experience of collecting payments and the history of customer defaults by customer segment.

Derecognition of financial assets

NIPDEC derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and subsequently all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in the other comprehensive income and accumulated equity is recognised in profit or loss.

(ii) Financial liabilities and equity instruments

Financial liabilities are classified as either financial liabilities at FVTPL or 'other financial liabilities'. For the Company, financial liabilities are classified as a FVTPL when the financial liability is held for trading in the short term or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. The Company has utilised borrowing facilities to support its business operations up to June 30, 2015. There were no borrowings as of June 30, 2017.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

4. **Summary of significant accounting policies (continued)**

f) **Financial instruments (continued)**

(ii) Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities when the obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

g) **Cash and cash equivalents**

Cash and cash equivalents comprise (i) cash and short-term deposits and (ii) restricted cash. Cash and short-term deposits are short-term liquid investments with balances that are readily convertible into known amounts of cash without notice.

Restricted cash represent monies received by the Company to be utilised specifically for completion of several projects on behalf of the GORTT. The amount of restricted cash is sourced from debt instruments (bonds) and monies received directly from administrative offices of the GORTT.

h) **Accounts receivable and prepayments**

Accounts receivable include amounts billed for work performed but not yet paid by the customer for projects, the Ministry of Health under the Pharmaceutical business division and other direct reimbursable expenditure. Receivables are recognised initially at fair value and subsequently measured at amortised cost, less an allowance for impairment. An allowance 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 allowance is recognised in profit or loss.

i) **Unbilled project costs, advance project billings 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 progress billings from contractors to NIPDEC for various projects are accumulated in the books of account as project costs. These costs are eventually transferred to the respective clients via NIPDEC billings and recorded as accounts receivable. Contract costs incurred to date that are not transferred to accounts receivable are classified in the statement of financial position as 'unbilled project costs'. NIPDEC billings for contractor costs not incurred to date are classified in the statement of financial position as 'advance project billings'.

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'.

j) **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.

4. **Summary of significant accounting policies (continued)**

k) **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.

l) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable in exchange for rendering of services by the Company. Revenues earned by NIPDEC are recognised on the following bases:

Project management fees and construction management fees

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. These fees are recognised in income based on 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.

Lease income

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on NIPDEC's net investment outstanding in respect of the leases. The interest income on leased assets is taken into income under the amortisation method.

Rental income

Rental income from operating leases is recognised under property management and sales on a straight-line basis over the term of the relevant lease. The Company as a lessor, provides warehouse rental space and car park space at multi-storey facilities in the form of operating leases.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount on initial recognition.

Other income

This is recognised on an accrual basis unless collectability is doubtful.

m) **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.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

4. **Summary of significant accounting policies (continued)**

n) **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. Related parties could be companies or individuals. In the ordinary course of its business, NIPDEC enters into transactions concerning the exchange of goods, provision of services and financing with the NIBTT.

5. **Investment properties**

	2017 $'000	2016 $'000
Leasehold land and buildings		
1500 sq. ft. land at 47, St. Vincent Street, Port of Spain	4,000	3,600
Chaguaramas warehouse	10,000	7,500
	14,000	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	12,000	12,000
	19,000	19,000
Land held for development		
Toco	1,300	1,300
Total	**34,300**	**31,400**
Opening balance at July 1	31,400	31,400
Increase in value	2,900	-
Closing balance at June 30	**34,300**	**31,400**

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 knowledgeable, willing buyers, and knowledgeable, willing sellers 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 March 8, 2017.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

6. **Property, plant and equipment**

	Freehold property at revalued amount $'000	Fixtures & fittings at cost $'000	Office and Computer equipment at cost $'000	Computer software at cost $'000	Motor vehicles at cost $'000	Plant & machinery at cost $'000	Total $'000
Year ended June 30, 2017							
Opening balance net book amount	16,293	703	394	64	20	606	18,080
Revaluation	132	-	-	-	-	-	132
Additions	-	213	97	98	-	-	408
Depreciation charge	(157)	(182)	(175)	(23)	(20)	(151)	(708)
Depreciation adjustment	180	-	-	-	-	-	180
Closing balance net book amount	16,448	734	316	139	-	455	18,092
Cost or valuation	16,958	5,300	11,778	620	3,445	3,332	41,433
Accumulated depreciation	(510)	(4,566)	(11,462)	(481)	(3,445)	(2,877)	(23,341)
Net book amount	16,448	734	316	139	-	455	18,092
Year ended June 30, 2016							
Opening balance net book amount	16,629	753	605	146	106	758	18,997
Additions	-	118	14	-	-	-	132
Disposal	-	-	(3)	-		-	(3)
Depreciation on disposal	-	-	1	-	-	-	1
Depreciation charge	(336)	(168)	(223)	(82)	(86)	(152)	(1,047)
Closing balance net book amount	16,293	703	394	64	20	606	18,080
Cost or valuation	16,819	5,087	11,681	522	3,445	3,332	40,885
Accumulated depreciation	(526)	(4,384)	(11,287)	(458)	(3,425)	(2,726)	(22,805)
Net book amount	16,293	703	394	64	20	606	18,080

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 March 8, 2017. The next valuation is due in March 2020.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

7. **Defined pension benefit asset**

	2017 $'000	2016 $'000
a) **Net liability in statement of financial position**		
Present value of defined benefit obligation	49,880	49,297
Fair value of plan asset	(74,478)	(72,334)
Net defined benefit asset	**(24,598)**	**(23,037)**
b) **Movement in present value of defined benefit obligation**		
Defined benefit obligation at start of year	49,297	48,456
Current service cost	1,909	2,100
Interest cost	2,649	2,383
Members' contributions	442	278
Past service cost	-	68
Re-measurements:		
- Experience adjustments	(2,105)	1,164
- Actuarial changes in financial assumptions	-	(3,552)
Benefits paid	(2,312)	(1,600)
Defined benefit obligation at end of year	**49,880**	**49,297**
c) **The defined benefit obligation is allocated between the Plan's members as follows:**		
Active members	57%	57%
Deferred members	10%	9%
Pensioners	33%	34%
The weighted average duration of the defined benefit obligation at the year end	13.9	14.4

97% of the value of the benefits for active members is vested.

30% of the deferred benefit obligation for active members is conditional on future salary increases.

	2017	2016
d) **Movement in fair value of plan assets**		
Fair value of plan assets at start of year	72,334	76,117
Interest income	3,937	3,778
Return on plan assets excluding interest income	(283)	(6,439)
Company contributions	442	278
Members' contributions	442	278
Benefits paid	(2,312)	(1,600)
Administrative expense allowance	(82)	(78)
Fair value of plan assets at end of year	**74,478**	**72,334**
Actual return on plan assets	**3,654**	**(2,661)**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

7. **Defined pension benefit asset (continued)**

	2017 $'000	2016 $'000
e) **Asset allocation**		
Locally listed equities	24,743	23,659
Overseas equities	4,732	3,861
Government issued nominal bonds	18,908	15,292
Corporate bonds	21,971	25,598
Money market mutual funds	1,196	2,059
Cash and cash equivalents	2,928	2,202
Other	-	(337)
Fair value of plan assets at end of year	**74,478**	**72,334**

The asset values as at June 30, 2017 were provided by the plan's Investment Manager (First Citizens Asset Management Limited). Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Investment Manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the plan's Government bonds were issued by the GORTT, which also guarantees many of the corporate bonds held by the Plan.

The Plan's assets are invested in a strategy agreed with the Plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad and Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the Plan.

f) **Amounts recognised in the statement of profit or loss are as follows:**

	2017	2016
Current service cost	1,909	2,100
Net interest on net defined benefit liability	(1,288)	(1,395)
Past service cost	-	68
Administrative expense allowance	82	78
Net pension cost	**703**	**851**

g) **Re-measurement recognised in other comprehensive income:**

	2017	2016
Experience gains, being net pension cost	(1.822)	4,051

h) **Reconciliation of opening and closing entries in statement of financial position**

	2017	2016
Opening defined benefit asset at prior year	(23,037)	(27,661)
Net pension cost	703	851
Re-measurement recognised in other comprehensive income	(1,822)	4,051
Contributions paid	(442)	(278)
Closing defined benefit asset	**(24,598)**	**(23,037)**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

7. **Defined pension benefit asset (continued)**

	2017	2016
	$'000	$'000
i) Summary of principal assumptions as at June 30		
Discount rate	5.50%	5.50%
Average individual salary increase	4.75%	4.75%
Future pension increases	0.00%	0.00%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at June 30, 2017 are as follows:

	2017	2016
Life expectancy at age 60 for current pensioner in years		
- Male	21.0	21.0
- Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years		
- Male	21.4	21.4
- Female	25.4	25.4

j) **Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at June 30, 2017 would have changed as a result of a change in the assumptions used.

	1% p.a. lower $'000	1% p.a. higher $'000
- Discount rate	7,320	(5,936)
- Future salary increases	(2,162)	2,424

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at June 30, 2017 by $0.667 million (2016: $0.638 million).

These sensitivities were calculated by re-calculating the defined benefit obligations using the revised assumptions.

k) **Funding**

The Company meets the balance of the cost of funding the defined benefit pension plan and the Company must pay contributions at least equal to those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Company expects to pay $0.408 million (2016: $0.351 million) to the Pension Plan during 2017/18. However, this amount could change if outstanding pay negotiations are completed during the year.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

8. **Available-for-sale investments**

	2017 $'000	2016 $'000
Balance at beginning of the year	13,561	14,476
Interest (lost)/earned on mutual funds	(61)	23
Net change in fair value of available-for-sale investment	445	15
Less redemption of CLICO zero coupon bond during the year	(953)	(953)
Balance at the end of the year	**12,992**	**13,561**

Net change in fair value of available-for-sale investments

Balance at beginning of the year	720	705
Net change in fair value of available-for-sale investment	445	15
Balance at the end of the year	**1,165**	**720**

9. **Cash and cash equivalents**

a) **Cash at bank and in hand**

	2017 $'000	2016 $'000
Cash at bank	120,906	123,037
Cash in hand	33	39
	120,939	**123,076**

b) **Restricted cash**

Restricted cash refers to monies raised either by NIPDEC's financing activities (bonds) or given to the Company directly through the Government's Programme for Upgrade of Road Efficiency(PURE) to be used specifically to fund the execution of various projects. The use of these funds are usually specified by contract, Cabinet note or memorandum of understanding where NIPDEC has a right of use of the cash by such projects. It also includes disbursements received from the Ministry of Health for the current and non-current expenditure of the C-40 pharmaceutical operations.

The amount of restricted cash is $252.088 million (2016: $329.887 million).

	2017 $'000	2016 $'000
Ministry of Education	3,357	3,357
Ministry of Health	23,473	103,996
Ministry of Works and Transport	225,258	222,534
	252,088	**329,887**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

10. Accounts receivable and prepayments

	2017 $'000	2016 $'000
Trade debtors:		
- Projects and others	156,054	162,665
- Ministry of Health	153,374	72,894
Direct recoverable expenditure – Ministry of Health:		
- Pharmaceuticals and other related programmes	26,075	6,170
	335,503	241,729
Less allowance for doubtful debts	(31,223)	(24,050)
Net trade debtors and direct recoverable expenditure	304,280	217,679
Prepayments and other sundry receivables	27,175	12,850
	331,455	**230,529**

The Company carried out a review of the credit quality of the receivables that are past due beyond 90 days which can be considered irrecoverable. These amounts are non-interest bearing. Trade receivables disclosed above include amounts that are past due at the end of the reporting period for which the Company has recognised an allowance for doubtful debts because of the significant change in credit quality.

	2017 $'000	2016 $'000
Age of receivables that are past due but not impaired		
31-60 days	39,903	11,773
61-90 days	9,410	3,920
Over 90 days	75,824	98,711
Total	**125,137**	**114,404**
Movement in the allowance for doubtful debts		
Balance at the beginning of the year	24,050	20,733
Impairment losses recognised on receivables	7,173	3,317
Balance at the end of the year	**31,223**	**24,050**
Age of impaired trade receivables		
Over 90 days	**31,223**	**24,050**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

11. Unbilled project costs

	2017 $'000	2016 $'000
Judiciary of Trinidad & Tobago	1,171	988
Ministry of Community Development, Culture and the Arts	588	588
Ministry of Agriculture, Land and Fisheries	1,840	929
Ministry of Education	2,528	2,705
Ministry of Health	31,352	12,831
Ministry of National Security	1,580	2,656
Ministry of Public Administration and Communications	474	537
Ministry of Rural Development	1	-
Ministry of Social Development and Family Services	39	39
Ministry of Sport and Youth Affairs	26	26
Ministry of the Attorney General and Legal Affairs	55	55
Ministry of Works and Transport	171,614	113,149
Office of the Prime Minister	3,951	4,966
The National Insurance Board of Trinidad and Tobago	2	1,088
	215,221	**140,557**

12. Share capital

Authorised

Unlimited number of ordinary shares of no par value

Issued and fully paid

	2017 $'000	2016 $'000
25,000 ordinary shares of no par value	**25,000**	**25,000**

13. Revaluation reserve

The revaluation reserve comprises the revaluation surplus on freehold property. The amount of the reserve is $13 million (2016: $13.132 million).

14. 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. The amount of the reserve is $1,165 (2016: $720).

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

15. Accounts payable and accruals

	2017 $'000	2016 $'000
Trade payables:		
- Projects and other	463,742	358,540
- Due to pharmaceutical suppliers	14,757	20,508
	478,666	379,048
Accrued expenses and other payables	59,024	32,636
	537,523	**411,684**

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 – Pharmaceutical 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 medical suppliers, and records the liability due to them. The accumulated amounts are billed to the Ministry of Health and payments are made to the suppliers upon receipt of funds. Amounts due from the Ministry of Health have been included in accounts receivable.

16. Advance project billings

	2017 $'000	2016 $'000
Agricultural Development Bank	8	-
Cipriani College of Labour	129	-
Judiciary of Trinidad & Tobago	134	2,140
Ministry of National Security	685	-
Ministry of Agriculture, Land and Fisheries	1355	1,023
Ministry of Education	8,058	138
Ministry of Health	515	577
Ministry of National Security	7,123	6,701
Ministry of Public Administration and Communications	366	366
Ministry of the Attorney General and Legal Affairs	1,243	1,880
Ministry of Works and Transport	66,416	31,246
Office of the Prime Minister	37,057	22,096
The National Insurance Board of Trinidad and Tobago	56	-
Trinidad & Tobago Police Service	1,072	-
	124,217	**66,167**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

17. **Project advances**

	2017 $'000	2016 $'000
Ministry of Works and Transport	**66,928**	**146,537**

18. **Project and construction management fees are represented by:**

	2017 $'000	2016 $'000
Project management fees	4,721	22,130
Construction management fees	1,829	5,157
Procurement fees	2,097	-
	8,647	**27,287**

19. **Property management and sales**

	2017 $'000	2016 $'000
Car park rentals	5,968	5,038
Non-project management fees	1,875	357
Real estate services income	199	184
Warehouse rental	3,419	3,413
	11,461	**8,992**

20. **Interest income from leases**

During the year ended June 30, 2016 an amount of $nil (2016: $181) was recognised as rental income as part of interest income from leases in the statement of profit or loss. The term of the Build Own Lease Transfer (BOLT) agreement with the Government of St Lucia - Ministry of Infrastructure, Ports, Energy and Labour ended 28 February 2016, hence there was no recognition of rental income in 2017.

21. **Other interest income**

Other interest income represents income earned from our portfolio of investments:

	2017 $'000	2016 $'000
Interest earned on bank accounts and deposit accounts	**1,090**	**1,098**

22. **Other income is represented by:**

	2017 $'000	2016 $'000
(Loss)/gain in CLICO investment fund	(61)	23
Project balance for which project has either ended or is discontinued	1,320	-
Unidentifiable refundable deposits	-	2,019
Attorney General building lease	-	4,961
Interest expense write back on First Citizens loan	-	1,122
Write back of statute barred accounts payable	8,755	-
	10,014	**8,125**

23. **Special projects and other income**

	2017 $000	2016 $000
Registration and tenders	1,925	405
Advertising income	346	203
Correction to pharmaceutical recoverable	-	(1,494)
Interest on staff loans	1	-
	2,272	**(886)**

24. **Direct costs**

Direct cost are operating expenses that can be associated directly with the provision of our core services.

	2017 $'000	2016 $'000
Car park rental	270	188
Construction management fees	317	356
Non project management fees	476	440
Procurement fees	79	298
Project management	1,084	2,339
Real estate services	4	9
Warehouse rental	129	30
	2,359	**3,660**

25. **Staff costs**

	2017 $'000	2016 $'000
Payroll costs	**28,368**	**34,057**

26. Finance costs

	2017 $'000	2016 $'000
Gain on foreign currency exchange	(325)	(1,241)
Other	76	94
	(249)	**(1,147)**

27. Administration expenses

	2017 $'000	2016 $'000
Advertising and promotions	393	(22)
Public relations and donations	7	16
Professional and legal fees	1,020	662
Office supplies and other administration expenses	2,244	1,659
	3,664	**2,315**

28. Accommodation costs

	2017 $000	2016 $000
Repairs and maintenance	297	446
Rates and taxes	43	38
Property rent	686	642
Equipment rent	359	387
Utilities	973	1,065
Insurance	370	371
Other	-	(875)
	2,728	**2,074**

29. Vehicle expenses

	2017 $000	2016 $000
Lease cost	671	708
Running cost	175	201
	846	**909**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

30. **Related parties**

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.

The following table provides the total amount of transactions, which have been entered into with related parties as at or for the year ended June 30, 2017, and June 30, 2016.

	2017	2016
	$'000	$'000
National Insurance Board:		
Amounts due from related parties	**1,882**	**1,858**
Other transactions with related parties:		
Directors' remuneration	**515**	**442**
Key management remuneration:		
Short-term benefits	6,804	5,576
Long-term benefits	68	39
	6,872	**5,615**

31. 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Trade receivables consist of mainly public sector entities of the GORTT with an amount of $334.3 million (2016: $240.6 million). The largest customer of this segment is the Ministry of Health with an amount of $197.7 million (2016: $102.9 million). As a result of the concentration of credit risk with the GORTT, management has made the assessment that NIPDEC's exposure is considered medium due to the fact that public sector entities as a collective group take longer to pay than any single counterparty in the private sector.

Management of credit risk

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 created specific allowances for the receivables based on information they have that shows that the receivable balance is uncollectable.

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 of a 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.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

31. **Financial risk management (continued)**

ii) **Liquidity risk (continued)**

The following table details the Company's expected maturity for its non-derivative financial assets against the contractual maturities of financial liabilities, including interest payments:

	Carrying amount	Contractual cash flows	0-12 Months	1-5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
2017					
Assets					
Interest bearing:					
- Cash	120,939	120,939	120,939	-	-
- Restricted cash	252,088	252,088	252,088	-	-
Non-interest bearing:					
- Accounts receivable (Note 10)	304,280	304,280	304,280	-	-
- Amounts due from parent company	1,882	1,882	1,882	-	-
- Available-for-sale investments	12,992	12,992	9,515	3,477	-
	692,181	692,181	688,704	3,477	-
Liabilities					
Accounts payable and accruals	537,523	537,523	537,523	-	-
Net	**154,658**	**154,658**	**151,181**	**3,477**	**-**

	Carrying amount	Contractual cash flows	0-12 months	1-5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
2016					
Assets					
Interest bearing:					
- Cash	123,076	123,076	123,076	-	-
- Restricted cash	329,887	329,887	329,887	-	-
Non-interest bearing:					
- Accounts receivable (Note 10)	217,679	217,679	217,679	-	-
- Amounts due from parent company	1,858	1,858	1,858	-	-
- Available-for-sale investments	13,561	13,561	9,568	3,993	
	686,061	686,061	682,068	3,993	-
Liabilities					
Accounts payable and accruals	411,684	411,684	411,684	-	-
Net	**274,377**	**274,377**	**270,384**	**3,993**	**-**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

31. **Financial risk management (continued)**

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 denominated in currencies other than its functional currency. NIPDEC's functional currency is the Trinidad and Tobago dollar. These current assets are primarily denominated in United States ('US') and Eastern Caribbean ('EC') dollars.

As at June 30, 2017, NIPDEC had assets denominated in foreign currencies amounting to $19.9 million (2016: $14.9 million).

The following average exchange rate applied during the respective periods:

	2017 $	2016 $
US$	6.736	6.459
EC$	2.506	2.408

Sensitivity analysis:

A one percent strengthening of the TT$ 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 2017 on the basis that all other variables remain constant.

Effect in TT$	2017 $'000	2016 $'000
US$	528	(181)
EC$	(29)	775

NIPDEC mitigates against its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions as well as holding foreign currency balances.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

31. **Financial risk management (continued)**

Fair value measurement

The Company uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities that are measured at fair value on a recurring basis in the financial statements based upon the level of judgement associated with the inputs used to measure their fair value. The hierarchical levels from lowest to highest are as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived principally from or corroborated by observable market data by correlation or other means at the measurement date and for the duration of the instruments' anticipated life.

The assets generally included in this fair value hierarchy are time deposits, foreign exchange and interest rate derivatives and certain investment funds. Foreign exchange derivatives and interest rate derivatives are valued using corroborated market data. The liabilities generally included in this fair value hierarchy consist of foreign exchange derivatives and options on equity securities.

Level 3 - Inputs that are unobservable for the asset or liability for which there are no active markets to determine a price. These financial instruments are held at cost being the fair value of the consideration paid for the acquisition of the investments, and are regularly assessed for impairment.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Company is the current bid price.

The nominal value less impairment provisions of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The following table presents the Company's financial assets and liabilities that are measured at fair value at June 30, 2017:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Trade receivables (Note 10)	-	-	304,280	304,280
Available - for - sale investments:				
- Equity securities	8,568	-	-	8,568
- Debt securities	4,424	-	-	4,424
	12,992	**-**	**304,280**	**317,272**
Financial liabilities				
Trade payables (Note 15)	**-**	**-**	**478,666**	**478,666**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

31. **Financial risk management (continued)**

Fair value measurement (continued)

The following table presents the Company's financial assets and liabilities that are measured at fair value at 30 June 2016:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Trade receivables (Note 10)	-	-	217,679	217,679
Available - for - sale investments:				
- Equity securities	8,629	-	-	8,629
- Debt securities	4,932	-	-	4,932
	13,561	**-**	**217,679**	**231,240**
Financial liabilities				
Trade payables (Note 15)	-	-	**379,048**	**379,048**
	-	**-**	**379,048**	**379,048**

There were no transfers between the levels for the years ended June 30, 2017 and 2016.

32. **Capital management**

It is NIPDEC's objective when managing capital to maintain a strong base to sustain future development of the business in order to increase shareholder value for its shareholder and benefits for other stakeholders. The Board of Directors monitors the return on capital, which NIPDEC defines as equity. The Company monitors capital on the basis of the gearing ratio which is calculated as debt-to-equity. Total debt consist of total liabilities offset by 'unbilled project costs' (Note 11). Equity of the Company consists of issued capital, reserves and retained earnings.

The gearing ratio at the end of the reporting period was as follows:

	2017 $'000	2016 $'000
Total liabilities	728,668	624,388
Less: Unbilled project costs(Note 11)	(215,221)	(140,557)
Net debt	**513,447**	**483,831**
Total equity	**282,899**	**287,597**
Debt-to-equity	**1.81**	**1.68**

33. **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 recognised professional qualifications and recent experience in the location and category of property being valued, values the Board's investment property portfolio every 3 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) ***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.

34. **Commitments**

a) **Capital commitments**

There were no commitments for capital expenditure approved or contracted as at June 30, 2017 (2016: 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.

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

35. Agency arrangements

NIPDEC holds several fixed rate bonds and one fixed rate step-up bond that are not recorded in the financial statements. 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 2017 to 2032.

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:

a. 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;

b. The Trust Deeds provide for limited recourse against NIPDEC.

c. 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 $4.4 billion at June 30, 2017 (2016: $4.5 billion). An analysis of the borrowings is as follows:

Bonds

Trustee	Rate	Tenor	2017 $'000	2016 $'000
RBTT Trust Limited	8.75%	October 2006-2018	35,782	59,636
	6.80%	July 2009-2022	682,000	682,000
Trinidad and Tobago Unit Trust Corporation	7.00%	October 2005-2017	8,333	25,000
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%	October 2011-2026	500,000	500,000
	5.15%	July 2012-2025	339,000	339,000
	6.25%	October 2012-2032	250,000	250,000
	4.00%	October 2013-October 2029	1,000,000	1,000,000
			4,425,115	**4,465,636**

(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)

36. **Contingent liabilities**

As at June 30, 2017, NIPDEC was subject to several legal claims and actions. After taking legal advice as to the likelihood of success of the claims and actions, where appropriate, provisions were established 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 government ministries. For these matters, the claims, judgements and legal costs are fully reimbursed by the client ministries.

Since 2004, NIPDEC has been involved in the Arbitration matter on the Scarborough Hospital with NH International (Caribbean) Limited (NHIC) before the International Court of Arbitration. NIPDEC, based on the instructions from the Ministry of Health and the Attorney General's office, has agreed to pay the Partial Final Award and Legal Costs on remitted matters. This resulted in a final account balance of TT$7,609,337.01 and TT$ 16,876,186.44 respectively due and owing to NHIC, the Claimant in the Arbitration. A full provision has been made in the accounts and subsequent to year end the two amounts were paid in full on October 2, 2017 and February 6, 2018 respectively.

37. **Events after the reporting date**

No significant events occurred after the reporting date which would affect the financial performance, position or changes therein for the reporting period presented in these annual financial statements.

38. **Prior period adjustment**

Upon review of the Retention Payable for the Scarborough Hospital project, it was identified that a balance of $10,493,217.80 was erroneously stated as outstanding in the sub-ledger for China Railway Construction (Caribbean) Company Limited. It was confirmed that the amount was fully paid in 2010. The correction of the error was accounted for retrospectively and the comparative information for 2016 and 2015 has been restated. The adjustment did not have an impact on equity.

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

	2016		2015	
	As previously stated $'000	As restated $'000	As previously stated $'000	As restated $'000
Unbilled project costs	151,051	140,557	263,180	263,180
Total assets	**151,051**	**140,557**	**263,180**	**263,180**
Accounts payable and accruals	422,178	411,684	536,556	526,061
Project advances less project cost incurred	212,704	-	553,198	-
Advance project billing	-	66,167	-	85,896
Project advances	-	146,537	-	477,797
Total liabilities	**634,882**	**624,388**	**1,089,754**	**1,089,754**