2019 ANNUAL REPORT

NIPDEC

A PARTNER IN DEVELOPMENT

MISSION

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

VISION

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

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Core Values

Mutual Respect

We value and respect each other as persons as well as members of the 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.

Transparency

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

Loyalty

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

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

Valerie Kelsick
Chairman

On behalf of the Board of Directors, it gives me great pleasure to present to our shareholder, employees, partners and customers our 2019 Annual Report.

Our company earned an encouraging $24.9 million in comprehensive income on revenue of $27.2 million in 2019. Our financial results reflected improved underlying performance from our procurement, car park and warehouse business operations. Project and construction management activities started very slowly at the beginning of the year; however, we experienced some improvements having received potential new business to take into 2020. Through our continuous efforts to manage our cost, we maintained our overheads within prior year expenditure, with finance cost the only line item recording a material change.

Board Support For Strategy

During the year, our General Manager Mr. Terrance James, along with his leadership team, facilitated the independent review of our operations and prospects. As an organization we are committed to leveraging our strengths across the multiple service areas we operate and have the cash reserves available to make direct investments in growth opportunities for the company.

Board and Governance

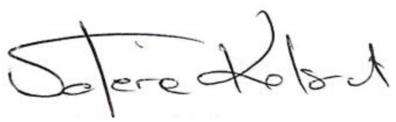
The Board took cognizance and welcomed the significant strides made this year by the Office of the Procurement Regulation in preparation of the full proclamation of the Public Procurement and Disposal of Public Property Act, 2015. NIPDEC welcomes the progress as we recognise the importance of transparency and good governance in procurement of goods and services in the public sphere and the role we play. We have invested in training of our people to ensure relevant qualifications and capabilities of upholding the principles established by the legislation. We are confident that as a company with a significant procurement portfolio we will be prepared to meet the challenges of the new legislation. NIPDEC in the area of procurement will be best in class.

A Renewed Focus

We believe our focus on customer responsiveness will give us the competitive advantage to strengthen our market position and hence stabilize the company in the long term. The Management of NIPDEC continues moving in the right direction, streamlining the company's operations; focusing on things the company does well; marketing leading services in certain vital areas of the construction and pharmaceuticals industries and in the procurement and security sectors, both to and on behalf of our clients and shareholders. A key performance measure for the company is to ensure that best value and returns accrue both to the country and to our shareholders. Value creation for shareholders will be demonstrated from investments in cash generating assets that will contribute, in the medium term, healthy returns to the fund.

Thank You

I would like to thank the Board and all our colleagues for their steadfast commitment during the year. I am confident that with steady hands at the steer, the upward trajectory of the company will continue far into the future.



Valerie Kelsick
Chairman

General Manager's Report

Jabari Cozier
General Manager (Ag.)

As we look back on the last twelve (12) months – a period of significant economic change – it is quite pleasing to write what we have accomplished not only in terms of financial performance but our commitment to business excellence, development and relationships.

2019 was another year of low and undulating economic activity, hence our modus operandi this year was geared towards activities in the value chain that will improve shareholder value over the long term. In last year's letter we emphasized how important relationship management with our stakeholders was for future growth and prosperity.

Our focus on reinvigorating the relationship with the Tobago institutional clients has cultivated once again potential business opportunities for the company to take advantage of going into the new financial year of 2020. New construction projects awarded by the Ministry of Works and Transport and the Ministry of Planning and Development worth two hundred (200) million is a direct result of our ability to extend and solidify business relationships with new and existing clients. Additionally, we engaged with the Regional City Corporations across Trinidad in developing car park solutions that will alleviate traffic congestion and have a profound effect on productivity.

Our attention on business excellence targeted investment in the information technology infrastructure. We upgraded our back-end server hardware and software which will increase productivity and reliability with new layers of security and cloud ready applications. This allowed us to commence the first phase of upgrading our Human Resource Information System software for improved organizational development. Our relaunched company website gives our stakeholders better quality and visibility of our service offerings and will soon be a platform for functional e-tendering in 2020.

The Ministry of Health's drive towards serving the nation's health sector through the Chronic Disease Assistance Programme (CDAP) saw the implementation of a new dispensing technology across one and ninety-two (192) pharmacies across the nation. The e-prescribing and dispensing technology within the health care sector assisted in the efficient management of Patient Record and Administration for all eligible CDAP patients.

Financial performance in 2019 was stronger than last year as we generated a comprehensive income of $24.9 million. Growth in top line income came from our contracts with customers in procurement and car parks we manage on behalf of clients. Project and construction management revenue experienced a further decline; however, this is expected to pivot upwards in 2020 with new business. Our rental income provided the largest contributor to operating cash flow where revenue increased from $7.9 million to $9.4 million. The investment in partitioning in the Chaguaramas Warehouse will seek to attract new tenants as we continue to strengthen our market share in the western peninsula.

Our commitment to cost control once again saw consistent spending in Administration and Accommodation. Staff costs were reduced by 2% as we prepare to operate using a flexible structure driven by project activity.

As a result of the government making funds available to pay contractors outstanding liabilities, there was a write back of $34.9 million in bad debt provision that was previously provided for under the old standard IAS 39 - Financial Instruments: Recognition and Measurement.

We believe that a critical measure of our success will be the shareholder value we create over the long term. Our active efforts to re-position our current market share within the various industries we operate in will only continue to translate directly to higher revenue, greater profitability and return on invested capital.

I would like to thank the staff of NIPDEC for their continued support, confidence and commitment throughout the past twelve (12) months and look forward to working together towards our common goals in 2020 and beyond.

Jabari Cozier
General Manager (Ag.)

Management Discussion & Analysis

Performance

The company experienced in 2019 a mixed turn of results within its business units insofar that it generated a profitable return as at the end of June financial year end. The results may not have come as a surprise when you analyse the economic activity of the last fiscal year.

In its January 2019 economic bulletin, the Central Bank of Trinidad and Tobago (CBTT) indicated that the non-energy sectors in the third quarter of 2018 presented a mixed picture suggesting that overall, a durable recovery outside of the energy sector was yet to take hold (CBTT, January 2019 Economic Bulletin, 2019).

The Construction sector was estimated to have declined by 6.4% during this period. However, growth was recorded in the Real Estate and Dwellings sub-sector of the index.

Preliminary data for the second quarter of 2019 estimated a real economic activity improvement in the construction and finance sectors (CBTT, July 2019 Economic Bulletin, 2019). Non-energy Construction sector had increased by 2.9% in Q1 2019. The improvement in construction activity was reflected in the pickup of public sector projects including road and highway construction/rehabilitation (CBTT, July 2019 Economic Bulletin, 2019).

Gross public sector debt increased by 0.6% up to $119.8 billion as at the end of July 2019. Disbursements geared towards tightening the fiscal policy as well as infrastructure projects were partly the reason for the increase.

At the beginning of the financial year the company was the beneficiary of a $405 million Bond raised to provide financial support of PURE's 2018/2019 road rehabilitation projects. This provided an impetus in procurement activity which led to a significant increase in fees compared to the prior year 2018, as well as payment of outstanding contractor liabilities. Figure 1 illustrates the four-year comparison for income.

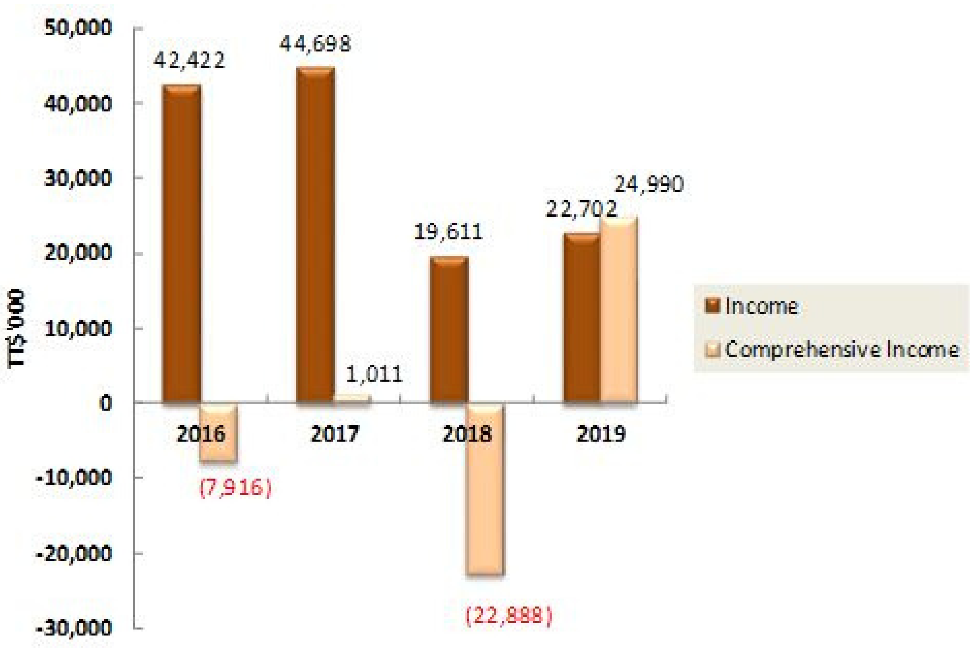


Figure 1: Four-year comparison

Revenue

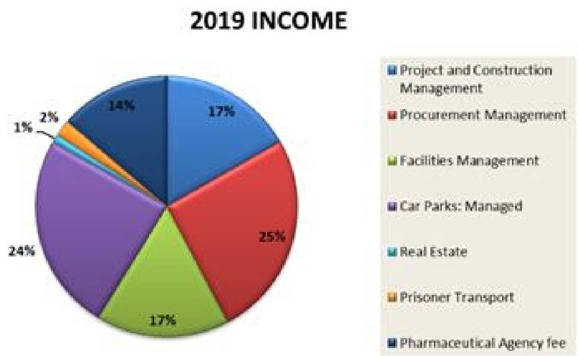
The company's financial reporting requirement was adjusted to apply the new IFRS 15 Revenue from contracts with customers for the first time in 2019. The adoption of IFRS 15 did not have a material impact on income or the company's operating, investing and cash flows. There was a change in presentation on the income statement with respect to Facilities Management. Under the new standard, the client billing of third party costs for work performed represented revenue and the cost incurred is a direct cost under Cost of Sales. For the year ended 30 June 2019 revenue and cost of sales of $1.59 million was presented in the income statement.

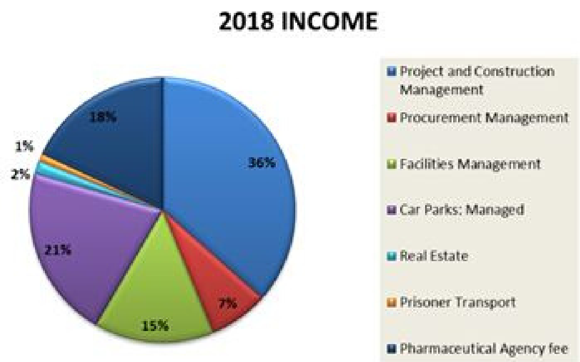
Total income for the company increased by 24.7 % from $21.8 million in 2018 to $27.2 million in 2019. The increase was mainly driven by the following:

a) a 362% or $2.9 million increase in Procurement Management from $0.804 million to $3.7 million;
b) $1.2 million or 53% increase in Car Parks: managed; and
c) $1.5 million or 19% increase in Rental Income

The increase in procurement management was the result of greater activity in road rehabilitation from the Ministry of Works and Transport's Programme for Upgrading Roads Efficiency Unit (PURE). The car parks managed included the Maracas Beach Facility Car which recorded a full twelve month (12) operating period versus four (4) in the 2018 financial year. Rental income benefitted from the additional tenants at our Chaguaramas Warehouse Facility that contributed an increment revenue of $1.2 million.

Figure 2 below shows the 2019 and 2018 comparative change in revenue contribution from the various sources of income.





Profitability

The company moved from an operating loss of $22.2 million in 2018 to generating a profit of $21.5 million at the end of June 2019. Gross income improved by $3 million as a result of growth in revenue and other income. The increase in other income mostly coming from a rise in investment property value of $3.5 million.

With the exception of finance cost and bad debts, operating expenses were kept fairly flat for the year. Salaries and wages remained consistent at $20 million as the company maintained a level headcount throughout the year. Similarly, administrative expenses and accommodation cost experienced minimal changes as office supplies and other administration expenses cost were contained. The company did investment in repairs and maintenance within the Chaguaramas warehouse in the form of a one (1) million spend in partitioning to maximize space utilisation.

Management carried out the necessary steps for the implementation of IFRS 9-Financial Instruments with respect to the application of the ECL adjustment. It was concluded that based on historical performance between the periods 2015 to 2018, the figures revealed that government paid 98% of its invoices by 365 days. Therefore, amounts outstanding that were greater than 365 days were considered default.

Under the previous requirement IAS 37 - Provisions, contingent liabilities and contingent assets, the company made provisions for government receivables that were older than 1.5 years. IFRS 9 requires companies to make provisions immediately based on default rates.

Bad debts in 2019 resulted in a reversal of the provision of $34.9 million due to the government making significant payments to its outstanding invoices. Consequently, total expenses for the company went down to just $1.2 million.

Total comprehensive income for the year was $24.9 million as other comprehensive income recorded positive movements from the company's defined pension benefit asset re-measurement of $1.3 million and a $1.4 million upward change in fair value of its investment securities.

Balance Sheet

As required by the IFRS 9, a review of the 2018 ECL position was compulsory. The transition adjustment to the company's retained earnings was an additional $59 million in provision expense which reduced the 30 June 2018 balance from $216.4 million to $157.4 million. The comprehensive income of $24.9 million in 2019 helped cushion the transition adjustment where total equity closed at $196.9 million.

Current assets declined by 24.7% or $268.4 million. The reduction mainly came from having to pay dividends of $24.1 million to our parent in November 2018 and the depletion of restricted cash used to pay contractors thereby reducing trade receivables.

Current liabilities also dropped from $891.3 million to $682.7 million. Project advances and advance project billings were partly responsible for the reduction in short-term liabilities where the former declined by $132.9 million. Project advances comprised of the proceeds from the bonds issued on behalf of the Ministry of Works and Transport. The resulting working capital dropped from $196.9 million to $137.1 million which saw a slight decline in the current ratio from 1.22 to 1.2.

Similar to prior year, the company did not take on any financial debt to support its short term obligations. The company's leverage was maintained at 78% year on year. We continue to maximise all credit made available by our creditors.

Strategic Accomplishments

For the next three (3) to five (5) years NIPDEC will continue to focus on three (3) main pillars that we believe will strengthen our foundation for sustainable growth through innovation, quality and stakeholder responsiveness. The table below is a summary of what we achieved in 2019.

Table 1 – 2019 achievements

Strategic Theme			
Value Chain Activity	**Business Excellence**	**Business Development**	**Business Relationships**
Property Development	Expansion of Chaguanas Warehouse capacity to include partitioning	Completed design & construction of two regional assessment centres for Office of the Prime Minister- Gender & Child Affairs. Completed design & construction of two workshop centres for Office of the Prime Minister- Gender & Child Affairs. Completed design & construction of one transition home for Office of the Prime Minister- Gender & Child Affairs.	Re-established network link with Tobago House of Assembly Partnering with regional City Corporations on traffic congestion solutions
Procurement	On behalf of the Ministry of Health, roll out of new dispensing technology for CDAP across 192 pharmacies nationwide	Provision of Information and Communication Technology equipment at the new Licensing Head Quarters Frederick Settlement Caroni.	

Strategic Accomplishments

	Strategic Theme		
Value Chain Activity	**Business Excellence**	**Business Development**	**Business Relationships**
Human Resources	Engaged the first phase of upgrading the HR management software to effectively manage employee information electronically and optimize workforce performance by integrating multiple systems into a universal software. Employee engagement at all levels within the organisation during the developmental stage of the strategic plan		Partnership with the University of the West Indies, the Employer's Consultative Association and service on various committees and professional associations
Information Technology	Company website upgrade Upgrade of back-end server hardware and software to increase reliability, more productivity, whilst reducing downtime and the total cost of ownership. New layers of security, Cloud-ready application platform. Ability for more revenue-generating tasks for your business. Introduction of next generation firewall to protect against malware, ransomware, remote access to servers (work from home) VPN. New ICT policies and network documentation		

Board of Directors

Valerie Kelsick - Chairman

Douglas Camacho - Deputy Chairman

Brendon Nelson

Niala Persad - Poliah

Christine DeBique

Margaret Roper- Wiltshire

Marvin Gonzales

John Boiselle

Management Team

As of October 2019

Terrance James - **General Manager**

Vyas Ramphalie - **Head Property Development**

Jabari Cozier - **Head Finance and Accounting**

Cavelle Joseph - St. Omer - **Head Human Resources**

Roseanne St. Rose - **Head Pharmaceuticals**

Ingrid White-Wilson - **Company Secretary**

Sarita Sarjoo-Ghany - **Manager Internal Audit**

Natalie Danclar-Rodney - **Manager Procurement**

Lindon John - **Manager Facilities (Ag.)**

THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2019

Ernst & Young

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THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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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 30 June 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of 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 (Ag.)

27 September 2019

Company Secretary

27 September 2019

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Ernst & Young Services Limited
P.O. Box 158
5/7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad

Tel: +1 868 628 1105
ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of The National Insurance Property Development Company Limited ("the Company"), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in 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 possible effects of the matters 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 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

Prior year audit report qualifications

Trade receivables
As reported in our 2018 Audit Report, we were unable to perform sufficient audit procedures to conclude on the existence of the trade receivable balances amounting to $8.4 million as at 30 June 2018.

While we were able to perform sufficient appropriate audit procedures to conclude on the existence of the trade receivable balances as at 30 June 2019, we are unable to determine the extent of adjustments which were recorded in the current year (2019) which may relate to prior years.

Trade payable and accruals
As reported in our 2018 Audit Report, we were unable to perform sufficient audit procedures to conclude on the completeness and existence of trade payable and accrual balances as at 30 June 2018.

While we were able to perform sufficient appropriate audit procedures to conclude on the completeness and existence of trade payable and accrual balances as at 30 June 2019, we are unable to determine the extent of adjustments which were recorded in the current year (2019) which may relate to prior years.

Advanced project billings
As reported in our 2018 Audit Report, we were unable to obtain sufficient appropriate evidence to support the existence of balances amounting to $34.6 million within advanced project billings as at 30 June 2018.

While we were able to perform sufficient appropriate audit procedures to conclude on the existence of advanced project billings as at 30 June 2019, we are unable to determine the extent of adjustments which were recorded in the current year (2019) which may relate to prior years.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

Report on the Audit of the Financial Statements
(Continued)

Basis for Qualified Opinion
(Continued)

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information included in the Company's 2019 Annual Report

Other information consists of the information included in the Company's 2019 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

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.

Responsibilities of Management and the Audit Committee 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.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

Report on the Audit of the Financial Statements
(Continued)

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.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

We communicate with the Audit Committee 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.

EY

Port of Spain
TRINIDAD:
27 September 2019

THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2019	2018
ASSETS			
Non-current assets			
Investment properties	5	37,800	34,300
Property, plant and equipment	6	17,448	17,584
Defined pension benefit asset	7	23,868	23,021
Investment securities	8	1,741	2,658
Total non-current assets		80,857	77,563
Current assets			
Cash at bank and in hand	9 (a)	90,154	125,031
Restricted cash	9 (b)	334,104	436,731
Investment securities	8	10,200	8,753
Other receivables and prepayments	10	149,451	119,136
Trade receivables	10	169,214	284,451
Contract assets	18	67	–
Unbilled project costs	11	66,729	114,256
Total current assets		819,919	1,088,358
Total assets		**900,776**	**1,165,921**
EQUITY AND LIABILITIES			
Equity			
Share capital	12	25,000	25,000
Revaluation reserve	13	13,427	13,132
Fair value reserve	14	1,957	475
Retained earnings		156,558	216,476
Total equity		196,942	255,083
Non-current liabilities			
Retention payable	15	21,080	19,473
Total non-current liabilities		21,080	19,473
Current liabilities			
Accounts payable and accruals	15	361,643	359,781
Retention payable	15	15,222	22,121
Contract liabilities	18	1,652	–
Advance project billings	16	72,609	144,932
Project advances	17	231,628	364,531
Total current liabilities		682,754	891,365
Total equity and liabilities		**900,776**	**1,165,921**

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

On 27 September 2019, the Board of Directors of the National Insurance Property Development Company Limited authorised these financial statements for issue and signed on its behalf by:

Director

Director

THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2019	2018
Income			
Revenue from contract with customers	18	14,581	11,088
Rental income	19	9,492	7,990
Other income	20	3,145	2,580
Gain on disposal of property, plant and equipment		–	157
Total income		27,218	21,815
Direct costs incurred	21	(4,516)	(2,204)
Total income less direct costs		22,702	19,611
Expenditure			
Staff costs	22	24,015	24,413
Finance costs	23	2,293	113
Administration expenses	24	3,999	4,000
Accommodation costs	25	4,318	4,186
Bad debts	10	(34,945)	7,669
Depreciation	6	640	664
Vehicle expenses	26	873	780
Total expenses		1,193	41,825
Operating profit/(loss)		21,509	(22,214)
Dividend from investment		381	1,131
Profit/(loss) for the year		21,890	(21,083)
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement of defined pension benefit asset	7	1,323	(1,176)
Net change in fair value of investment securities	8	1,400	–
Items that may be reclassified subsequently to profit or loss:			
Gain on revaluation of land and building		295	–
Net change in fair value of investment securities	8	82	(629)
Other comprehensive income/(loss) for the year, net of income tax		3,100	(1,805)
Total comprehensive income/(loss) for the year		**24,990**	**(22,888)**

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

THE NATIONAL INSURANCE PROPERTY DEVELOPMENT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in thousands of Trinidad and Tobago dollars)

Year ended 30 June 2019	**Share capital**	**Revaluation reserve**	**Fair value reserve**	**Retained earnings**	**Total equity**
Balance at 30 June 2018	25,000	13,132	475	216,476	255,083
Effect of adoption of IFRS 9 (Note 2.1 & 10)	–	–	–	(59,001)	(59,001)
Restated balance at 30 June 2018	25,000	13,132	475	157,475	196,082
Profit for the year	–	–	–	21,890	21,890
Other comprehensive income	–	295	1,482	1,323	3,100
Total comprehensive income for the year	–	295	1,482	23,213	24,990
Dividends (Note 34)	–	–	–	(24,130)	(24,130)
Balance at 30 June 2019	25,000	13,427	1,957	156,558	196,942
Year ended 30 June 2018					
Balance at 30 June 2017	25,000	13,132	1,104	238,735	277,971
Loss for the year	–	–	–	(21,083)	(21,083)
Other comprehensive loss	–	–	(629)	(1,176)	(1,805)
Total comprehensive loss for the year	–	–	(629)	(22,259)	(22,888)
Balance at 30 June 2018	**25,000**	**13,132**	**475**	**216,476**	**255,083**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in thousands of Trinidad and Tobago dollars)

	2019	2018
Cash flows from operating activities		
Profit/(loss) for the year	21,890	(21,083)
Adjustments for:		
Depreciation (Note 6)	640	664
Gain on disposal of plant, property and equipment	–	(157)
Defined benefit pension income	476	401
Provision for expected credit loss (Note 10)	(34,945)	7,669
Dividends received from investment	(381)	(1,131)
Increase in fair value of investment property (Note 5)	(3,500)	–
	(15,820)	(13,637)
Changes in:		
Increase/(decrease) in amounts due to parent company	22	(20)
Decrease in unbilled project costs	47,527	74,160
Decrease/(increase) in accounts receivable and prepayments	60,865	(59,534)
Contract assets (Note 18)	(67)	–
Decrease in retention payable	(5,292)	(6,224)
Increase/(decrease) in accounts payable and accruals	1,840	(130,007)
Contract liabilities	1,652	–
(Decrease)/increase in advance project billings	(72,322)	28,246
(Decrease)/increase in project advances	(132,903)	293,666
Net cash flows (used in)/from operating activities	(114,498)	186,650
Cash flows from investing activities		
Proceeds from sale of motor vehicle	–	157
Purchase of property, plant and equipment (Note 6)	(209)	(156)
Dividends received from investments	381	1,131
Proceeds from redemption of investment securities (Note 8)	952	952
Net cash from investing activities	1,124	2,084
Cash flows from financing activities		
Dividends paid	(24,130)	–
Net cash used in financing activities	(24,130)	–
Net (decrease)/increase in cash and cash equivalents	(137,504)	188,734
Cash and cash equivalents at the beginning of the year	561,762	373,028
Cash and cash equivalents at the end of the year	**424,258**	**561,762**
Cash and cash equivalents comprise:		
Cash at bank and in hand (Note 9 a)	**90,154**	**125,031**
Restricted cash (Note 9 b)	**334,104**	**436,731**
	424,258	**561,762**

The accompanying notes 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 99.9% 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) Engaging in 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.

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

The Company applied IFRS 15 and IFRS 9 for the first time in 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. These are described in more detail below. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9, 'Financial Instruments'

IFRS 9 'Financial Instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement and brings together all three aspects of the accounting for financial instruments: classification, measurement, impairment and hedge accounting.

Classification and measurement of financial assets and liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics.

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)

IFRS 9, 'Financial Instruments' (continued)
Under IFRS 9 entities initially measures a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction cost. Debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost (AC) or fair value through other comprehensive income (FVOCI).

Equity instruments are generally measured at FVPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

IFRS 9 also contain requirements for the classification and measurement of financial liabilities. For financial liabilities designated at FVPL, the change in fair value that is attributable to changes in credit risk is presented in OCI and the remaining amount of change in the fair value is presented in profit or loss. If the presentation in OCI would create or enlarge an accounting mismatch in profit or loss, an entity shall present all gains or losses in profit or loss.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to debt instruments measured at AC or FVOCI, most loan commitments, financial guarantee contracts, lease receivables and to contract assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised from initial recognition.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, that is, fair value hedges, cash flow hedges and net investment hedges. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as 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 no longer required.

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

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)

IFRS 9, 'Financial Instruments' (continued)
The Company has adopted IFRS 9, which resulted in fundamental changes to accounting for its financial assets. Hedge accounting is not applicable to the Company.

The changes in accounting policies in respect of adopting IFRS 9 are described in Note 4, and the impact of the initial application is disclosed in Note 10.

IFRS 7R 'Financial Instruments – Disclosures Revised' – Effective 1 January 2018.
To reflect the differences between IFRS 9 and IAS 39, IFRS 7R Financial Instruments – Disclosures Revised was updated and the Company has adopted it, together with IFRS 9, for the year beginning 1 July 2018. Changes include transition disclosures as shown in the table below.

Transition disclosures
The following sets out the impact of adopting IFRS 9 on the statement of financial position and retained earnings, including the effect of replacing the incurred credit loss calculations under IAS 39 with the ECL calculation under IFRS 9.

	As at 30 June 2018	ECL measurement	Other adjustments	1 July 2018	Category
Assets					
Trade receivables	284,451	(59,001)	–	225,450	Amortised cost
Other receivables and prepayments	119,136	–	–	119,136	Amortised cost
Unbilled project costs	114,256	–	–	114,256	Amortised cost
Contract assets	–	–	–	–	Amortised cost
Cash	125,031	–	–	125,031	Amortised cost
Restricted cash	436,731	–	–	436,731	Amortised cost
Bond investments	3,605	–	–	3,605	FVOCI
Equity investments	7,806	–	–	7,806	FVOCI
Retained earnings	216,476	(59,001)	–	157,475	

The following table reconciles the aggregate opening financial asset provisions under IAS 39 to the ECL allowances under IFRS 9. Further details, are disclosed in Notes 8 and 10.

	Impairment per IAS 39 at 30 June 2018	ECL Adjustments	1 July 2018
Investments	–	–	–
Trade receivables	37,822	59,001	96,823
Total	**37,822**	**59,001**	**96,823**

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)

IFRS 15, 'Revenue from Contracts with Customers'
IFRS 15 replaces all previous revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, unless the contracts are in the scope of other standards. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

- 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

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard only to the contracts not completed at this date. The Company also aggregated the effect of all the modifications that occurred in contracts that were modified before 1 July 2018 when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

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

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)

IFRS 15, 'Revenue from Contracts with Customers' (continued)
The adoption of IFRS 15 did not have a material impact on OCI or the Company's operating, investing and financing cash flows. The net impact on equity as at 1 July 2018 was nil.

Summary of impact of IFRS 9 and IFRS 15 as at 1 July 2018

	Retained earnings	Total equity
Initial recognition of IFRS 9 ECLs	59,001	59,001
Impact of adoption of IFRS 15	–	–

Change to Facilities Management
Under IFRS 15, the client billing of third party costs for work performed represents revenue and the cost incurred is a direct cost under Cost of Sales. This represents a change in presentation on the income statement, whereby revenue and cost of sales of $1.590 million is presented for the year ended 30 June 2019 as required under IFRS 15.

IFRIC 22 - Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company's financial statements.

Amendments to IAS 40, 'Investment Property' – Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on 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 28 *Investment in Associates and Joint Ventures* (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)
Amendments were made to 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.

These amendments do not have any impact on the Company's financial statements.

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:

- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures – Effective 1 January 2019
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective 1 January 2019
- IFRS 16 – 'Leases' – Effective 1 January 2019
- IFRS 17 – 'Insurance Contracts' – Effective 1 January 2022
- IFRIC 23 – 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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

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

- Annual improvements to IFRS standards 2015 – 2017 cycle, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 – Effective 1 January 2019
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement – Effective 1 January 2019
- Amendments to References in the Conceptual Framework in IFRS Standards – Effective 1 January 2020
- Amendments to IFRS 3 – Definition of Business – Effective 1 January 2020
- Amendments to IAS 1 and IAS 8 – Definition of Material – Effective 1 January 2020

Amendments to IFRS 9 – Prepayment features with negative compensation – Effective 1 January 2019

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 1 January 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.

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

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

Amendments to IFRS 9 *Financial Instruments* (Prepayment features with negative compensation)
The Board has issued a narrow-scope amendment to IFRS 9 *Financial Instruments* to enable companies to measure at amortised cost some prepayable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL).

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be "reasonable compensation for early termination of the contract".

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

Annual Improvements 2015 - 2017 Cycle

The Annual Improvements to IFRS 2015-2017 include a number of amendments to various IFRS, which are summarised below.

IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 *Income Tax* - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 *Borrowing Costs* - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

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. Amounts are expressed in thousands of Trinidad and Tobago dollars unless otherwise stated.

d) Use of estimates and judgements

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

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

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

Accounting policy 4(b)	Investment properties
Accounting policy 4(c)*(i)*	Property, plant and equipment *(owned assets)*
Accounting policy 4(d)	Impairment of financial assets
Accounting policy 4(m)	Provisions
Accounting policy 4(n)	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 two to 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 4(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 of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosures for significant assumptions (Note 3)
- Investment securities (Note 8)
- Trade receivables, including contract assets (Note 10)

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted where applicable for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 365 days past due depending on the nature of the financial asset. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

4. Summary of significant accounting policies (continued)

e) Impairment losses on financial assets (Critical accounting estimates and judgement prior to 1 July 2018)

The carrying amounts of the Company's assets were reviewed at each reporting date to determine whether there was any indication of impairment. If any such indication existed, the asset's recoverable amount was estimated and an impairment loss recognised whenever the carrying amount of an asset exceeded its recoverable amount. Impairment losses were recognised in profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of non-financial assets was the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows were discounted to their present value using a pre-tax discount rate that reflected 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 was determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

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

f) 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)

f) **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.

g) **Financial instruments**

Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below. Financial instruments are initially measured at their fair value (as defined in Note 30), except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either amortised cost, FVOCI or FVPL, as explained below.

4. Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Financial investments at amortised cost
The Company only measures financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company's financial assets at amortised cost includes trade and other receivables and investment in bonds.

Debt instruments at FVOCI (Policy applicable from 1 July 2018)
The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI, with recycling through profit or loss. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

Equity instruments at FVOCI (Policy applicable from 1 July 2018)
Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI without recycling when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

4. Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities (and assets until 1 July 2018 under IAS 39) are part of a Company of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities (and assets until 1 July 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value.

Reclassification of financial assets and liabilities
From 1 July 2018, the Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

- Financial assets

  A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement.

4. Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Reclassification of financial assets and liabilities (continued)
Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

4. Summary of significant accounting policies (continued)

g) Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

h) Financial instruments (Critical accounting estimates and judgement prior to 1 July 2018)

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/to parent company and accounts payable.

(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'

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

h) Financial instruments (Critical accounting estimates and judgement prior to 1 July 2018) (continued)

(i) Financial assets (continued)

The classification depends on the nature and purpose of the financial assets and is determined at the time of the initial recognition. All regular 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 within the fair value reserve in other comprehensive income/(loss).

4. Summary of significant accounting policies (continued)

h) Financial instruments (Critical accounting estimates and judgement prior to 1 July 2018) (continued)

(i) Financial assets (continued)

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.

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.

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

h) **Financial instruments (Critical accounting estimates and judgement prior to 1 July 2018)** (continued)

(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 had utilised borrowing facilities to support its business operations up to June 30, 2015. There were no borrowings as of June 30, 2018.

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.

i) **Cash and cash equivalents**

Cash and cash equivalents comprise (i) cash at bank and in hand 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.

j) **Accounts receivable**

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 estimated credit loss as required under IFRS 9. This estimated credit loss is recognised in profit or loss.

Under IAS 39, receivables were held at amortised cost less an allowance for impairment. An allowance for impairment of receivables was established when there was objective evidence that NIPDEC would not be able to collect all amounts due according to the original terms of the receivable. The amount of the allowance was recognised in profit or loss.

4. Summary of significant accounting policies (continued)

k) 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'.

l) Accounts payable and accruals

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

m) Provisions

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

n) Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that is reflective of the consideration to which the Company expects to be entitled to in exchange for the goods or services. 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.

Procurement services
Revenue from a procurement service contract is recognised when the obligation to provide the procurement service is deemed satisfied.

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

n) **Revenue recognition** (continued)

Facilities Management services
Management fees for routine service contracts are recognised each month the service is provided based on a fixed income. For non-routine services, revenue is recognised as the service is provided.

Car Parks: Managed
Management fees for operating the carparks on behalf of the client are recognised each month the service is provided on a commission type arrangement based on the gross receipts collected.

Real Estate
Management fees for the management of the properties on behalf of the client are recognised each month the service is provided based on a fixed income. Collection fees for the collection of mortgage payments are recognised each month the service is provided on a commission type arrangement based on the gross amount collected.

Prisoner transport
Management fees for the management of the prisoner transport service are recognised each month the service is provided based on a fixed income.

Operation Management Services (OMS) – C40 Central Stores Facilities
Management fees for operating the distribution of pharmaceutical and non-pharmaceutical drugs to Regional Health Corporations and pharmacies on behalf of the Ministry of Health are recognised each month the service is provided based on a fixed income.

Rental income
Rental income from operating leases is recognised under 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.

4. Summary of significant accounting policies (continued)

o) Taxation

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

p) 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, individuals or other GORTT related entities. In the ordinary course of its business, NIPDEC enters into transactions concerning the exchange of goods, provision of services and financing with the NIBTT.

q) Fair value measurement

NIPDEC measures financial instruments such as investment securities and non-financial assets such as investment properties and land/buildings, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or

b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by NIPDEC.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. Summary of significant accounting policies (continued)

q) Fair value measurement (continued)

NIPDEC uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, NIPDEC determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

r) Current versus non-current classification

NIPDEC presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

a) Expected to be realised or intended to be sold or consumed in the normal operating cycle
b) Held primarily for the purpose of trading
c) Expected to be realised within twelve months after the reporting period
d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

a) It is expected to be settled in the normal operating cycle
b) It is held primarily for the purpose of trading
c) It is due to be settled within twelve months after the reporting period
d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

NIPDEC classifies all other liabilities as non-current.

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

5. Investment properties

	2019	2018
Leasehold land and buildings		
1500 sq. ft. land at 47, St. Vincent Street, Port of Spain	4,000	4,000
Chaguaramas warehouse	12,500	10,000
	16,500	**14,000**
Chattel buildings		
Riverside Car Park, Piccadilly Street, Port of Spain	6,000	7,000
Multi-Storey Car Park, Edward Street, Port of Spain	14,000	12,000
	20,000	**19,000**
Land held for development		
Toco	1,300	1,300
Total	**37,800**	**34,300**

Opening balance at July 1	34,300	34,300
Increase in fair value (Note 20)	3,500	–
Closing balance at June 30	37,800	34,300

On 6 June 2019, the investment properties were independently valued by Linden Scott and Associates Ltd, Chartered Valuation Surveyors. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of the valuation, in accordance with International Valuation Standards Committee standards.

	2019	2018
Rental income derived from investment properties	4,992	7,990
Direct expenses incurred	(141)	(194)

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019
(Expressed in thousands of Trinidad and Tobago dollars unless otherwise stated)
(Continued)

6. Property, plant and equipment

Year ended 30 June 2019	Freehold property	Freehold land	Fixtures & fittings	Office and computer equipment	Computer software	Motor vehicles	Plant & machinery	Total
Opening balance net book amount	7,366	9,000	590	194	131	–	303	17,584
Additions	–	–	29	168	–	–	12	209
Revaluation	329	–	–	–	–	–	–	329
Disposal	–	–	–	–	–	–	–	–
Depreciation adjustment for revaluation	(34)	–	–	–	–	–	–	(34)
Depreciation charge	(161)	–	(136)	(112)	(78)	–	(153)	(640)
Closing balance net book amount	7,500	9,000	483	250	53	–	162	17,448
Cost or valuation	8,366	9,000	5,339	11,946	687	3,100	3,344	41,781
Accumulated depreciation	(866)	–	(4,856)	(11,696)	(634)	(3,100)	(3,182)	(24,333)
Net book amount	7,500	9,000	483	250	53	–	162	17,448
Year ended 30 June 2018								
Opening balance net book amount	7,448	9,000	734	316	139	–	455	18,092
Additions	78	–	10	–	68	–	–	156
Disposal	–	–	–	–	–	(346)	–	(346)
Depreciation on disposal	–	–	–	–	–	346	–	346
Depreciation charge	(160)	–	(154)	(122)	(76)	–	(152)	(664)
Closing balance net book amount	7,366	9,000	590	194	131	–	303	17,584
Cost or valuation	8,036	9,000	5,310	11,778	687	3,100	3,332	41,243
Accumulated depreciation	(670)	–	(4,720)	(11,584)	(556)	(3,100)	(3,029)	(23,659)
Net book amount	7,366	9,000	590	194	131	–	303	17,584

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 6 June 2019.

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

6. Property, plant and equipment (continued)

If freehold land and property were stated at historical cost, the amount would be as follows:

	2019	2018
Freehold land		
Cost	7,262	7,262
Accumulated depreciation	–	–
	7,262	7,262
Freehold property		
Cost	16,154	16,154
Accumulated depreciation	(12,600)	(12,277)
Net book value	3,554	3,877
Freehold land and property at historical cost	10,816	11,139

7. Defined pension benefit asset

a) Net liability in statement of financial position

	2019	2018
Present value of defined benefit obligation	54,716	52,474
Fair value of plan asset	(78,584)	(75,495)
Surplus	**(23,868)**	**(23,021)**
Effect of asset ceiling	–	–
Net defined benefit asset	(23,868)	(23,021)

b) Movement in present value of defined benefit obligation

	2019	2018
Defined benefit obligation at start of year	52,474	49,880
Current service cost	2,081	2,088
Interest cost	2,838	2,695
Members' contributions	405	401
Re-measurements:		
- Experience adjustments	(1,299)	(823)
- Actuarial changes in financial assumptions	–	–
Benefits paid	(1,783)	(1,767)
Defined benefit obligation at end of year	54,716	52,474

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

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

c) The defined benefit obligation is allocated between the Plan's members as follows:

	2019	2018
Active members	58%	57%
Deferred members	11%	10%
Pensioners	31%	33%
The weighted average duration of the defined benefit obligation at the year end	13.3	13.9

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

26% of the deferred benefit obligation for active members is conditional on future salary increases.

d) Movement in fair value of plan assets

	2019	2018
Fair value of plan assets at start of year	75,495	74,478
Interest income	4,125	4,067
Return on plan assets excluding interest income	24	(1,999)
Company contributions	405	401
Members' contributions	405	401
Benefits paid	(1,783)	(1,767)
Administrative expense allowance	(87)	(86)
Fair value of plan assets at end of year	**78,584**	**75,495**
Actual return on plan assets	4,149	2,068

e) Asset allocation

Locally listed equities	27,247	24,197
Overseas equities	5,445	5,291
Government issued nominal bonds	21,188	21,890
Corporate bonds	22,770	21,701
Money market mutual funds	403	398
Cash and cash equivalents	1,531	2,018
Fair value of plan assets at end of year	78,584	75,495

The asset values as at 30 June 2019 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.

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

7. Defined pension benefit asset (continued)

f) **Amounts recognised in the statement of profit or loss are as follows:**	**2019**	**2018**
Current service cost	2,081	2,088
Net interest on net defined benefit liability	(1,287)	(1,372)
Administrative expense allowance	87	86
Net pension cost	881	802

g) **Re-measurement recognised in other comprehensive income:**		
Experience gains, being net pension cost	(1,323)	1,176

h) **Reconciliation of opening and closing entries in statement of financial position**		
Opening defined benefit asset at prior year	(23,021)	(24,598)
Net pension cost	881	802
Re-measurement recognised in other comprehensive income	(1,323)	1,176
Contributions paid	(405)	(401)
Closing defined benefit asset	(23,868)	(23,021)

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 30 June 2018 and 2019 are as follows:

	2019	**2018**
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

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

7. Defined pension benefit asset (continued)

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 30 June 2018 and 2019 would have changed as a result of a change in the assumptions used.

	2019 1% p.a. lower $'000	2018 1% p.a. lower $'000
- Discount rate	7,654	7,700
- Future salary increases	(2,186)	(2,274)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 June 2019 by $0.752 million (2018: $0.702 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 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 $0.369 million (2018: $0.409 million) to the Pension Plan during 2019/20. However, this amount could change if outstanding pay negotiations are completed during the year.

8. Investment securities

	2019	2018
Investment securities measured at FVOCI		
Equities	9,254	7,806
Government bonds	2,687	3,605
Total investment securities	11,941	11,411
Presented in the statement of financial position as follows:		
Non-current portion		
Investment securities maturing in more than one year	1,741	2,658
Current portion		
Investment securities designated at FVOCI -debt	10,200	8,753

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

8. Investment securities (continued)

Net change in fair value of investment securities	**2019**	**2018**
Accumulated balance at beginning of the year	475	1,104
Net change in fair value of investment securities with no recycling	1,400	–
Net change in fair value of investment securities with recycling	82	(629)
Accumulated balance at the end of the year	**1,957**	**475**

Net change in fair value of investment securities in 2019 amounting to $1,482 includes fair value gains on equity investments of $1,400 that cannot be recycled through the statement of profit or loss.

Investment securities (previously held as available-for-sale investments under IAS 39)

Balance at beginning of the year	12,992
Net change in fair value of investment securities	(629)
Less redemption of CLICO zero coupon bond during the year	(952)
Balance at the end of the year	**11,411**

Represented as follows:

Non-current	2,658
Current	8,753
	11,411

9. Cash and cash equivalents

a) Cash at bank and in hand

Cash at bank	90,120	124,999
Cash in hand	34	32
Net cash and cash equivalents	**90,154**	**125,031**

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

No cash and cash equivalents are pledged as collateral for financial liabilities.

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 is 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.

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

9. Cash and cash equivalents (continued)

The amount of restricted cash is $334.104 million (2018: $436.731 million) is represented as follows:

	2019	2018
Ministry of Education	3,356	3,357
Ministry of Health	45,542	21,161
Ministry of Works and Transport	285,206	412,213
	334,104	436,731

10. Trade and other receivables

In accordance with IFRS 9	2019
Trade receivables	230,311
Less: ECL Allowance	(61,097)
	169,214
Other receivables and prepayments	149,451
Less: ECL Allowance	-
	149,451
Total trade and other receivables	318,665

As at 30 June 2019, trade and other receivables at nominal value of $61 million were impaired and fully provided.

Movements in ECL Allowance is as follows (in accordance with IFRS 9):

	2019
Impairment allowance as per IAS 39 1 July	37,822
Re-measurement under IFRS 9	59,001
ECL per IFRS 9 at 1 July	96,823
Reversal of expected credit losses during the year	(34,945)
Amounts written off during the year	(781)
Balance at 30 June	61,097

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

10. Trade and other receivables (continued)

In accordance with IAS 39	**2018**
Movement in the allowance for doubtful debts	
Balance at the beginning of the year	31,223
Impairment losses recognised on receivables	7,669
Amounts written off during the year as uncollectable	(1,070)
Balance at the end of the year	**37,822**
Age of impaired trade receivables	
Over 90 days	**37,822**

In accordance with IAS 39

Trade receivables:	
- Projects and others	141,896
- Ministry of Health	167,646
Direct recoverable expenditure – Ministry of Health:	
- Pharmaceuticals and other related programmes	12,731
	322,273
Less allowance for doubtful debts	(37,822)
Net trade receivables and direct recoverable expenditure	**284,451**
Other receivables and prepayments	119,136
	119,136

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.

	2018
Age of receivables that are past due but not impaired	
31-60 days	55,674
61-90 days	56,191
Over 90 days	80,669
Total	**192,534**

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

11. Unbilled project costs

	2019	2018
Judiciary of Trinidad & Tobago	–	39
Minister of Community Development, Culture and the Arts	–	108
Ministry of Agriculture, Land and Fisheries	406	3,100
Ministry of Education	–	2,529
Ministry of Health	4,948	23,310
Ministry of National Security	75	74
Ministry of Public Administration and Communications	–	398
Ministry of Tobago Development	1,263	–
Ministry of Sport and Youth Affairs	642	642
Ministry of the Attorney General and Legal Affairs	–	111
Ministry of Works and Transport	41,424	73,765
Office of the Prime Minister	17,971	10,120
The National Insurance Board of Trinidad and Tobago	–	60
	66,729	114,256

12. Share capital

Authorised
Unlimited number of ordinary shares of no par value

	2019	2018
Issued and fully paid		
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 $13.427 million as at year end (2018: $13.132 million).

14. Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of investment securities (previously available for sale investments under IAS 39) until the investments are derecognised or impaired. The amount of the reserve is $1.957 million (2018: $0.475 million).

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

15. Accounts payable and accruals

	2019	2018
Trade payables:		
- Projects and other	199,943	219,865
- Due to pharmaceutical suppliers	17,075	18,275
- Amounts owed to parent company	287	365
	217,305	**238,505**
Accrued expenses and other payables	144,338	121,276
	361,643	359,781

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.

Retention - Retention is a percentage (often 5%) of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by NIPDEC. The purpose of retention is to ensure that the contractor properly completes the activities required of them under the contract. The current portion of retentions is expected to be settled within twelve (12) months of the reporting date.

Retentions payable:	**2019**	**2018**
Current	15,222	22,121
Non-current	21,080	19,473
	36,302	41,594

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.

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

16. Advance project billings

	2019	2018
Agricultural Development Bank	8	8
Cipriani College of Labour	–	41
Judiciary of Trinidad & Tobago	243	134
Ministry of Agriculture, Land and Fisheries	261	2,138
Ministry of Education	8,025	8,058
Ministry of Health	5,097	24,471
Ministry of National Security	6,795	8,366
Industrial Court of Trinidad & Tobago	355	–
Ministry of Social Development and Family Services	290	290
Ministry of the Attorney General and Legal Affairs	739	765
Ministry of Works and Transport	35,761	70,290
Ministry of Public Utilities	657	–
Office of the Prime Minister	14,373	30,240
The National Insurance Board of Trinidad and Tobago	5	113
Trinidad and Tobago Police Service	–	18
	72,609	**144,932**

17. Project advances

Office of the Prime Minister, Gender & Child Affairs	9,706	35,966
Ministry of Works and Transport	221,922	328,565
	231,628	**364,531**

18. Revenue from contracts with customers

a) Components of revenue from contracts with customers

Project and Construction Management	2,442	4,051
Procurement Management	3,717	804
Facilities Management	2,409	1,619
Carparks: Managed	3,564	2,335
Real Estate	151	171
Prisoner Transport	298	108
Pharmaceutical Agency fee	2,000	2,000
	14,581	**11,088**

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

18. Revenue from contracts with customers (continued)

b) Contract balances

	2019
Trade receivables (Note 10)	169,214
Contract assets	
- Project and Construction Management	67
Contract liabilities	
- Project and Construction Management	1,289
- Procurement	313
- Facilities Management	50
- **Total**	1,652

Trade receivables are non-interest bearing and are generally on terms of 30 – 90 days. In 2019, $61,097 (1 July 2018: $92,871) was recognised as provision for expected credit losses on trade receivables. There were no major changes to the trade receivables balance from the beginning to the end of the year.

Contract assets are initially recognised for revenue earned from project management services as receipt of consideration is conditional on the successful completion of specific milestones or of the entire project. Upon acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. In 2019 and 2018, no provision was recognised for the expected credit losses on contract assets.

Contract liabilities relate to billings made to customers for which no revenue was recognised. These billings may have been based on milestones being met that are not reflective of meaningful progress towards the satisfaction of performance obligation. Billings may also be based on the advances required prior to or on commencement of required work.

c) Performance obligations

Information about the Company's performance obligations is summarised below:

Project and Construction Management Services
The obligation is satisfied through the provision of project management and construction management services of the projects by milestones within the contracts. Payment is generally due 30 to 90 days after the completion of the obligation. Therefore revenue is recognized over time as the milestones are achieved. There are also obligations to pay the contractors on behalf of the client. The transaction price is allocated separately to project management and construction management services.

18. Project and construction management fees are represented by: (continued)

c) Performance obligations (continued)

Procurement services
Non PURE – The obligation is to procure either a service or item on behalf of the client. The obligation is satisfied when the service or item is delivered. Payment is generally due 30 to 90 days after the completion of the obligation. Therefore revenue is recognised at a point in time. The transaction price is allocated entirely to the obligation.

PURE – There are two distinct obligations in the provision of this service. The first obligation is to select suitable contractors to award the contracts to and the second is to pay the contractors on the awarded contracts. Revenue is recognized when contracts are awarded and when payments on the contracts are made. Payment is generally due 30 to 90 days after the completion of the obligation. Therefore revenue is recognised at a point in time. The transaction price is allocated to separately to the two obligations.

Facilities Management services
The obligation is satisfied through the provision of facilities management expertise for routine and non-routine maintenance services. These are two identifiable separate obligations. Payment is generally due 30 to 90 days after the completion of the obligation. Revenue from routine maintenance services is recognised monthly as time elapses on the contract and the non-routine maintenance fees are recognised as incurred. The transaction price is allocated to separately to the routine and non-routine maintenance services. Therefore revenue is recognised both over time and at a point in time.

Carparks: Managed
The obligation is satisfied through management of the carparks which are owned by the clients. Payment is generally due 30 to 90 days after the completion of the obligation. Revenue is recognised monthly as time elapses on the contract. The transaction price is allocated entirely to the obligation. Therefore revenue is recognised over time as the contract elapses.

Real Estate
There are two obligations. The first obligation is satisfied through management of properties with the client's mortgage portfolio. The second is the collection of mortgage payments. Payment is generally due 30 to 90 days after the completion of the obligation. Revenue from the management of the properties is recognised monthly as time elapses on the contract and the mortgage payments fees are recognised as incurred. The transaction price is allocated to separately to the two obligations. Therefore revenue is recognised both over time and at a point in time.

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

18. Project and construction management fees are represented by: (continued)

c) Performance obligations (continued)

Prisoner Transport
The obligation is to procure and manage prisoner transportation services. Payment is generally due 30 to 90 days after the completion of the obligation. Revenue is recognised monthly as time elapses on the contract. Therefore revenue is recognised over time. The transaction price is allocated entirely to the obligation.

Operation Management Services (OMS) – C40 Central Stores Facilities
The obligation is to procure store and distribute medical supplies on behalf of the client. Payment is generally due 30 to 90 days after the completion of the obligation. Revenue is recognised monthly as time elapses on the contract. Therefore revenue is recognised over time. The transaction price is allocated entirely to the obligation.

19. Rental income

	2019	**2018**
Advertising	413	481
Carpark owned	4,555	4,233
Warehouse rental	4,524	3,276
	9,492	7,990

20. Other income

Revaluation of investment property (Note 5)	3,500	–
Interest income	741	860
Other income	95	–
Registration and tender receipts	790	799
Project balance for which project has either ended or is discontinued	(1,981)	749
MEF projects	–	172
	3,145	2,580

21. Direct costs

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

	2019	**2018**
Car park rental	2,586	1,510
Construction management fees	4	133
Non project management fees	1,609	124
Procurement fees	128	324
Real estate services	100	41
Warehouse rental	89	72
	4,516	2,204

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

22. Staff costs

	2019	2018
Salaries and wages	20,204	20,322
Statutory deductions	1,255	1,325
Savings and pension contributions	1,089	1,027
Other staff costs	1,467	1,739
	24,015	**24,413**

23. Finance costs

Loss on foreign currency exchange	2,184	31
Other	109	82
	2,293	**113**

24. Administration expenses

Advertising and promotions	32	132
Public relations and donations	8	68
Professional and legal fees	1,336	1,085
Office supplies and other administration expenses	2,623	2,715
	3,999	**4,000**

25. Accommodation costs

Repairs and maintenance	1,917	1,560
Rates and taxes	46	37
Property rent	650	641
Equipment rent	230	393
Utilities	844	958
Insurance	631	597
	4,318	**4,186**

26. Vehicle expenses

Lease cost	716	620
Running cost	157	160
	873	**780**

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

27. Related parties disclosures

The sales to and purchases from related parties are at arm's length. Outstanding balances at the year-end are unsecured and the settlement occur 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 30 June 2019 and 2018.

Related parties balances	**2019**	**2018**
Amounts due from parent related parties:		
Parent company		
National Insurance Board of Trinidad & Tobago (NIBTT)	**2,110**	**2,155**
Amounts due from GORTT related entities including Ministries		
Accounts receivable and prepayments	228,916	320,460
Unbilled project costs	66,729	114,256
	295,645	**434,716**
The balances represent amounts due from related parties for expenses paid on their behalf		
Amounts due to related parties:		
Parent company (Note 15)		
National Insurance Board of Trinidad & Tobago (NIBTT)	**287**	**365**
Amounts due to the GORTT related entities including Ministries:		
Accounts payable and accruals	680	788
Advance project billing	72,609	144,932
Project advances	231,627	364,531
	304,916	**510,251**

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

27. **Related parties disclosures** (continued)	**2019**	**2018**
Transactions with related parties		
GORTT related entities including Ministries		
Income:		
Project and construction management fees	4,650	4,855
Property management and sales	9,588	8,483
Pharmaceutical agent services	2,000	2,000
	16,238	**15,338**
Expenses:		
Accommodation cost	1,547	1,290
Green fund levy	145	40
	1,692	**1,330**
Other transactions with related parties:		
Directors' remuneration	**623**	**551**
Key management remuneration:		
Short-term benefits	5,129	5,406
Long-term benefits	75	92
	5,204	**5,498**

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

28. 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 $229 million (2018: $320.5 million). The largest customer of this segment is the Ministry of Health with an amount of $130 million (2018: $180.4 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 Company 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 is 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 which show that the receivable balance is uncollectable.

	Net maximum exposure	
	2019	**2018**
	$	**$**
Accounts receivable	169,214	284,451
Investment securities	2,687	3,605
Cash and cash equivalents	424,258	561,762
Total credit risk exposure	**596,159**	**849,818**

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

28. Financial risk management (continued)

Overview (continued)

i) Credit risk (continued)

Credit quality per category of financial asset

The credit quality of the balances due from the Company's various counterparties is internally determined from an assessment of each counterparty based on a combination of factors.

These factors include financial strength and the ability of the counterparty to service its debts, the stability of the industry or market in which it operates and its proven track record with the Group. The categories defined are as follows:

Superior: This category includes balances due from Government and Government agencies and balances due from institutions that have been accorded the highest rating by an international rating agency or is considered to have the highest credit rating. These balances are considered risk free.

Desirable: These are balances due from counterparties that are considered to have good financial strength and reputation.

Acceptable: These are balances due from counterparties that are considered to have fair financial strength and reputation.

Sub–standard: Balances that are impaired.

The table below illustrates the credit quality of the Company's trade receivable financial assets as at 30 June:

	Superior $	Desirable $	Acceptable $	Sub–standard $	Total $
2019	167,819	1,395	–	–	169,214
2018	282,638	1,813	–	–	284,451

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

28. Financial risk management (continued)

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.

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:

2019	Carrying amount	Contractual cash flows	0-12 Months	1-5 years	More than 5 years
Assets					
Interest bearing:					
- Cash	90,154	90,154	90,154	–	–
- Restricted cash	334,104	334,104	334,104	–	–
Non-interest bearing:					
- Accounts receivable (Note 10)	169,214	169,214	169,214	–	–
- Investment securities	2,653	2,653	952	1,701	–
	596,125	**596,125**	**594,424**	**1,701**	**–**
Liabilities					
Accounts payable and accruals	361,643	361,643	361,643	–	–
Retention payable	36,302	36,302	15,222	21,080	–
	397,945	**397,945**	**376,865**	**21,080**	**–**
Net	**198,180**	**198,180**	**217,559**	**(19,379)**	**–**

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

28. Financial risk management (continued)

ii) Liquidity risk (continued)

2018	Carrying Amount	Contractual cash flows	0-12 Months	1-5 years	More than 5 years
Assets					
Interest bearing:					
- Cash	125,031	125,031	125,031	–	–
- Restricted cash	436,731	436,731	436,731	–	–
Non-interest bearing:					
- Accounts receivable (Note 10)	284,451	284,451	284,451	–	–
- Investment securities	3,605	3,605	952	2,653	–
	849,818	**849,818**	**847,165**	**2,653**	–
Liabilities					
Accounts payable and accruals	359,781	359,781	359,781	–	–
Retention payable	41,594	41,594	22,121	19,473	–
	401,375	**401,375**	**381,902**	**19,473**	–
Net	**448,443**	**448,443**	**465,263**	**(16,820)**	–

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.

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

28. Financial risk management (continued)

iii) Market risk (continued)

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 30 June 2019, NIPDEC had assets denominated in foreign currencies amounting to $9.7 million (2018: $21.5 million).

The following average exchange rate applied during the respective periods:

	2019	**2018**
EC$	2.408	2.494
US$	6.757	6.727

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 2019 on the basis that all other variables remain constant.

	2019	**2018**
Effect in TT$		
EC$	(12)	(284)
US$	(397)	(503)

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)

28. 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 instrument's 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 30 June 2019:

	Level 1	Level 2	Level 3	Total
Financial assets				
Investment properties	–	37,800	–	37,800
Investment securities (Note 8):				
- Equity securities	–	9,254	–	9,254
- Debt securities	–	2,687	–	2,687
	–	**49,741**	–	**49,741**

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

28. 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 2018:

	Level 1	Level 2	Level 3	Total
Financial assets				
Investment properties	–	34,300	–	34,300
Investment securities (Note 8):				
- Equity securities	–	7,806	–	7,806
- Debt securities	–	3,605	–	3,605
	–	45,711	–	45,711

There were no transfers between the levels for the years ended 30 June 2019 and 2018.

29. 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 shareholders 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). The total liabilities comprise non-current liabilities and current liabilities. The 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:

	2019	2018
Total liabilities	703,834	910,838
Less: Unbilled project costs (Note 11)	(66,729)	(114,256)
Net debt	637,105	796,582
Total equity	196,942	255,083
Debt-to-equity	3.24	3.12

30. Determination of fair values

A number of NIPDEC's accounting policies and disclosures requires 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 and freehold land and building

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's investment property portfolio and freehold land and buildings every 2-3 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. Management conducts annual internal assessments of the fair value of each property in between independent valuations. Fair value is based on directly or indirectly observable inputs (Level 2).

ii) Investment securities

The fair value of investment securities are determined by the market value at the measurement date based on directly or indirectly observable inputs (Level 2).

iii) Other

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

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

31. Commitments and contingencies

Capital commitments

There were no commitments for capital expenditure approved or contracted as at 30 June 2019 (2018: nil).

Operating lease commitments

Future minimum rentals payable under operating leases in respect of office equipment and facilities are as follows:

	2019	**2018**
Due within one year	1,753	1,741
Due after one year but not more than five years	1,411	1,411
	3,164	**3,152**

Operating lease expenses amounting to $0.880 million (2018: $1.034 million) have been incurred during the year and are expensed within accommodation costs.

32. Agency arrangements

NIPDEC holds several fixed rate bonds and one demand loan 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 2022 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 and demand loan 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.

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

32. Agency arrangements (continued)

The principal outstanding on these limited recourse fixed rate borrowings amounted to $4.7 billion at 30 June 2022 (2018: $4.8 billion). An analysis of the borrowings is as follows:

Bonds			**2019**	**2018**
Trustee	**Rate**	**Tenor**		
RBTT Trust Limited	8.75%	October 2006-2018	-	11,927
	6.80%	July 2009-2022	682,000	682,000
First Citizens Trustee Services Limited	6.25%	March 2010-2028	500,000	500,000
	6.10%	September 2010-2028	360,000	360,000
	6.55%	May 2011-2030	750,000	750,000
	6.05%	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
	4.65%	May 2018-May 2032	405,000	405,000
			4,786,000	4,797,927

Demand loan

Lender	**Rate**	**Tenor**		
First Citizens Bank Limited	3.1%	July 2017-July 2021	28,923	49,425

33. Contingent liabilities

As at 30 June 2019, 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. Management estimated contingent liabilities of the amount $0.8 million as only reasonably possible.

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.

34. Dividend

On 7 November 2018, the Company paid an interim dividend of $24.130 million ($965.20 per share) to its parent company, The National Insurance Board of Trinidad and Tobago.

35. 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.

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Designed & Produced by

Damian Joseph
Marketing & Communications Officer
Marketing & Communications Department

NIPDEC

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