

**THE NATIONAL INSURANCE BOARD
OF TRINIDAD AND TOBAGO**

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2021

(Expressed in Trinidad and Tobago Dollars)

Ernst & Young Services Limited



THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

SPECIAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying special purpose financial statements of The National Insurance Board of Trinidad and Tobago ('the Board' or 'NIBTT') which comprise the statement of financial position as at 30 June 2021 and the statements of comprehensive income, cash flows and changes in funds for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Board 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 Board's assets, detection/prevention of fraud, and the achievement of entity's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the National Insurance Act 35 of 1971; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited special purpose financial statements, management utilised the financial reporting provisions of the National Insurance Act. Where the financial reporting provisions of the National Insurance Act is not clear reference is made to International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago to determine the Board's alternative accounting treatments. 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 Board will not remain a going concern up to the date the accompanying special purpose financial statements have been authorised for issue.

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

Executive Director

Chief Operating Officer – Corporate Services

22 December 2021

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Report on the Audit of the Special Purpose Financial Statements

Our Opinion

We have audited the special purpose financial statements of The National Insurance Board of Trinidad and Tobago ("the Board"), which comprise the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of cash flows and the statement of changes in funds for the year then ended and, notes to the special purpose financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2021 and its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of The National Insurance Act.

Basis for Opinion

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 Special Purpose Financial Statements* section of our report. We are independent of the Board in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("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 opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 4 of the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared to assist the Finance Minister of the Government of Trinidad and Tobago in meeting their reporting requirements under the National Insurance Act. As a result, the special purpose financial statements may not be suitable for another purpose. Our report is intended solely for the Government of Trinidad and Tobago, and may be made available to the Inspector of Financial Institutions of the Central Bank of Trinidad and Tobago and should not be distributed to or used by parties other than those stipulated. Our opinion is not modified in respect of this matter.



INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Report on the Audit of the Special Purpose Financial Statements (Continued)

Other information included in the Board's 2021 Annual Report

Other information consists of the information included in the Board's 2021 Annual Report, other than the special purpose financial statements and our auditor's report thereon. Management is responsible for the other information. The Board's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the special purpose 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 special purpose financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit, Risk and Compliance Committee for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the financial reporting provisions of The National Insurance Act, and for such internal control as management determines is necessary to enable the preparation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose financial statements, management is responsible for assessing the Board'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 Board or to cease operations, or has no realistic alternative but to do so.

The Audit, Risk and Compliance Committee is responsible for overseeing the Board's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Report on the Audit of the Special Purpose Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose 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 special purpose financial statements.

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

- Identify and assess the risks of material misstatement of the special purpose 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 Board'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 Board'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 special purpose 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 Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the special purpose financial statements, including the disclosures, and whether the special purpose financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS OF THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

Report on the Audit of the Special Purpose Financial Statements

(Continued)

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statements

(Continued)

We communicate with the Audit, Risk and Compliance 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.

A handwritten signature in blue ink, consisting of the letters 'E' and 'Y' written in a stylized, cursive manner.

Port of Spain
TRINIDAD
31 December 2021

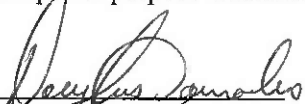
THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)

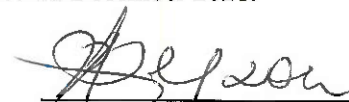
	Notes	2021 \$'000	2020 \$'000
Assets			
Property, plant and equipment	5	225,810	234,182
Investment properties	6	305,363	324,602
Investment in subsidiary companies	7	1,875,333	1,765,890
Investment securities	8	24,054,024	22,779,215
Mortgage advances	9	2,118	2,407
Property being developed for sale	10	613	613
Right-of-use assets	11	7,599	13,818
Other assets	12	972,790	958,070
Cash and cash equivalents	14	<u>3,590,553</u>	<u>2,857,119</u>
Total assets		<u>31,034,203</u>	<u>28,935,916</u>
Funds, reserves and liabilities			
Long-term benefits fund	15	29,605,665	27,451,842
Short-term benefits fund	15	401,644	407,974
Employment injury benefits fund	15	<u>762,531</u>	<u>796,830</u>
Total funds		<u>30,769,840</u>	<u>28,656,646</u>
Revaluation reserve	16	<u>72,624</u>	<u>72,624</u>
Total funds and reserves		<u>30,842,464</u>	<u>28,729,270</u>
Lease liabilities	11	7,779	13,989
Employee benefits liability	13	43,749	99,231
Other liabilities	17	<u>140,211</u>	<u>93,426</u>
Total liabilities		<u>191,739</u>	<u>206,646</u>
Total funds, reserves and liabilities		<u>31,034,203</u>	<u>28,935,916</u>

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

These special purpose financial statements have been authorised for issue on 22 December 2021.


Deputy Chairman


Executive Director


Chief Operating Officer -
Corporate Services

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)

	Notes	2021 \$'000	2020 \$'000
Income			
Contributions			
Employers in compliance		4,086,266	4,138,770
Employers in arrears		424,721	547,790
Voluntary		<u>219</u>	<u>141</u>
		4,511,206	4,686,701
Refunds		<u>(832)</u>	<u>(844)</u>
Total net contributions		<u>4,510,374</u>	<u>4,685,857</u>
Net realised investment income	18	1,087,569	830,496
Net unrealised investment income/(loss)	19	2,101,489	(120,394)
Revaluation of subsidiaries	7	109,443	2,280
Revaluation of property, plant and equipment	5	–	(16,858)
Revaluation of investment properties	6	(19,351)	(13,292)
Penalties and interest		30,604	34,580
Miscellaneous income		<u>3,241</u>	<u>4,137</u>
Total income		<u>7,823,369</u>	<u>5,406,806</u>
Expenditure			
Benefits expenditure			
Long-term		5,257,438	5,067,140
Short-term		200,822	203,987
Employment injury		<u>76,252</u>	<u>79,683</u>
Total benefits expenditure		<u>5,534,512</u>	<u>5,350,810</u>
Administrative expenditure			
Staff salaries, allowances and benefits	20	154,251	151,602
Board of Directors expenses		1,078	850
Depreciation	5	11,863	12,652
Depreciation – right-of-use assets	11	6,219	5,833
Expected credit loss	12	(6,505)	23,157
Other expenses	21	<u>64,239</u>	<u>57,076</u>
Total administrative expenditure		<u>231,145</u>	<u>251,170</u>
Other			
Pension expense		<u>22,439</u>	<u>16,024</u>
Total other		<u>22,439</u>	<u>16,024</u>
Total expenditure		<u>5,788,096</u>	<u>5,618,004</u>
Surplus/(deficit) of income over expenditure		2,035,273	(211,198)
Re-measurement of defined benefit liability	13	<u>77,921</u>	<u>(101,057)</u>
Total comprehensive income/(loss)		<u>2,113,194</u>	<u>(312,255)</u>

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

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)

	2021	2020
	\$'000	\$'000
Cash flows from operating activities		
Surplus/(deficit) of income over expenditure	2,035,273	(211,198)
Adjustments:		
Unrealised investment (income)/loss	(2,101,489)	120,394
Net realised investment (gain)/loss	(50,320)	281,022
(Gain)/loss from foreign exchange	(8,918)	10,819
Depreciation	11,863	12,652
Depreciation – right-of-use assets	6,219	5,833
Pension expense	22,439	16,024
Revaluation of investment in subsidiary companies	(109,443)	(2,280)
Revaluation of property, plant and equipment	–	16,858
Revaluation of investment properties	19,351	13,292
Adjustments to property, plant and equipment	<u>504</u>	<u>(5,352)</u>
Surplus before working capital changes	(174,521)	258,064
Decrease/(increase) in mortgage advances	289	(269)
Decrease in property being developed for sale	–	12,036
Increase in other assets	(14,720)	(27,904)
Increase/(decrease) in other liabilities	<u>46,785</u>	<u>(3,054)</u>
Cash (used in)/generated by operations	(142,167)	238,873
Repayment of principal portion of lease liabilities	<u>(6,210)</u>	<u>(6,220)</u>
Net cash (used in)/generated by operating activities	(148,377)	232,653
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,739)	(2,354)
Purchase of investments	(2,436,644)	(7,278,656)
Sale/maturity of investments	<u>3,322,194</u>	<u>7,487,038</u>
Net cash generated by investing activities	<u>881,811</u>	<u>206,028</u>
Net increase in cash and cash equivalents	733,434	438,681
Cash and cash equivalents at beginning of the year	<u>2,857,119</u>	<u>2,418,438</u>
Cash and cash equivalents at the end of the year	<u>3,590,553</u>	<u>2,857,119</u>

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

THE NATIONAL INSURANCE BOARD OF TRINIDAD AND TOBAGO

STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)

	Long-term benefits		Short-term benefits		Employment injury benefits		Total funds	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Fund balance as at 1 July	27,451,842	27,717,681	407,974	460,830	796,830	790,390	28,656,646	28,968,901
Income								
Contribution	4,014,233	4,217,272	270,622	281,151	225,519	187,434	4,510,374	4,685,857
Penalties and interest	30,075	33,934	151	202	378	444	30,604	34,580
Revaluation of subsidiaries	109,443	2,280	–	–	–	–	109,443	2,280
Revaluation of property, plant and equipment	–	(16,858)	–	–	–	–	–	(16,858)
Revaluation of investment properties	(19,351)	(13,292)	–	–	–	–	(19,351)	(13,292)
Net realised investment income	1,068,645	814,966	5,438	4,860	13,486	10,670	1,087,569	830,496
Net unrealised investment (loss)/income	2,064,923	(118,142)	10,507	(705)	26,059	(1,547)	2,101,489	(120,394)
Miscellaneous income	<u>3,241</u>	<u>4,137</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,241</u>	<u>4,137</u>
Total income	<u>7,271,209</u>	<u>4,924,297</u>	<u>286,718</u>	<u>285,508</u>	<u>265,442</u>	<u>197,001</u>	<u>7,823,369</u>	<u>5,406,806</u>
Expenditure								
<i>Benefits</i>								
Retirement benefit	4,548,580	4,353,563	–	–	–	–	4,548,580	4,353,563
Survivors benefit	456,022	435,567	–	–	–	–	456,022	435,567
Invalidity benefit	76,302	76,581	–	–	–	–	76,302	76,581
Retirement grant	176,534	201,429	–	–	–	–	176,534	201,429
Funeral grant	–	–	66,860	61,635	–	–	66,860	61,635
Sickness benefit	–	–	38,155	42,747	–	–	38,155	42,747
Maternity benefit	–	–	93,167	96,748	–	–	93,167	96,748
Special maternity	–	–	2,640	2,857	–	–	2,640	2,857
Employment injury	–	–	–	–	76,252	79,683	76,252	79,683
	<u>5,257,438</u>	<u>5,067,140</u>	<u>200,822</u>	<u>203,987</u>	<u>76,252</u>	<u>79,683</u>	<u>5,534,512</u>	<u>5,350,810</u>
Administrative expenditure	205,719	226,053	13,869	15,070	11,557	10,047	231,145	251,170
Pension expense	<u>22,017</u>	<u>15,724</u>	<u>135</u>	<u>94</u>	<u>287</u>	<u>206</u>	<u>22,439</u>	<u>16,024</u>
Total expenditure	<u>5,485,174</u>	<u>5,308,917</u>	<u>214,826</u>	<u>219,151</u>	<u>88,096</u>	<u>89,936</u>	<u>5,788,096</u>	<u>5,618,004</u>
Surplus/(deficit)	1,786,035	(384,620)	71,892	66,357	177,346	107,065	2,035,273	(211,198)
Other comprehensive income	76,472	(99,167)	452	(591)	997	(1,299)	77,921	(101,057)
Transfers	<u>291,316</u>	<u>217,948</u>	<u>(78,674)</u>	<u>(118,622)</u>	<u>(212,642)</u>	<u>(99,326)</u>	<u>–</u>	<u>–</u>
Fund at end of year	<u>29,605,665</u>	<u>27,451,842</u>	<u>401,644</u>	<u>407,974</u>	<u>762,531</u>	<u>796,830</u>	<u>30,769,840</u>	<u>28,656,646</u>

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

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)

1. Incorporation and principal activity

The National Insurance Board of Trinidad and Tobago (NIBTT or the Board) was incorporated under the National Insurance Act No. 35 of 1971 (The National Insurance Act), as subsequently amended, and commenced operations in 1972. The principal activity of NIBTT is to carry out the requirements of The National Insurance Act in providing social security benefits to the insurable population of Trinidad and Tobago. The registered office is located at 14-19 Queen's Park East, Port-of-Spain, Trinidad and Tobago.

2. Actuarial review

Section 70 (1) of The National Insurance Act requires an Actuarial Review of the National Insurance System (NIS) at intervals not exceeding five years. The 10th Actuarial Review was conducted as at 30 June 2016 and was completed by the International Labour Organization (ILO) on 30 June 2018. The next actuarial valuation has become due, for the period as at 30 June 2021 and is currently in progress. The main objectives of this review were to assess the long-term financial condition of the National Insurance Fund and to make recommendations for improving its sustainability.

In general, contribution receipts and benefit payments are based on a system of earnings classes. The contribution amount is paid by the employer and the employee in a proportion of two-thirds/one-third respectively. Benefits are grouped into three funds: long-term benefits, short-term benefits and employment injury benefits. The total benefit expenditures and administrative expenses are funded by both contribution income and investment income. Presently the fund is meeting all of its obligations.

3. Legislative amendments

The following legislative amendments were proposed in line with recommendations of the 10th Actuarial Report:

- i. Increase the contribution rate to 16.2 percent;
- ii. the minimum pension should be frozen to give at most 80 per cent of the minimum wage;
- iii. increase retirement age to 65; and
- iv. reduce pension by 6 percent for each year retirement benefit claim before the age of 65.

These recommendations are currently being assessed before any legislative amendments are made.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)
(Continued)

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the special purpose financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

a. Basis of preparation

These special purpose financial statements are prepared in accordance with the financial reporting provisions of The National Insurance Act. In cases where the financial reporting provision is not clear or does not address particular situations, reference is made to International Financial Reporting Standards (IFRS) for guidance in determining NIBTT's accounting policy. The Board and management of NIBTT are currently reviewing its financial reporting framework to determine whether it can in the future prepare its special purpose financial statements in accordance with IFRS.

These special purpose financial statements are the parent company unconsolidated financial statements of NIBTT. NIBTT does not prepare consolidated financial statements. Further, these special purpose financial statements are prepared on the historical cost basis, except for the following items in the statement of financial position:

- Investment securities are measured at fair value;
- Investment properties are measured at fair value;
- Investments in subsidiary companies are measured at fair value;
- Artwork and freehold properties classified as property, plant and equipment are measured at fair value;
- The defined benefit asset/liability is recognised as plan assets, plus unrecognised past service cost, less the present value of the defined benefit obligation and based on actuarial valuations.

The preparation of these special purpose financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, 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.

Information about critical estimates in applying accounting policies that have the most significant effect on the amounts recognised in the special purpose financial statements is included in Note 4q.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)
(Continued)

4. Summary of significant accounting policies (continued)

b. Right-of-use assets and lease liabilities

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets (right-of-use assets) and lease liabilities on the statement of financial position for most leases. Lessees will also now separately recognise interest expense on the lease liability and depreciation expense on the right-of-use asset in the statement of comprehensive income.

Lessor accounting is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The NIBTT adopted IFRS 16 on 1 July 2019 and elected the modified retrospective approach transition option and the practical expedients permitted under this approach. Under the modified retrospective approach, the NIBTT will elect the option to measure the right-of-use asset as the lease liability adjusted for prepaid or accrued payments and the NIBTT will not restate comparative amounts. The most significant impact on the NIBTT was recognising new assets and liabilities for its operating leases of commercial property.

At the date of adoption of IFRS 16, the value of both the right-of-use asset and the lease liability was \$19.651 million.

In addition, the nature of expenses related to these leases changed, as IFRS 16 replaced the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on lease liabilities.

The NIBTT assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021
(Expressed in Trinidad and Tobago Dollars)
(Continued)

4. Summary of significant accounting policies (continued)

b. Right-of-use assets and lease liabilities (continued)

The NIBTT as a lessee

The NIBTT applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The NIBTT recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The NIBTT recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and building 3 – 10 years
- Office equipment 3 – 4 years

If ownership of the leased asset transfers to the NIBTT at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii. Lease liabilities

At the commencement date of the lease, the NIBTT recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the NIBTT uses its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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4. Summary of significant accounting policies (continued)

b. Right-of-use assets and lease liabilities (continued)

iii. Short-term leases and leases of low-value assets

The NIBTT applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term. The NIBTT recognised rent expense from low-value leases of \$1.1 million for the year ended 30 June 2021.

c. Investment in subsidiary companies

Subsidiaries are all entities over which the NIBTT has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. These are as follows:

Companies	Percentage ownership	
	2021	2020
National Insurance Property Development Company Limited (NIPDEC)	100%	100%
Trinidad and Tobago Mortgage Finance Company Limited (TTMF)	51%	51%
Home Mortgage Bank (HMB)	100%	100%

Investment in subsidiary companies are initially recorded at cost and adjusted to fair market value based on valuations conducted by an independent professional valuator. Gains and/or losses arising from the change in fair value are included in the statement of comprehensive income.

Investment in subsidiary companies are valued by an independent valuator and are based on the assumption that they will continue to operate as going concerns and that the principal activities and legal structure of the companies will remain unchanged. NIPDEC and HMB was valued using the asset approach and TTMF was valued using the price to book approach. The Board deems these approaches to be most applicable to the individual entities.

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4. Summary of significant accounting policies (continued)

d. Foreign currency

i. Functional and presentation currency

Items included in these special purpose financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These special purpose financial statements are presented in Trinidad and Tobago dollars, which is NIBTT's functional and presentation currency, unless otherwise stated.

ii. Foreign currency

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date as obtained from the Central Bank of Trinidad & Tobago. All differences arising are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

e. Cash and cash equivalents

Cash and cash equivalents, for the purpose of the statement of cash flows, represent cash and bank balances and highly liquid investments with a maturity period of three months or less.

f. Financial assets

Classification and measurement

Financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Purchase or sales of financial assets are recognized on the trade date, which is the date on which NIBTT commits to purchase or sell the asset.

NIBTT's financial assets include cash and cash equivalents, investment securities, mortgage advances and other assets.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
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4. Summary of significant accounting policies (continued)

f. Financial assets (continued)

Classification and measurement (continued)

From 1 July 2018, NIBTT has applied IFRS 9 and classifies its financial assets in the following measurement categories:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost (AC). The carrying amount of these assets is adjusted by any ECL allowance recognised. NIBTT classified cash and cash equivalents, mortgage advances and other assets at AC.

(ii) Fair value through other comprehensive income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in statement of comprehensive income. NIBTT did not classify any of its financial assets as FVOCI.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for AC or FVOCI are measured at fair value through profit or loss (FVPL). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of comprehensive income in the year in which it arises. NIBTT on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at AC or FVOCI as FVPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through statement of comprehensive income. NIBTT classified investment securities at FVPL.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as mortgage advances, government and corporate bonds and floating NAV mutual funds.

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(Continued)

4. Summary of significant accounting policies (continued)

f. Financial assets (continued)

Classification and measurement (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. Subsequent to initial recognition, NIBTT measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in the statement of comprehensive income.

Classification and subsequent measurement of debt and equity instruments depend on:

- a. NIBTT's business model for managing the asset; and
- b. the cash flow characteristics of the asset.

NIBTT performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

Business model assessment

The business model reflects how NIBTT manages the assets in order to generate cash flows. Factors considered by NIBTT in determining the business model include:

- past experience on how these cash flows were collected;
- the past and future objectives of the portfolio. Specifically whether NIBTT's objective is solely to collect contractual cash flows or to collect both contractual cash flows and cash flows from the sale of the assets;
- determination of assets performance and how this is evaluated and reported to key management personnel; and
- NIBTT's assessment of risk and how these are managed.

NIBTT's main objective for holding financial assets is to provide liquidity support to its Insurance Operations. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the business model and measured at FVPL. An assessment was performed by NIBTT which noted that there would be a liquidity gap in the near future resulting in NIBTT having to sell some of its financial assets. Therefore, the main factor affecting how NIBTT manages its investment portfolio is future liquidity requirements.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
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4. Summary of significant accounting policies (continued)

f. Financial assets (continued)

Classification and measurement (continued)

The solely payments of principal and interest (SPPI) test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, NIBTT assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, NIBTT considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVPL.

NIBTT reclassifies debt instruments when and only when its business model for managing those assets changes. The re-classification takes place from the start of the first reporting year following the change. Such changes are expected to be very infrequent and none occurred during the current year.

Recognition and de-recognition

NIBTT's financial assets and financial liabilities are recognised in the statement of financial position when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the right to receive the cash flows from the asset has expired or where NIBTT has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All "regular way" purchases and sales are recognised at settlement date.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the statement of comprehensive income. In addition, on de-recognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the statement of comprehensive income.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
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(Continued)

4. Summary of significant accounting policies (continued)

f. Financial assets (continued)

Modification of financial assets

If the terms of financial assets have been modified, NIBTT assesses whether or not the new terms are substantially different to the original terms. If the terms are substantially different, NIBTT derecognises the original financial assets and recognises a new financial asset at fair value. The date of modification is consequently considered to be the date of initial recognition for impairment purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. NIBTT also assesses whether the new financial asset is deemed to be credit impaired at initial recognition. Differences in the carrying amount are also recognized in statement of comprehensive income as a gain or loss on derecognition.

If the terms are not substantially different, the modification of the terms do not result in derecognition and NIBTT recalculates the gross carrying amount based on the revised cash flows and recognises a modification gain or loss in the statement of comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit impaired financial assets).

Impairment of financial assets

With respect to impairment of financial assets, NIBTT applied a simplified approach of recognizing expected credit loss (ECL) for contributions receivable. Cash and cash equivalents are short term funds placed with reputable financial institutions and the risk of default is considered to be low, therefore ECL was determined to be nil.

The measurement of the ECL allowance for contributions receivable, measured at amortised cost, is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of employer's defaulting and the resulting losses). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining criteria for significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of ECL;
- establishing groups of similar employers for the purposes of measuring ECL;
- determination of default for contributions receivable;
- establishing the number and relative weightings of forward-looking scenarios for each type of employers and the associated ECL.

NIBTT reviewed and validates the models and inputs to the models to reduce any differences between ECL estimates and actual credit loss experience.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
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4. Summary of significant accounting policies (continued)

g. Mortgage advances

Mortgage advances are financial assets with fixed or determinable payments and are not quoted in an active market created by NIBTT providing money to a debtor other than those created with the intention of short-term profit sharing. Such assets are stated at amortised cost, net of any advances for credit losses using the effective interest method.

Mortgage advances are measured net of provisions for impairment. A mortgage advance is classified as impaired (non-performing) when there is objective evidence that NIBTT will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of NIBTT such as:

- Significant financial difficulties of the borrower
- Actual delinquencies
- Adverse change in the payment status of a borrower
- Bankruptcy or reorganisation by the borrower.

If there is objective evidence that an impairment loss on mortgage advance has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

The allowance which is made during the year, less amounts released, and recoveries of bad debts previously written off, is charged against the revenue and expenditure accounts. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

NIBTT reviews its problem mortgage advances at each reporting date to assess whether an allowance for impairment should be recorded in the statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant mortgage advances, NIBTT also makes a collective impairment allowance where applicable, against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

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4. Summary of significant accounting policies (continued)

h. Investment properties

Investment properties are properties held by NIBTT to earn rental income or for capital appreciation or both. Property held for undetermined future use is regarded as investment properties, as such is held for capital appreciation.

Some properties comprise a portion that is held to earn rental income or for capital appreciation and another portion that is held for use in providing services or for administrative purposes. If these portions can be sold separately or leased out separately under a finance lease, NIBTT accounts for the portions separately as investment properties or property, plant and equipment (Note 4 i) respectively. If the portions cannot be sold separately, the property is classified as investment property, only if an insignificant portion is held for use in providing services or for administrative purposes. Otherwise it is considered property, plant and equipment (Note 4 i).

Investment properties are initially measured at cost. After initial recognition, investment properties are measured at fair value based on valuations conducted by an independent professional valuator. Gains and losses arising from the change in fair value are included in the statement of comprehensive income.

The valuers have adopted standard valuation methods and assumed good title, vacant possession and no unduly restrictive covenants or onerous or unusual outgoings running with the land.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
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4. Summary of significant accounting policies (continued)

i. Property, plant and equipment

Property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees and owner-occupied property awaiting disposal are deemed to be property, plant and equipment.

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses except for artwork and freehold properties which are stated at valuations conducted by independent professional valuers every 3 years. Freehold properties were professionally valued in June 2021 using the market approach (Note 5). Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to NIBTT and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

If an asset's carrying value is increased as a result of a revaluation, the increase is credited directly to reserves under the heading revaluation reserve. If an asset's carrying value is decreased as a result of a revaluation, the decrease is debited directly to equity to the extent of any credit balance existing in the revaluation reserve in respect of that asset. Any decrease in excess of this amount is recognised in the statement of comprehensive income.

Additionally, for those assets that are revalued as at the statement of financial position date, the accumulated depreciation for the revalued assets are credited to the revaluation reserve. The accumulated depreciation for revalued assets is therefore brought to zero.

Depreciation is provided on a straight-line basis at varying rates sufficient to write-off the cost/market value respectively of the assets over their estimated useful lives. The rates used are as follows:

Freehold and leasehold properties	- 2% on buildings
Improvements to premises:	
Owned	- Equal annual instalments over a period of ten years
Leased	- Equal annual instalments over the period of the lease
Machinery, equipment, furniture and fittings:	- 7.5% - 25%
Artwork and motor vehicles	- 25%

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are recognised in the statement of comprehensive income.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
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4. Summary of significant accounting policies (continued)

j. Property being developed for sale

Property available for sale is carried at cost less provisions for impairment. The provision is estimated as the difference between the cost and the selling price of the units available for sale less the estimated cost to complete the units.

k. Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the NIBTT has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

l. Basis of allocation

Contribution income and other income have been allocated to the various fund accounts on the basis set out in the Actuarial Review.

i. Contribution income

	2021	2020
Contribution income is allocated as follows:	%	%
Long-term benefits fund	89	89
Short-term benefits fund	6	6
Employment injury benefit fund	<u>5</u>	<u>5</u>
	<u>100</u>	<u>100</u>

ii. Other income

Other income comprising investment income less expenses, penalty income and pension asset income is allocated to the benefit funds in the ratio of their opening fund balances. Investment expenses comprise direct staff costs and overhead expenses of the investments department and other direct expenses including mortgage management fees and provisions for diminution in value of investments.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
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4. Summary of significant accounting policies (continued)

i. Basis of allocation (continued)

iii. Fund ratios

Based on the recommendations of the eighth actuarial review and maintained in the ninth and tenth actuarial reviews, NIBTT implemented the following: short-term benefit fund and employment injury benefit fund balances will be maintained at 2.0 times and 10 times the respective benefits incurred during the current year, the remaining excess of income over expenditure is to be allocated to the long-term benefit fund.

These fund allocations are based solely on the ratios recommended by the independent actuary and do not represent NIBTT's liability to beneficiaries at 30 June 2021.

m. Employee benefits

i. Short-term

Employee benefits are all forms of consideration given by NIBTT in exchange for service rendered by its employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions and annual leave. It also includes non-monetary benefits such as, medical care and loans; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made and charged as expense. Post-employment benefits are accounted for as described below.

ii. Post-employment

NIBTT contributes to a defined benefit staff pension plan which covers all qualifying employees. Members contribute 5% (2020: 5%) of their pensionable salaries to the plan, whilst NIBTT currently contributes 14% (2020: 14%). All permanent employees are eligible for membership and temporary employees under certain conditions.

The liability recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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4. Summary of significant accounting policies (continued)

m. Employee benefits (continued)

In countries where there is no deep market in such bonds, the market rates on the government bonds are used. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the statement of comprehensive income in the year in which it arise. Past-service costs are recognised immediately in income.

n. Determination of fair values

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

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

i. Investment securities

Investment securities are measured at their fair values based on quoted market prices. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis recent arm's length transaction and other valuation techniques. Professional valuations are also used to value these securities. Where fair value cannot be reliably measured, it is determined by using internally developed models.

The NIBTT uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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4. Summary of significant accounting policies (continued)

n. Determination of fair values (continued)

i. Investment securities (continued)

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued based using its own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as 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 investment, and are regularly assessed for impairment.

ii. Investment in subsidiary companies

An external, independent valuation company, having appropriate recognised professional qualifications and experience is used to value NIBTT's investment in subsidiary companies. In determining the value of subsidiary companies, three (3) valuation methods were considered. The three valuation approaches are income approach, market approach and asset (or cost) approach. The approach best suited to each subsidiary is used to value NIBTT investment in subsidiary companies at year end.

iii. Investment properties and property, plant and equipment at fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, was used by NIBTT to value its investment property portfolio. 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.

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4. Summary of significant accounting policies (continued)

n. Determination of fair values (continued)

iv. Other

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

o. Revenue recognition

i. Contribution

Contribution income is generally accounted for on the cash basis. An accrual is made at the statement of financial position date to take account of employers that have not settled amounts due up to the statement of financial position date. The amount due is estimated using the average of payments made for the past twelve months and applying the average contribution amount to the periods not paid by reference to the date last paid. An expected credit loss is recognised on contributions receivable.

ii. Interest income

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- Purchased or originated credit-impaired financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

p. Benefits

Benefit expenditure is generally accounted for on a cash basis. Benefits paid in the final month of the year which relate to the following year are reflected as a prepayment at the statement of financial position date.

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4. Summary of significant accounting policies (continued)

q. Significant accounting estimates and judgements

The preparation of these special purpose financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future. These assumptions include the following and are further described within the respective notes:

- Impairment losses on contributions receivable
- Fair valuation of financial assets
- Employee benefits

On 30 January 2020, the World Health Organization declared the outbreak, of a novel strain of coronavirus (“COVID-19”), to constitute a “Public Health Emergency of International Concern.” This global outbreak has disrupted supply chains across a range of industries.

While the specific areas of estimate and judgement as noted above did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these special purpose financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Board’s assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

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5. Property, plant and equipment

	Land freehold/ leasehold buildings \$'000	Machinery equipment furniture and fittings \$'000	Motor vehicles \$'000	Art \$'000	Total \$'000
Year ended 30 June 2021					
Cost/valuation at beginning of year	236,017	87,654	4,011	1,295	328,977
Purchases	199	3,040	500	–	3,739
Revaluation	–	–	–	–	–
Adjustments/transfers	<u>(249)</u>	<u>–</u>	<u>(255)</u>	<u>–</u>	<u>(504)</u>
At the end of year	<u>235,967</u>	<u>90,694</u>	<u>4,256</u>	<u>1,295</u>	<u>332,212</u>
Accumulated depreciation at beginning of year	24,435	67,401	2,678	281	94,795
Current year charge	5,612	5,549	607	95	11,863
Revaluation	–	–	–	–	–
Disposal/adjustments	<u>962</u>	<u>(962)</u>	<u>(256)</u>	<u>–</u>	<u>(256)</u>
At the end of year	<u>31,009</u>	<u>71,988</u>	<u>3,029</u>	<u>376</u>	<u>106,402</u>
Net book value	<u>204,958</u>	<u>18,706</u>	<u>1,227</u>	<u>919</u>	<u>225,810</u>
Year ended 30 June 2020					
Cost/valuation at beginning of year	254,956	85,686	5,272	1,295	347,209
Purchases	146	1,968	240	–	2,354
Revaluation	(16,858)	–	–	–	(16,858)
Adjustments/transfers	<u>(2,227)</u>	<u>–</u>	<u>(1,501)</u>	<u>–</u>	<u>(3,728)</u>
At the end of year	<u>236,017</u>	<u>87,654</u>	<u>4,011</u>	<u>1,295</u>	<u>328,977</u>
Accumulated depreciation at beginning of year	16,993	62,927	3,662	185	83,767
Current year charge	7,550	4,474	532	96	12,652
Revaluation	–	–	–	–	–
Disposal/adjustments	<u>(108)</u>	<u>–</u>	<u>(1,516)</u>	<u>–</u>	<u>(1,624)</u>
At the end of year	<u>24,435</u>	<u>67,401</u>	<u>2,678</u>	<u>281</u>	<u>94,795</u>
Net book value	<u>211,582</u>	<u>20,253</u>	<u>1,333</u>	<u>1,014</u>	<u>234,182</u>

Note:

Valuation of land and freehold and leasehold buildings has been expressed by way of open market values as determined by valuations conducted by independent professional valuers every 3 years.

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6. Investment properties

	1 July 2020	Additions	Appreciation/ (depreciation) in fair value	Transfers	2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	119,602	112	(1,651)	–	118,063
Land	<u>205,000</u>	<u>–</u>	<u>(17,700)</u>	<u>–</u>	<u>187,300</u>
	<u>324,602</u>	<u>112</u>	<u>(19,351)</u>	<u>–</u>	<u>305,363</u>
	1 July 2019	Additions	Appreciation/ (depreciation) in fair value	Transfers	2020
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	140,044	–	(20,442)	–	119,602
Land	<u>197,850</u>	<u>–</u>	<u>7,150</u>	<u>–</u>	<u>205,000</u>
	<u>337,894</u>	<u>–</u>	<u>(13,292)</u>	<u>–</u>	<u>324,602</u>

Rental income from investment properties during the year amounted to \$7.8 million (2020: \$7.78 million). Direct operating expenses incurred on investment properties during the year amounted to \$5.4 million (2020: \$1.46 million).

The valuation of the investment properties was conducted as at June 2021 by an independent professional valuator in accordance with the Royal Institute of Chartered Surveyors valuation – professional standards.

The Income Approach which considers a property's potential cash flow and analyses the present worth of the anticipated future benefits to the owner over an assumed holding period was the methodology used to value the buildings.

The market approach and residual technique were utilised for the valuation of land. The market approach measures the value of a property by comparing recent sales or offerings of similar or substitute property and related market data. The residual technique begins with an estimate of gross proceeds of sale that are expected from the sale of developed lots in the proposed sub-division. All costs (hard and soft) associated with the development of the proposed sub-division, together with an allowance for entrepreneurial profit are then deducted from the estimated gross proceeds of sale. Development costs obtained from engineers and entrepreneurial profit is based on discussions with developers. This technique was utilised in the valuation of the lands at Palmiste.

For all other properties where the market approach was adopted the value in the special purpose financial statements are based on its highest and best use.

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7. Investment in subsidiary companies

The investments in subsidiary companies comprise the following companies reported at fair value:

	2021	2020
	\$'000	\$'000
NIPDEC	163,333	174,280
TTMF	612,000	566,610
HMB	<u>1,100,000</u>	<u>1,025,000</u>
	<u>1,875,333</u>	<u>1,765,890</u>

Movement in the carrying value of investments in subsidiaries is as follows:

2021	NIPDEC	TTMF	HMB	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2020	174,280	566,610	1,025,000	1,765,890
Market value adjustments	<u>(10,947)</u>	<u>45,390</u>	<u>75,000</u>	<u>109,443</u>
Balance as at 30 June 2021	<u>163,333</u>	<u>612,000</u>	<u>1,100,000</u>	<u>1,875,333</u>
2020	NIPDEC	TTMF	HMB	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2019	182,000	566,610	1,015,000	1,763,610
Market value adjustments	<u>(7,720)</u>	<u>—</u>	<u>10,000</u>	<u>2,280</u>
Balance as at 30 June 2020	<u>174,280</u>	<u>566,610</u>	<u>1,025,000</u>	<u>1,765,890</u>

The cost of investment in subsidiaries is as follows:

2021	NIPDEC	TTMF	HMB	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2020	25,000	7,200	496,404	528,604
Purchases	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 30 June 2021	<u>25,000</u>	<u>7,200</u>	<u>496,404</u>	<u>528,604</u>
2020	NIPDEC	TTMF	HMB	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 30 June 2019	25,000	7,200	496,404	528,604
Purchases	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Balance as at 30 June 2020	<u>25,000</u>	<u>7,200</u>	<u>496,404</u>	<u>528,604</u>

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8. Investment securities	2021	2020
	\$'000	\$'000
Fair value through profit or loss:		
Bonds (8 i.)	8,459,281	8,818,362
Equities (8 ii.)	15,172,352	12,842,594
Mutual funds (8 iii)	422,391	569,233
Amortised cost:		
Treasury bills	—	250,000
Fixed deposits	—	299,026
	<u>24,054,024</u>	<u>22,779,215</u>

The analysis below shows the composition of the various investment categories.

i. *Bonds*

Foreign	378,871	526,804
Government	4,934,786	5,008,831
Corporate	<u>3,145,624</u>	<u>3,282,727</u>
	<u>8,459,281</u>	<u>8,818,362</u>

Local and corporate bonds earn interest at rates varying between to 1.95% and 11.75% (2020: 1.95% and 12.25%).

ii. <i>Equities</i>	2021	2020
	\$'000	\$'000
Quoted		
Foreign	5,611,528	3,872,529
Local	9,322,665	8,710,545
Unquoted	<u>238,159</u>	<u>259,520</u>
	<u>15,172,352</u>	<u>12,842,594</u>
iii. <i>Mutual funds</i>		
Quoted		
Foreign	—	68,516
Local	367,191	446,337
Unquoted	<u>55,200</u>	<u>54,380</u>
	<u>422,391</u>	<u>569,233</u>

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8. Investment securities (continued)

The following table shows an analysis of investment securities recorded at fair value by level of fair value hierarchy:

	Level 1	Level 2	Level 3	Total
30 June 2021	\$'000	\$'000	\$'000	\$'000
Bonds	2,005,333	6,453,948	–	8,459,281
Equities	14,934,193	236,509	1,650	15,172,352
Mutual funds	<u>367,191</u>	<u>–</u>	<u>55,200</u>	<u>422,391</u>
	<u>17,306,717</u>	<u>6,690,457</u>	<u>56,850</u>	<u>24,054,024</u>
30 June 2020	\$'000	\$'000	\$'000	\$'000
Bonds	1,756,403	7,061,959	–	8,818,362
Equities	12,583,238	257,706	1,650	12,842,594
Mutual funds	<u>514,853</u>	<u>–</u>	<u>54,380</u>	<u>569,233</u>
	<u>14,854,494</u>	<u>7,319,665</u>	<u>56,030</u>	<u>22,230,189</u>

The following table shows a reconciliation of all movement in the fair value of investment securities categorised within level 3 between the beginning and end of the reporting year:

	2021	2020
	\$'000	\$'000
Balance at the beginning of the year	56,030	55,220
Transfers/Repayments	820	–
Net unrealised gain	<u>–</u>	<u>810</u>
Balance at the end of the year	<u>56,850</u>	<u>56,030</u>

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9. Mortgage advances

Mortgage balances are stated net of specific allowance for non-performing advances as follows:

	2021	2020
	\$'000	\$'000
Gross mortgage advances	52,473	52,762
Specific allowance for non-performing advances (ECL stage 3)	<u>(50,355)</u>	<u>(50,355)</u>
	<u>2,118</u>	<u>2,407</u>

The movement in the specific allowance for non-performing advances was as follows:

	2021	2020
	\$'000	\$'000
Balance as at beginning of the year	50,355	48,458
Movement for the year	<u>—</u>	<u>1,897</u>
Balance as at end of the year	<u>50,355</u>	<u>50,355</u>

Mortgage advances earn interest at an average effective rate of 8.00% (2020: 8.00%).

10. Property being developed for sale

In 2004, the NIBTT commenced development of a residential gated community in D'Abadie, O'Meara known as Riverwoods comprising of single-family homes and townhouses. The development was successfully completed in 2017.

	2021	2020
	\$'000	\$'000
The carrying value of properties being developed for sale was arrived at as follows:		
Cost as at 1 July	613	12,649
Units sold	<u>—</u>	<u>(12,036)</u>
	<u>613</u>	<u>613</u>

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11. Leases

Below are the carrying amounts of right-of-use assets and lease liabilities recognized and the movements during the year:

2021	Land and building \$'000	Office equipment \$'000	Total \$'000
Right-of-use assets			
Balance – beginning of year	9,975	3,843	13,818
Additions	–	–	–
Depreciation expense	<u>(5,029)</u>	<u>(1,190)</u>	<u>(6,219)</u>
Balance – end of year	<u>4,946</u>	<u>2,653</u>	<u>7,599</u>
Leased liabilities			
Balance – beginning of year	10,146	3,843	13,989
Additions	–	–	–
Accretion of interest	277	171	448
Principal payments	<u>(5,297)</u>	<u>(1,361)</u>	<u>(6,658)</u>
Balance – end of year	<u>5,126</u>	<u>2,653</u>	<u>7,779</u>
Current			6,109
Non-current			1,670

The following amounts are recognized in the statement of comprehensive income:

	2021 \$'000	2020 \$'000
Depreciation expense of right-of-use assets	6,219	5,833
Interest expense on lease liabilities	<u>448</u>	<u>559</u>
	<u>6,667</u>	<u>6,392</u>

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11. Leases (continued)

2020	Land and building \$'000	Office equipment \$'000	Total \$'000
Right-of-use assets			
Balance – beginning of year	–	–	–
Additions	15,106	4,545	19,651
Depreciation expense	<u>(5,131)</u>	<u>(702)</u>	<u>(5,833)</u>
Balance – end of year	<u>9,975</u>	<u>3,843</u>	<u>13,818</u>
Leased liabilities			
Balance – beginning of year	–	–	–
Additions	15,106	4,545	19,651
Accretion of interest	440	119	559
Principal payments	<u>(5,400)</u>	<u>(821)</u>	<u>(6,221)</u>
Balance – end of year	<u>10,146</u>	<u>3,843</u>	<u>13,989</u>
Current			6,109
Non-current			7,880

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as at 30 June 2019, as follows:

Operating lease commitments as at 30 June 2019	21,236
Weighted average incremental borrowing rate as at 1 July 2019	<u>3.71%</u>
Discounted operating lease commitments as at 1 July 2019	19,651
Less: Commitments relating to short-term leases and leases of low-value assets	–
Add: Commitments relating to leases previously classified as finance leases	<u>–</u>
Lease liabilities as at 1 July 2019	<u>19,651</u>

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12. Other assets	2021 \$'000	2020 \$'000
Investment income receivable	93,574	89,061
Sundry debtors	67,342	63,036
Prepayments	392,290	370,806
Contributions receivable	<u>419,584</u>	<u>435,167</u>
	<u>972,790</u>	<u>958,070</u>
<u>Contributions receivable</u>		
Gross contributions receivable	472,639	494,727
Less: Expected credit losses	<u>(53,055)</u>	<u>(59,560)</u>
	<u>419,584</u>	<u>435,167</u>
The movement in the expected credit losses is as follows:		
Balance – beginning of year	59,560	36,403
Movement during the year	<u>(6,505)</u>	<u>23,157</u>
Balance – end of year	<u>53,055</u>	<u>59,560</u>
<u>Claims receivable: Clico Investment Bank Limited (CIB)</u>		
Gross amount	313,630	313,306
Provision for impairment	<u>(313,630)</u>	<u>(313,306)</u>
Carrying amount	<u>—</u>	<u>—</u>

Over the period September 2008 to January 2009, the NIBTT deposited sums of money with Clico Investment Bank Limited (CIB) as Investment Note Certificates (INC). In November 2009, legal action was initiated by the NIBTT due to breach on the part of CIB claiming the sums of US\$102,506,129 and TT\$46,493,563. On 27 September 2011, judgement was awarded in favour of the NIBTT in the sums of both claims with interest at the rate of 6% per annum from the dates of maturity of each deposit to the date of judgement.

On or about October 2011, CIB was placed in compulsory liquidation and Deposit Insurance Corporation (DIC) appointed Liquidator.

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12. Other assets (continued)

By letters dated 31 July 2017, the DIC acknowledged and admitted the NIBTT's claims up to date of appointment of the Liquidator (17 October 2011) as follows:

- TT\$45,200,876 and TT\$6,577,051 principal and interest respectively; and
- US\$99,652,121 and US\$14,943,218 principal and interest respectively.

DIC also advised that these amounts have been admitted by the Liquidator and are listed among the other unsecured creditors of Clico Investment Bank Limited – In Compulsory Liquidation for which settlement can take place only after the secured creditors have been settled. In light of this, the NIBTT has adopted a prudent approach and maintained the full provision on this debt established in 2013. The NIBTT remains committed to exhausting all efforts to recover this debt.

By letter dated 18 April 2018 the DIC advised that, pursuant to the Order of the High Court (CV2010-01442) dated 25 January 2018, the Liquidator has been ordered to pay liability instruments:

- i.* Interest at a rate of 6% per annum to those creditors previously entitled to a contractual rate of more than 6% per annum, and to maintain the original rate where that rate of interest was less than 6% per annum, up to the date of the Winding Up Order namely, 17 October 2011.

The Liquidator has also been ordered to:

- ii.* Convert to Trinidad and Tobago Dollars all foreign currency instruments as at the date of the Winding Up Order namely, 17 October 2011 and to make any and all dividend distribution in Trinidad and Tobago Dollars.

As a direct result of the above on 1 May 2018 an amount of TT\$358,177,860 was received and a second payment on 14 May 2018 to the value of TT\$46,367,839 was also recovered totalling \$404,545,699.

Also in the year ended 30 June 2019, on 4 December 2018 an amount of TT\$18,568,106 was received and a second payment on 10 December 2018 to the value of TT\$2,403,730 was also recovered totalling \$20,971,836. Foreign exchange loss of \$333,000 was recorded as at 30 June 2021 (2020: \$333,000) in relation to the balance receivable.

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13. Post-employment benefit

The amounts recognised in the statement of financial position are as follows:

	2021	2020
	\$'000	\$'000
<i>Net asset in statement of financial position</i>		
Present value of defined benefit obligation	1,148,026	1,098,789
Fair value of assets	<u>(1,104,277)</u>	<u>(999,558)</u>
Net defined benefit (liability)/asset	<u>43,749</u>	<u>99,231</u>
<i>Movement in present value of defined benefit obligation</i>		
Defined benefit obligation at start of year	1,098,789	979,692
Current service cost	29,895	29,581
Interest cost	59,369	52,758
Members' contributions	4,442	4,331
Re-measurements		
- Experience adjustments	(5,241)	50,488
- Actual losses from changes in demographic assumptions	—	23,393
Benefits paid	<u>(39,228)</u>	<u>(41,454)</u>
Defined benefit obligation at end of year	<u>1,148,026</u>	<u>1,098,789</u>

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

	2021	2020
Active	47%	47%
Deferred members	1%	1%
Pensioners	52%	52%

The weighted average duration of the defined benefit obligation 16.5 years.

94% of the value of the benefits for active members is vested.

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

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	2021	2020
13. Post-employment benefit (continued)	\$'000	\$'000
<i>Movement in fair value of plan assets</i>		
Fair value of plan assets at start of year	999,558	997,542
Interest income	54,370	54,187
Return on plan assets, excluding interest income	72,680	(27,176)
Board contributions	12,455	12,128
Members' contributions	4,442	4,331
Benefits paid	<u>(39,228)</u>	<u>(41,454)</u>
Fair value of plan assets at end of year	<u>1,104,277</u>	<u>999,558</u>
Actual return on plan assets	<u>127,050</u>	<u>27,011</u>
<i>Asset allocation</i>		
Regionally listed equities (prices quoted on regional exchanges)	297,180	262,608
Overseas equities (developed markets outside of CARICOM)	210,287	147,786
TT\$ Gov't and Gov't Guaranteed bonds (no quoted market prices)	472,368	478,166
TT\$ corporate bonds (no quoted market prices)	63,385	64,369
US\$ bonds (no quoted market prices)	13,303	22,154
Mortgages (no quoted market prices)	—	—
Local equity/income mutual fund	10,415	9,831
Cash and cash equivalents	<u>37,339</u>	<u>14,644</u>
Fair value of plan assets at end of year	<u>1,104,277</u>	<u>999,558</u>

All asset values as at 30 June 2021 were provided by the Plan's Investment Manager (First Citizens Asset Management Limited).

The majority of the Plan's government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the Plan.

	2021	2020
	\$'000	\$'000
<i>Expense recognised in profit or loss</i>		
Current service cost	29,895	29,581
Net interest on net defined benefit liability/(asset)	4,999	(1,429)
Board contributions	<u>(12,455)</u>	<u>(12,128)</u>
Net pension cost	<u>22,439</u>	<u>16,024</u>

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13. Post-employment benefit (continued)	2021	2020
	\$'000	\$'000
<i>Re-measurements recognised in comprehensive income</i>		
Experience (gains)/losses	(77,921)	101,057
Effect of asset ceiling	<u>—</u>	<u>—</u>
Total amount recognised in comprehensive income	<u>(77,921)</u>	<u>101,057</u>
<i>Reconciliation of opening and closing statement of financial position entries</i>		
Opening defined benefit liability/(asset)	99,231	(17,850)
Net pension cost	34,894	28,152
Re-measurements recognised in comprehensive income	(77,921)	101,057
Board contributions paid	<u>(12,455)</u>	<u>(12,128)</u>
Closing defined benefit liability/(asset)	<u>43,749</u>	<u>99,231</u>
	2021	2020
Discount rate	5.5%	5.5%
General salary increases	4.0%	4.0%
Salary increases due to age, merit and promotion	1.0%	1.0%
Total individual salary increases	5.0%	5.0%
Future pension increases	3.0%	3.0%
Life expectancy at age 60 for current pensioner in years		
-Male	21.8	21.8
-Female	26.1	26.0
Life expectancy at age 60 for current members age 40 in years		
-Male	22.7	22.7
-Female	27.0	27.0
<i>Sensitivity analysis</i>	1%pa lower	1%pa higher
	\$000	\$000
Discount rate	204,645	(157,818)
Future salary increases	(40,395)	46,853
Future pension increases	(118,822)	144,903

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at 30 June 2021 by \$25.8 million (2020: \$24.3 million).

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

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13. Post-employment benefit (continued)

Funding

NIBTT 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. NIBTT expects to pay contributions of \$12.8 million to the pension plan during 2021/22. However, this amount could increase if outstanding pay negotiations are completed during the year.

14. Cash and cash equivalents	2021	2020
	\$'000	\$'000
Cash at bank (TT\$)	2,794,604	2,233,095
Cash at bank (US\$)	276,113	100,635
Money Market Fund (TT\$)	2,584	2,549
Money Market Fund (US\$)	<u>517,252</u>	<u>520,840</u>
	<u>3,590,553</u>	<u>2,857,119</u>

15. Benefits fund

The benefits fund comprise the following funds:

- Long-term benefits fund which is held to cover retirement pensions, retirement grants, invalidity and survivors' benefits for qualifying persons.
- Short-term benefits fund which is held to cover sickness and maternity benefits and funeral grants for qualifying persons.
- Employment injury benefits fund which is held to cover employment injury benefits to eligible insured persons.

As described in Notes 2 and 4, the benefits fund balances do not represent NIBTT's liability to beneficiaries but instead reflects the allocation of the accumulated fund based on the application of certain ratios as advised by NIBTT's Actuary.

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16. Revaluation reserve

The revaluation reserve reflects gains or losses on revaluation of freehold properties.

	2021	2020
	\$'000	\$'000
Opening balance for the year	<u>72,624</u>	<u>72,624</u>
Closing balance for the year	<u><u>72,624</u></u>	<u><u>72,624</u></u>
17. Other liabilities		
Sundry creditors and accruals	123,565	78,620
Provision for other payables	<u>16,646</u>	<u>14,806</u>
	<u><u>140,211</u></u>	<u><u>93,426</u></u>
18. Net realised investment income		
Interest income – local	408,460	416,372
Dividend income – local	339,959	285,726
Rental income	7,951	7,787
Miscellaneous income	5,242	6,351
Income – mutual funds	13,625	9,295
Income – foreign equity	80,400	72,490
Income – foreign bonds	14,214	20,940
Gain on sale of foreign equities	201,304	32,650
Gain/(loss) from foreign exchange	8,918	(10,819)
Gain on sale of foreign bonds	6,838	–
Gain on sale of mutual funds	<u>33,896</u>	<u>20,288</u>
Total realised investment income	1,120,807	861,080
Investment expense	<u>(33,238)</u>	<u>(30,584)</u>
Net realised investment income	<u><u>1,087,569</u></u>	<u><u>830,496</u></u>

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	2021	2020
	\$'000	\$'000
19. Net unrealised investment income/(loss)		
Local equity	590,342	92,469
Foreign equity	1,368,377	(102,800)
Mutual funds	9,578	(22,879)
Foreign bonds	6,099	9,661
Local bonds	<u>127,093</u>	<u>(96,845)</u>
	<u>2,101,489</u>	<u>(120,394)</u>
20. Staff salaries, allowances and benefits		
Pension contributions (Note 13)	12,455	12,128
Salaries and other related expenses	130,043	126,613
Group health plan	2,292	2,193
National insurance contributions	7,324	7,557
Training	871	1,605
Travelling and subsistence	911	1,135
Other	<u>355</u>	<u>371</u>
	<u>154,251</u>	<u>151,602</u>
21. Other expenses		
Janitorial	5,103	4,342
Advertising and publicity	2,115	1,780
Bank charges	1,829	1,827
Electricity	2,549	2,892
Insurance	2,421	1,988
Legal and professional	10,391	9,326
Printing stationery and office supplies	2,097	1,940
Rent	1,100	1,165
Repairs and maintenance – equipment	2,857	1,945
Repairs and maintenance – premises	5,335	4,737
Security	8,416	12,626
Pension administration	6,466	232
Telephone	8,646	5,140
Interest expense – leases (Note 11)	448	559
Other	<u>4,466</u>	<u>6,577</u>
	<u>64,239</u>	<u>57,076</u>

As at 30 June 2021, administrative expenses amounted to 5.12% (2020: 5.36%) of contribution income and this did not exceed the limit established by NIBTT of 7.5%.

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22. Contingent liabilities and capital commitments

i. Pending litigation and outstanding appeals

As at 30 June 2021, there were certain legal proceedings outstanding against NIBTT. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise.

ii. Industrial relations

A provision of \$87.41 million (2020: \$60 million) has been made in the accounts for wage negotiations up to June 2021 for bargaining units A & B staff.

23. Related party transactions and balances

Parties are considered to be 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. These transactions were carried out on normal terms and conditions at market rates.

The following table provides the total amount of balances and transactions, which have been entered into with related parties for the relevant financial year.

i. Transactions with related parties

During the years ended 30 June 2021 and 2020, NIBTT carried out the following significant transactions with related parties during the course of normal operations:

	2021	2020
	\$'000	\$'000
Net investments/(redemptions) in debt of subsidiary companies	(233,900)	(50,984)
Interest received	<u>131,236</u>	<u>36,196</u>
	<u>(102,664)</u>	<u>(14,788)</u>

ii. Balances due to/from related parties

The amounts due to/from related companies comprise of the following:

Balance due to	<u>3,143</u>	<u>3,143</u>
Balance due from	<u>2,896</u>	<u>2,896</u>

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23. Related party transactions and balances (continued)

iii. Transactions with key management personnel

In addition to their salaries, NIBTT also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

	2021	2020
	\$'000	\$'000
Short-term employee benefits	5,386	4,870
Post-employment benefits	<u>1,728</u>	<u>2,352</u>
Balance due	<u>7,114</u>	<u>7,222</u>

24. Taxation

The Board was established under the laws of Trinidad and Tobago and is not subject to income, capital gains or other corporate taxes. The Board's operations do not subject it to taxation in any other jurisdictions, except for withholding taxes imposed by certain countries on investment income and capital gains for investments domiciled in those countries.

25. Financial risk management

The NIBTT's activities expose it to credit risk, liquidity risk and market risk. Its principal financial instruments comprise investment securities, mortgage advances, other assets and cash and cash equivalents.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. NIBTT is mainly exposed to credit risk with respect to its investment securities (excluding equities), mortgage advances, other assets and cash and cash equivalents. Credit risk is the single largest risk for the Board due to the magnitude of the balances of these assets; management therefore carefully manages its exposure to credit risk. The executive management team therefore carefully manages its exposure to credit risk and reports to the Board of Directors regularly. The Board has established a credit quality review process involving regular analysis of the ability of borrowers and other counterparties to meet interest and capital repayment obligations.

The Board limits its exposure to credit risk by investing in liquid securities and with counterparties that have high credit quality. As a consequence, management's expectation of default is low. The Board limits its exposure with respect to its investment portfolio by investing only in securities issued by the Government of Trinidad and Tobago or institutions with high credit worthiness.

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25. Financial risk management (continued)

Credit risk (continued)

The Board has documented investment policies which facilitate the management of credit risk on investment securities and resale agreements. The Board's exposure and the credit ratings of its counterparties are continually monitored.

In respect to the mortgage portfolio, constant monitoring is also employed. The necessary contact with mortgagors is maintained to ensure that payments are received in a timely manner, where necessary mortgage re-scheduling is done, which considers the borrowers new financial position. In the event where recovery may seem doubtful, specific loss allowances are made.

Exposure to credit risk on receivables is managed through regular analysis of the ability of continuing customers and new customers to meet repayment obligations.

Cash and cash equivalents are held in financial institutions which management regards as strong and there is no significant concentration. The strength of these financial institutions is continually reviewed by the Mark to Market Committee.

The carrying amount of investment securities (excluding equities), mortgage advances, other assets and cash and cash equivalents represent the maximum credit exposure. The following table shows the maximum exposure to credit risk without taking account of any collateral or other credit enhancements:

	2021	2020
	\$'000	\$'000
Bonds	8,459,281	8,818,362
Mutual funds	422,391	569,233
Treasury bills	–	250,000
Fixed deposits	–	299,026
Mortgage advances	2,118	2,407
Contributions receivable	419,584	435,167
Other assets	553,206	522,903
Cash and cash equivalents	<u>3,590,553</u>	<u>2,857,119</u>
Total credit risk exposure	<u>13,447,133</u>	<u>13,754,217</u>

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

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25. Financial risk management (continued)

Credit risk (continued)

The maximum exposure to credit risk for investment securities (excluding equities), mortgage advances, other assets and cash and cash equivalents at the reporting date by location was:

	2021	2020
	\$'000	\$'000
Trinidad and Tobago	11,967,806	12,081,047
North America	866,851	1,077,345
Europe	583,204	557,010
Other Caribbean	<u>29,272</u>	<u>38,815</u>
Total geographic concentration	<u>13,447,133</u>	<u>13,754,217</u>

The Board applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contribution receivables.

To measure the expected credit losses, contribution receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of contributions over a period of 36 months before 30 June 2021 and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of registered employers to settle the receivables. The Board has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. The impact of COVID-19 on these factors resulted in the application of further judgement within those identified areas.

Contribution receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Board, and a failure to make payments for a period of greater than 365 days past due. Impairment losses on contribution receivables are presented as net impairment losses within administrative expenditure. Subsequent recoveries of amounts previously written off are credited against the same line item.

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25. Financial risk management (continued)

Credit risk (continued)

On that basis, the loss allowance as at 30 June 2021 and 2020 was determined as follows:

	ECL rate %	Gross contributions receivable \$'000	ECL allowance \$'000	Net contributions receivable \$'000
30 June 2021				
Current	0.99	346,202	3,418	342,784
More than 30 days	15.21	63,893	9,720	54,173
More than 60 days	37.07	12,588	4,667	7,921
More than 90 days	47.09	18,624	8,770	9,854
More than 180 days	71.44	16,988	12,136	4,852
More than 365 days	100.00	<u>14,344</u>	<u>14,344</u>	<u>—</u>
		<u>472,639</u>	<u>53,055</u>	<u>419,584</u>
	ECL rate %	Gross contributions receivable \$'000	ECL allowance \$'000	Net contributions receivable \$'000
30 June 2020				
Current	0.98	380,783	3,724	377,059
More than 30 days	15.56	31,292	4,872	26,420
More than 60 days	39.05	23,892	9,336	14,556
More than 90 days	54.28	26,238	14,251	11,987
More than 180 days	72.10	18,445	13,300	5,145
More than 365 days	100.00	<u>14,077</u>	<u>14,077</u>	<u>—</u>
		<u>494,727</u>	<u>59,560</u>	<u>435,167</u>

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25. Financial risk management (continued)*Liquidity risk*

Liquidity risk is the risk that the Board will encounter difficulty in meeting obligations associated with financial instruments when they fall due under normal and stress circumstances. To mitigate this risk the daily liquidity position for both operational and the payment of benefits is monitored to ensure that the bank accounts are adequately serviced. Transfers are done between bank accounts and the excess of contribution income over benefit payments are taken up and invested to earn above average interest rate margins through investing in high quality, high yielding assets with acceptable risk.

Parliament mandated that benefit payments be made from current monthly contributions as per the National Insurance Act.

The table below analyses the undiscounted cash flows of the Board's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

30 June 2021	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
Financial assets				
Lease liabilities	6,109	1,670	–	7,779
Other liabilities	<u>140,211</u>	<u>–</u>	<u>–</u>	<u>140,211</u>
	<u>146,320</u>	<u>1,670</u>	<u>–</u>	<u>147,990</u>
30 June 2020	Up to one year \$'000	One to five years \$'000	Over five years \$'000	Total \$'000
Financial assets				
Lease liabilities	6,109	7,880	–	13,989
Other liabilities	<u>93,426</u>	<u>–</u>	<u>–</u>	<u>93,426</u>
	<u>99,535</u>	<u>7,880</u>	<u>–</u>	<u>107,415</u>

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(Continued)

25. Financial risk management (continued)

Market risk – interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Board is primarily exposed to interest rate risk with respect to its fixed rate debentures, government securities and bonds.

At the reporting date, the interest rate profile of the Board interest bearing financial instruments was:

Asset allocation - 2021	<1 mth \$'000	1-3 mths \$'000	3 mths- 1 yr \$'000	1 yr- 5 yrs \$'000	Over 5 yrs \$'000	Non- interest bearing \$'000	Total \$'000
Bonds	–	–	–	3,702,596	4,756,685	–	8,459,281
Equities	–	–	–	–	–	15,172,351	15,172,351
Mutual funds	–	–	–	–	–	422,391	422,391
Other assets	–	–	–	–	–	972,790	972,790
Cash and cash equivalents	<u>2,802,566</u>	<u>519,837</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>268,150</u>	<u>3,590,553</u>
Total	<u>2,802,566</u>	<u>519,837</u>	<u>–</u>	<u>3,702,596</u>	<u>4,756,685</u>	<u>16,835,682</u>	<u>28,617,366</u>

Asset allocation - 2020	<1 mth \$'000	1-3 mths \$'000	3 mths- 1 yr \$'000	1 yr- 5 yrs \$'000	Over 5 yrs \$'000	Non- interest bearing \$'000	Total \$'000
Bonds	376	192,169	943,398	3,669,929	4,012,490	–	8,818,362
Treasury bills	–	70,000	180,000	–	–	–	250,000
Fixed deposits	–	75,000	224,026	–	–	–	299,026
Equities	–	–	–	–	–	12,842,594	12,842,594
Mutual funds	–	–	–	–	–	569,233	569,233
Other assets	–	–	–	–	–	958,070	958,070
Cash and cash equivalents	<u>2,030,846</u>	<u>523,389</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>302,884</u>	<u>2,857,119</u>
Total	<u>2,031,222</u>	<u>860,558</u>	<u>1,347,424</u>	<u>3,669,929</u>	<u>4,012,490</u>	<u>14,672,781</u>	<u>26,594,404</u>

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25. Financial risk management (continued)

Market risk – interest rate risk (continued)

Fair value sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year-end would have increase/(decrease) the total funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2021 and 2020.

	100bp increase	100bp decrease
	\$'000	\$'000
June 2021	(369,593)	369,593
June 2020	(383,280)	383,280

Market risk – currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from its financial assets. The Board has no financial liabilities denominated in currencies other than the reporting currency. The table below summaries the Board's exposure to currency risks:

As at 30 June 2021	TT	US	Total
	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents	2,797,188	793,365	3,590,553
Bonds	6,217,471	2,241,810	8,459,281
Equities	9,371,974	5,800,378	15,172,352
Mutual funds	422,391	–	422,391
Fixed deposits	–	–	–
Treasury bills	–	–	–
Right-of-use assets	7,599	–	7,599
Mortgage advances	2,118	–	2,118
Other assets	<u>972,790</u>	<u>–</u>	<u>972,790</u>
Total financial assets	<u>19,791,531</u>	<u>8,835,553</u>	<u>28,627,084</u>

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25. Financial risk management (continued)

Market risk – currency risk (continued)

As at 30 June 2020	TT \$'000	US \$'000	Total \$'000
Assets			
Cash and cash equivalents	2,235,644	621,475	2,857,119
Bonds	6,553,109	2,265,253	8,818,362
Equities	8,788,896	4,053,698	12,842,594
Mutual funds	500,717	68,516	569,233
Fixed deposits	299,026	–	299,026
Treasury bills	250,000	–	250,000
Right-of-use assets	13,960	–	13,960
Mortgage advances	2,407	–	2,407
Other assets	<u>958,070</u>	<u>–</u>	<u>958,070</u>
Total financial assets	<u>19,601,829</u>	<u>7,008,942</u>	<u>26,610,771</u>

The following significant exchange rates were applied during the year:

	Average mid rate		Reporting date spot rate	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
USD	6.7474	6.7400	6.7474	6.7553

Sensitivity analysis

A 1% strengthening/weakening of TTD against USD at year end would have decreased/increased the total funds by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2021 and 2020.

	2021 \$'000	2020 \$'000
TTD + / - 1%	88,356	70,089

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25. Financial risk management (continued)

Market risk – equity price risk

Equity price risk is the risk that investments held in the portfolio will fluctuate due to changes in market price.

The Board invests in financial instruments that are traded on registered exchanges. These securities are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Board has set investment objectives to reduce its market risk by setting limits to its exposure by geographical concentration and industry sector. Through ongoing daily control procedures, management closely monitors the exposure of the Board's investment portfolio to changes in market prices and is therefore able to mitigate the market risk resulting from fluctuations in underlying prices.

The table below summarises the Board's exposure to price risk by geographical concentrations:

	2021	2020
	\$'000	\$'000
Trinidad and Tobago	9,604,294	9,020,535
North America	<u>5,568,058</u>	<u>3,822,059</u>
Total geographic concentration	<u>15,172,352</u>	<u>12,842,594</u>

26. Staff complement

The staff complement as at 30 June 2021 was 635 (2020: 667).

27. Subsequent events

There were no subsequent events noted by management up to the date of authorisation of the special purpose financial statements that require adjustment to or disclosure in these special purpose financial statements.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment, in particular on employment and contribution income, and the continued lack of market transactions which are ordinarily a strong source of evidence for valuations of investments. Actual economic events and conditions in the future may be materially different from those estimated by the Board at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, this may have further adverse impacts to contribution income and the fair value of the Board's investment in subsidiaries and properties. At the date of these special purpose financial statements, an estimate of the future effects of the COVID-19 pandemic on the Board's portfolio cannot be made, as the impact will depend on the magnitude and duration of the economic downturn, with the full range of possible effects unknown.