NATIONAL INVESTMENT FUND

HOLDING COMPANY LIMITED

Annual Report 2018

NATIONAL INVESTMENT FUND
HOLDING COMPANY LIMITED

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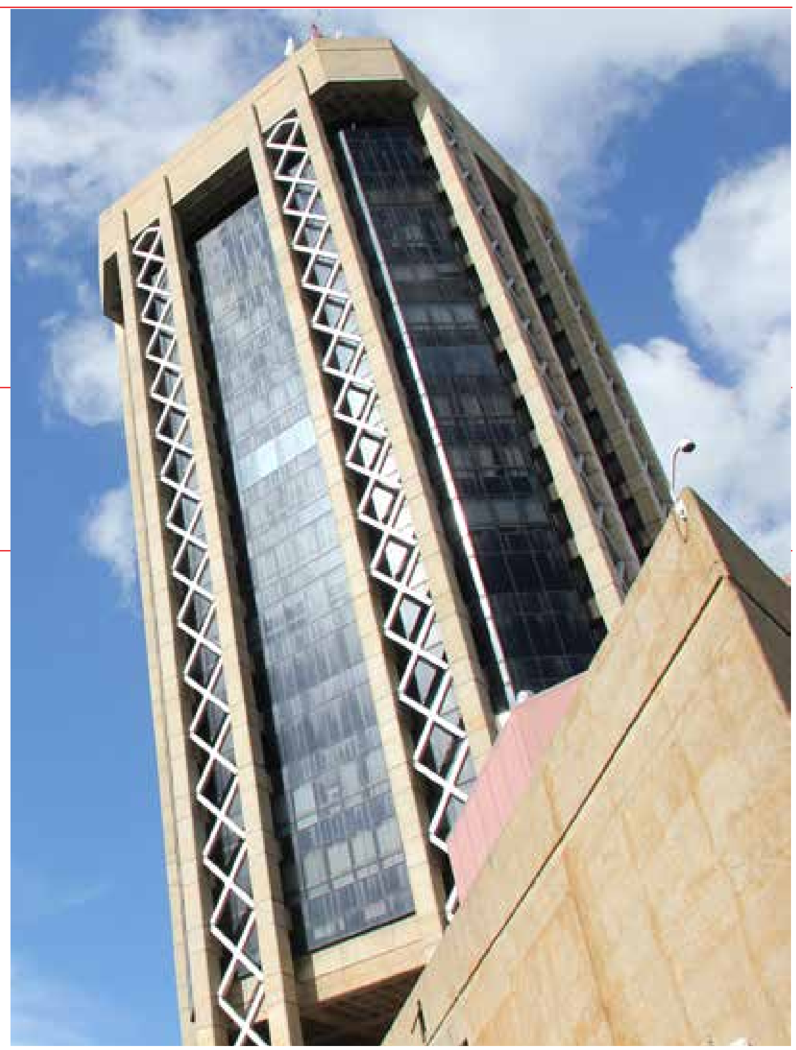
NATIONAL INVESTMENT FUND
HOLDING COMPANY LIMITED

Email: nif@gov.tt
Website: nif-tt.com
Tel: 1 (868) 612-9700
Ext 1208/9



Design & Layout: Paria Publishing Co. Ltd.
Photos of Eric Williams Financial Complex: Alice Besson
Photos of Directors: Michael Bonaparte
Printing: The Office Authority

Chairman's Statement

NIF has had a successful launch.

I am pleased to report that the National Investment Fund Holding Company Limited (NIF) has had a successful launch. During the period July 12 to August 9 2018, the public of Trinidad and Tobago expressed confidence in NIF through an over- subscription of the company-issued $4.0 billion coupon rate bonds in three (3) series:

A - $1.2 billion with a rate of 4.5 percent and maturity of five (5) years

B - $1.6 billion with a rate of 5.7 percent and maturity of twelve (12) years

C - $1.2 billion with a rate of 6.6 percent and a maturity of twenty (20) years

On February 8, 2019 NIF made its first distribution interest payment of $112.2 million to its 7,894 bondholders. This represents the first semi-annual coupon payment on the three (3) series of its $4.0 billion bond which began trading on September 4, 2019. The second semi-annual coupon payment would be made on August 9 2019.

The financial results of NIF for the period May 29 2018 when NIF was incorporated to December 31 2018, end of its first financial year, was broadly satisfactory. The results were consistent with the financial model as outlined in the Prospectus dated July 12 2018. The dividend flows in the second half of 2018 more than covered the first distribution interest payment.

The sound performance of the company underlines the technical viability of the design of NIF, which was articulated in the 2019 Budget Statement. The bondholders understood clearly the attributes of the asset-backed corporate bond issued by NIF.

Incorporated on May 29 2018 as a holding company, NIF structured its portfolio in July 2018 initially with high-quality equity investments from Colonial Life Company (Trinidad) Limited (CLICO) and CLICO Investment Bank Limited (CIB in liquidation), more than 20.0 percent Angostura Holdings Company Limited (AHL), Republic Financial Holdings Limited (RFHL) and One Caribbean Media Limited (OCM), and a minority equity investment in West Indian Tobacco Company Limited (WITCO). Additionally, the total shareholding of Trinidad Generation Unlimited (TGU) a wholly owned Government enterprise was transferred to NIF.

The issue of the bond enabled the Government to monetise such assets in the repayment of the debt owed to the Government by CLICO and CIB (in liquidation) arising out of the bailout of CLICO in 2009. The bond proceeds were utilised for the re-payment of the $4.0 billion Loan Note to Government for the financial assets transferred to NIF. On October 5 the Note was fully repaid and facilitated the non-debt financing of the 2019 National Budget.

The three (3) series NIF bonds are being traded on the corporate bond market and with rising demand, the prices of the bonds have been increasing, thereby providing bondholders with opportunities for capital gains additional to their receipt of periodic fixed interest income.

Finally, I wish to express my appreciation to my colleagues on the Board of Directors of NIF who have devoted significant time and effort for ensuring the integrity of the operations of NIF and establishing it as a major investment holding company in our capital market.

Mr. Vishnu Dhanpaul
Chairman

Notice of Meeting

Notice is hereby given that the Meeting of Shareholders of the National Investment Fund Holding Company Limited (NIF) ("the Company") will be held at Level 8 Eric Williams Financial Building, Independence Square, Port of Spain on Thursday May 16 2019 commencing at 10:30 a.m. for the following purposes:

1. To receive and, if approved, adopt the financial statements of the company for the year ended December 31 2018 and the reports of the Directors and auditors.
2. To appoint auditors and empower the Directors to determine the auditors' remuneration in respect of the period ending at the conclusion of the next Annual Meeting of the company.
3. To transact any other business which may properly be brought before the meeting.

By order of the Board

Corporate Secretary

Port of Spain

April 1 2019

NOTE: A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, upon a poll, vote instead of him. A proxy need not be a member of the Company.

Corporate Information

Board of Directors

Vishnu Dhanpaul - Chairman
Jennifer Lutchman
Hayden Manzano
Nadira Lyder
Dexter Jaggernauth
Nnika Watson

Corporate Secretary

C. Frank & Associates Ltd.
6 Lloyd Street
San Juan
(868) 681-7012

Registered Office

Level 2, Eric Williams Financial Building
Independence Square
Port of Spain
Trinidad And Tobago
(868) 612-9700 Ext 1208/9

Bankers

First Citizens Bank Limited
Independence Square
Port of Spain
(868) 625-2893-6

Auditors

PKF Chartered Accountants And Business Advisors
111 Eleventh Street
Barataria
(868) 235-5063

Attorneys

Fitzwilliam, Stone, Furness-Smith &Morgan
48-50 Sackville Street
Port of Spain
(868)625-5107-9

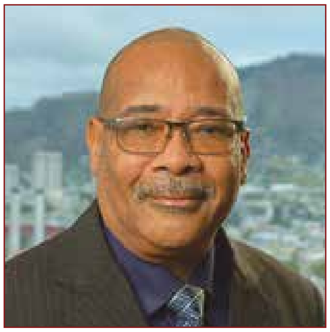
Registrar

Trinidad And Tobago Central Depository
10th Floor, Nicholas Towers
63-65 Independence Square
Port of Spain

Board of Directors


Vishnu Dhanpaul
Chairman


Jennifer Lutchman


Hayden Manzano


Nadira Lyder


Dexter Jaggernauth


Nnika Watson

Management Discussion & Analysis

The National Investment Fund Holding Company Limited (NIF) recorded profit-before-tax of $272.8 million for the period ended December 31 2018.

Revenue

Revenue of $364.4 million consisted of dividend income of $152.9 million from our investee companies while the net fair value gain on our financial assets amounted to $209.0 million.

Expenses

Finance costs of $91.55 million were mainly due to accrual of interest on the three series of the $4.0 billion bond issue with operating expenses of $1.3 million representing just 0.35 percent of revenues.

Total Assets

As at December 31 2018 total assets stood at $8.3 billion comprising investments of $8.1 billion and cash at bank of $159.8 million. Compared to our opening balance sheet on July 6 2018, investments increased by $209.0 million due to appreciation in the share prices of our investee companies.

Reserves

A reserve of $5.0 million was established during 2018 to provide for any shortfalls in dividends received compared to projected values which may impact timely coupon payments.

Liquid Assets

Liquid assets, comprising our operating bank account, stood at $159.8 million at period end. Our major expenditure during 2019 will comprise bond coupon payments in February and August of $112.2 million each.

Accounting Policy

The National Investment Fund Holding Company Limited, as an investment entity and in accordance with International Financial Reporting Standards (IFRS), has chosen to record its financial assets at fair value through profit and loss.

$272.8 million
profit-before-tax

$159.8 million
liquid assets

$364.4 million
revenue

$8.3 billion
total assets

Statement of Management's Responsibilities

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of National Investment Fund Holding Company, which comprise the statement of financial position as at December 31 2018, the statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company 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 Companies Act; and
- using reasonable and prudent judgment in the determination of estimates.

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

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

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

Signed
Date: 20 February 2019

Signed
Date: 20 February 2019

PKF

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholders
National Investment Fund Holding Company Limited

Opinion

We have audited the financial statements of the National Investment Fund Holding Company Limited, which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in equity and cash flows for the period then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Investment Fund Holding Company Limited as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of National Investment Fund Holding Company Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement and Classification of Financial Instruments under IFRS 9

The company adopted IFRS 9 (Financial Instruments) during the financial year.

Measurement and Classification of Financial Assets
IFRS 9 introduced a new measurement and classification approach for financial assets, reflecting both the business model in which financial assets are managed and the underlying cash flow characteristics. The three (3) principal classifications of financial assets, required by IFRS 9 are:

- ✓ measured at amortised cost;
- ✓ at fair value through other comprehensive income; and
- ✓ at fair value through profit and loss.

INDEPENDENT AUDITORS' REPORT (Cont'd)

Measurement and Classification of Financial Instruments under IFRS 9 (cont'd)

Measurement and Classification of Financial Assets (cont'd)
The measurement and classification of financial assets under IFRS 9 is considered a key audit matter because its application requires significant judgement, particularly in the determination of:

- ✓ whether financial assets should be subsequently measured at amortised cost or at fair value; and
- ✓ the impact of forward looking estimates of macro-economic factors.

As at the financial year end, the Company's financial assets included equity investments in four (4) listed companies quoted on the Trinidad and Tobago Stock Exchange; and one 100% equity investment which was not. The fair value of the investment which was not quoted on the Trinidad and Tobago Stock Exchange was determined as at 31 December 2018 by an independent firm of valuators, using valuation methodologies.

In accordance with IFRS 9, all equity investments are measured at fair value with gains/losses recognised in profit or loss, except for those equity investments for which the Company has elected to present gains/losses through Other Comprehensive Income (OCI). This election was not taken up by the Company.

IFRS 9 also introduced an expected credit losses (ECL) impairment model, resulting in the early recognition of impairment. This model is exclusively for the determination of impairment of financial assets measured at amortised cost. ECL is:

- ✓ an unbiased;
- ✓ probability-weighted amount;
- ✓ that reflects a range of possible outcomes;
- ✓ and the time value of money;
- ✓ based on reasonable and supportable information;
- ✓ about past events, current conditions and forecasts of future conditions; and
- ✓ that is available without undue cost or effort.

Management performed an assessment of impairment of all its financial assets as at the year end date.

In the audit of the Company's application of IFRS 9 to its financial assets, our procedures focussed on the following:

- an assessment of the Company's business model, as well as the classification and valuation of financial assets.
- verification of the market prices of those equity investments actively traded on the Trinidad and Tobago Stock Exchange.
- an evaluation of the accuracy of the valuation report prepared by the independent valuators on the investment in the subsidiary which was not traded in the active market, as well as an assessment of the reasonableness of underlying assumptions.
- a review of management's assessment of impairment of financial assets and determination of expected credit losses.

Based on the procedures outlined above, the auditors noted no material exceptions in the Company's application of IFRS 9 to the measurement and classification of its financial assets.

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INDEPENDENT AUDITORS' REPORT (Cont'd)

Measurement and Classification of Financial Instruments under IFRS 9 (cont'd)

Measurement and Classification of Financial Liabilities
IFRS 9 requires that all financial liabilities be initially measured at fair value net of transaction costs. Subsequent measurement of financial liabilities would depend on the classification of the liability – whether at amortised cost or fair value. Financial liabilities held for trading must be measured at fair value through profit and loss while all other financial liabilities must be at amortised cost, unless the fair value option is applied.

The Company's financial liabilities are stated at amortised cost. With respect to the liabilities relating to the Bonds, which represent 99% of the total liabilities, the effective interest rate (EIR) method was used to allocate the finance costs (interest and issuance costs) to profit and loss. Management prepared its calculations using the EIR method to amortised the finance cost over the respective term periods of the bonds.

In the audit of the Company's application of IFRS 9 to its financial liabilities, our procedures focussed on the following:

- an assessment of the classification and valuation of the Company's financial liabilities.
- a review of the EIR calculations for financial liabilities.
- a review of management's determination of the current portion of financial liabilities.

Based on the procedures outlined above, the auditors noted no material exceptions in the Company's application of IFRS 9 to the measurement and classification of its financial liabilities.

Other information included in the Company's 2018 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we concluded that there is a material misstatement of this other information, we are required to communicate the matter to the Board of Directors.

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT (Cont'd)

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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INDEPENDENT AUDITORS' REPORT (Cont'd)

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so, would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Mark K. Superville.

PKF

Barataria
TRINIDAD
20 February 2019

Statement of Financial Position

As at 31 December 2018

	Notes	2018 ($'000)
ASSETS		
Current Assets:		
Cash at bank	5	159,825
Prepayments		56
Total Current Assets		159,881
Non-Current Assets:		
Investments	6	8,150,026
Total Assets		**8,309,907**
LIABILITIES AND EQUITY		
Current Liabilities:		
Accruals		28
Accrued bond interest		89,145
Government subvention	7	1,940
Total Current Liabilities		91,113
Non-Current Liabilities:		
Bonds	8	3,959,934
Deferred Government Subvention	9	40,066
Total Non-Current Liabilities		4,000,000
Total Liabilities		4,091,113
Equity:		
Stated capital	10	3,940,967
Reserve	11	5,000
Retained Earnings		272,827
Total Equity		4,218,794
Total Liabilities and Equity		**8,309,907**

These financial statements were approved by the Board of Directors and authorised for issue on 20 February 2019 and signed on their behalf by:

Director

Director

(The accompanying notes form part of these financial statements.)

Statement of Comprehensive Income

For the period ended 31 December 2018

	Notes	2018 ($'000)
Income:		
Dividend income	12	152,913
Other income - Government Subvention	13	2,409
Other income - net fair value gains on financial assets	14	209,059
Total Income		364,381
Expenditure:		
Operating expenses	15	1,304
Finance costs		90,250
Total Expenses		91,554
Net profit for the period		**272,827**

(The accompanying notes form part of these financial statements.)

Statement of Changes in Equity

For the period ended 31 December 2018

	Stated Capital ($'000)	Retained Earnings ($'000)	Reserves ($'000)	Total ($'000)
Balance as at start of the period	-	-	-	-
Issue of ordinary shares	3,940,967		-	3,940,967
Bond interest payment reserve (see Note 11)	-	-	5,000	5,000
Net profit for the period	-	272,827	-	272,827
Balance as at end of the period	**3,940,967**	**272,827**	**5,000**	**4,218,794**

(The accompanying notes form part of these financial statements.)

Statement of Cash Flows

For the period ended 31 December 2018

	2018 ($'000)
Operating Activities:	
Net profit for the period	272,827
Dividends received	(152,913)
Other income - net fair value gains on financial assets	(209,059)
	(89,145)
Working capital changes:	
Net change in prepayments	(56)
Net change in accruals	28
Net change in government subvention	1,940
Cash used in operating activities	(87,233)
Investing Activities:	
Acquisition of investments	(7,940,967)
Dividends received	152,913
Net cash used in investing activities	(7,788,054)
Financial Activities:	
Net change in share capital	3,940,967
Net change in bonds	3,959,936
Net change in deferred government subvention	40,064
Net change in accrued bond interest	89,145
Net increase in reserve	5,000
Net cash provided by financing activities	8,035,112
Net change in cash at bank	159,825
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalent at the end of the period	**159,825**

(The accompanying notes form part of these financial statements.)

Notes to the Financial Statements

31 December 2018

1. Incorporation and Principal Business Activity

The National Investment Fund Holding Company Limited ("NIF" or "the Company") was incorporated in the Republic of Trinidad and Tobago on 29 May 2018. The registered office of the Company is Level 2, Eric Williams Financial Building, Independence Square, Port-of-Spain.

The Company is a holding company for the assets transferred from the Government of the Republic of Trinidad and Tobago (GORTT) initially being investments in the Trinidad Generation Unlimited, Angostura Holdings Limited, Republic Financial Holdings Limited, One Caribbean Media Limited and West Indian Tobacco Company Limited. All financial assets were transferred to the Company on 6 July 2018 at fair market value with the exception of Trinidad Generation Unlimited which was based on an independent valuation as at 31 July 2017.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and are stated in thousands in Trinidad and Tobago dollars (rounded to the nearest thousand). They were authorised for issue by the Board of Directors on 20 February 2019.

The financial statements have been prepared on the historical cost basis, except for the use in the measurement of fair value of financial assets.

(b) New Accounting Standards and Interpretations

The accounting policies used in the preparation of the financial statements are in compliance with applicable IRFSs for the period ended 31 December 2018.

Impact of the adoption of IFRS 9

The Company adopted IFRS 9 during the year with the most significant impact on the classification and measurement of financial instruments held by NIF.

New and revised IFRSs in issue but not adopted

(i) The Company has not adopted the following new standards and interpretations that were issued but not applicable (annual periods beginning on or after 1 January 2018):

IFRS 15	–	Revenue from Contracts with Customers
IFRS 2	–	Share-based Payments: Amendment to Classification and Measurement of Share-based Payment Transactions
IFRS 4	–	Insurance Contracts: Application of IFRS 9
IAS 40	–	Investment Property: Amendment to Transfer of Investment Property
IFRIC 22	–	Foreign Currency Transactions and Advance Consideration

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1	–	First-time adoption of IFRSs
IFRS 12	–	Disclosure of Interest in Other Entities
IAS 28	–	Investment in Associates and Joint Ventures

Notes to the Financial Statements (continued)

31 December 2018

2. Summary of Significant Accounting Policies (continued)

(b) New Accounting Standards and Interpretations (continued)

New and revised IFRSs in issue but not yet effective

(ii) The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective (annual periods on or after 1 January 2019) as they either do not apply to the activities of the company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS9	Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019).
IFRS 16	Leases (effective for accounting periods beginning on or after 1 January 2019).
IFRS 17	Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021).
IAS 28	Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
IAS 40	Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).
IFRIC 23	Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).
IAS 19	Employee Benefits - Amendment for plan amendment curtailment or Settlement (effective for accounting periods beginning on or after 1 January 2019).

Annual improvements to IFRSs 2015 – 2017 cycle

IFRS 3	–	Business Combinations
IFRS 11	–	Joint Ventures
IAS 12	–	Income Taxes
IAS 23	–	Borrowing Cost

(c) Investments in Associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control. IAS 28 – Investments in Associates and Joint Ventures states that where an entity holds 20% or more of the voting power in an investee, it will be presumed that the investor has significant influence unless it can be clearly demonstrated that this is not the case.

NIF has more than 20% shareholding in three companies - Republic Financial Holdings Limited, One Caribbean Media Limited and Angostura Holdings Limited and thus has classified these companies as Associates in accordance with IAS 28. Associates are usually accounted for using the equity method of accounting, however, NIF has elected to adopt the exception under IAS 28 and has valued these financial assets at fair value.

All said financial assets are listed securities with the Trinidad and Tobago Stock Exchange.

Notes to the Financial Statements (continued)

31 December 2018

2. Summary of Significant Accounting Policies (continued)

(c) Investments in Associates (continued)

In accordance with IFRS 9 – Financial Instruments, fair value gains and losses of these financial assets are recorded net through the profit and loss.

The investment in West Indian Tobacco Company Limited is a minority equity investment where fair value gains or losses are reported at fair value through the profit and loss.

(d) Investment in Subsidiary

The Company owns 100% in the Trinidad Generation Unlimited (TGU) whose registered office is located on the 3rd Floor, Colfire Building, 128 Mulchan Seuchan Road, Chaguanas, Trinidad. TGU's principal activity is 'to engage in the acquisition, construction, ownership and operation, management and maintenance of power generation facilities.'

Although TGU is a subsidiary of NIF, its financial statements were not consolidated with the Company in accordance with the requirements of IFRS 10 Consolidated Financial Statements. IFRS 10 states that a company classified as an investment entity shall not consolidate a subsidiary company and would measure the investment at fair value through the profit and loss.

An investment entity refers to an entity whose business purpose is to invest funds obtained from investors solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis.

NIF meets the definition of an investment entity under IFRS 10.

(e) Cash and Cash Equivalents

Cash and cash equivalents refers to bank account balances held at First Citizens Bank Limited at the reporting date.

(f) Prepayments

This amount represents payments made as a result of billed in advance services at the beginning of the service period not extending beyond a year.

(g) Financial Instruments

All financial instruments are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs:

1. ***Financial assets***

IFRS 9 divides all financial assets into two classifications – those measured at amortised cost and those measured at fair value. Where assets are measured at fair value, gains or losses are either recognised entirely in profit or loss (fair value through profit and loss or FVPL) or recognised in other comprehensive income (fair value through other comprehensive income or FVOCI).

Notes to the Financial Statements (continued)

31 December 2018

2. Summary of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

1. ***Financial assets (continued)***

The classification of a financial asset is made at the time it is initially recognised, namely when the entity becomes party to the contractual provisions of the instrument. If certain conditions are met, the classification of an asset may subsequently need to be reclassified.

The Company has adopted IFRS 9 and classifies its financial assets based their contractual cash flows characteristics and the business models under which they are held.

A business model refers to how an entity manages its financial assets in order to generate cash flows. It is determined at a level that reflects how groups of financial assets are managed rather than at an instrument level. IFRS 9 identifies three types of business models:

- *Hold to collect and sell* – under this model, the objective is to both collect contractual cash flows and sell the financial asset.
- *Hold to collect* – under this model, the objective is to hold financial assets to collect their contractual cash flows rather than with a view to selling the asset to generate cash flows. There is, however, no requirement that the financial assets are always held to their maturity.
- *Other* – these business models are those that do not meet the criteria under the hold to collect and the hold to collect and sell models.

Based on these factors, the Company classifies its assets into one of the following three measurement categories:

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. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in the income statement using the effective interest rate method.

Fair value through other comprehensive income

Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss. The income from these financial assets is included in the income statement using the effective interest rate method.

Fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Income from these financial assets is included in income statement using the effective interest rate method.

Notes to the Financial Statements (continued)

31 December 2018

2. Summary of Significant Accounting Policies (continued)

(g) Financial Instruments (continued)

1. *Financial assets (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. The Company subsequently measures all equity investments at fair value through profit or loss.

Dividends are recognised in profit or loss when the Company's right to receive payments is established. Gain and losses on equity investments classified as FVPL are included in the income statement.

Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and the Company transfers substantially all the risks and rewards of ownership.

2. *Financial Liabilities*

Classification and subsequent measurement

The Company's financial liabilities include accruals, accrued bond interest, and bonds payable (net of transaction costs) and are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

(h) Accruals

Accruals represent amounts recognised in the profit and loss at fair value in relation to services rendered to the end of the reporting period or expected services to the end of the reporting period.

Trade payables and accruals are normally settled within a period of 30-days with the exception of bond interest payable which is payable biannually on February 9 and August 9.

(i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. 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 other 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 a 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 the passage of time is recognised in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

31 December 2018

2. Summary of Significant Accounting Policies (continued)

(j) Revenue Recognition

Revenue is recognised when realised or realisable, and is earned irrespective of when the compensation is actually received.

(i) ***Dividend Income***

Dividend income is recognised when the right to receive payment is established.

(ii) ***Government Subvention***

Government Subventions received by the Company to treat with recurrent expenditure and bond issuance cost are recognised as income in the profit and loss on a systematic basis, proportionate to amounts the subventions are intended to compensate.

The Government Subvention relating to future periods are reported in the balance sheet as deferred Government Subvention.

(iii) ***Other Net Changes in Fair Value on Financial Assets***

Financial assets are measured at fair value and the net fair value gains and losses are assessed on a monthly basis and charged to profit and loss.

(k) Taxation

The Company is exempt from Corporation Tax in accordance with the Corporation Tax (Amendment) Act No. 11 of 2018 which was assented to on July 10, 2018.

(l) Stated Capital

The stated capital of the Company is categorised within equity and is recognised at fair value of the amount received.

3. Financial Risk Management

The Company is exposed to two main types of financial risk, being credit risk and liquidity risk. However, NIF is not exempted from market risk though it may be considered minimal.

The Company, as an investment entity, is exposed to these financial risks because its income is predominantly acquired through the receipt of dividends from its financial assets.

(a) Credit Risk

Credit risk, is the risk of poor performance of the Company's financial assets which may impede its ability to meet certain contractual payments. The Company is dependent on entities within its financial assets portfolio to make timely dividend payments as per projected values.

Significant adverse variances between projected and actual dividend receipts may result in default of its contractual obligations. Forecasting by management is done of estimated dividend amounts and intervals utilising proper basis for judgments used in determining estimated dividend amounts and intervals.

Notes to the Financial Statements (continued)

31 December 2018

3. Financial Risk Management (continued)

(a) Credit Risk (continued)

The Company, through its investment policy continually seeks out other viable sources of income to treat with untimely shortfalls in dividend receipts. Constant review and management of the Company's investment initiatives ensures that its credit risk is minimised.

(b) Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties in discharging its financial obligations (liabilities) with respect to repayment of its debt security (bond): both the interest and principal payments. This risk arises when the maturity of assets and liabilities does not match.

(i) Bond Interest Payments –

This refers to the Company's ability to meet its financial obligation to its bond holders with respect to bi-annual interest payments commencing February 9, 2018 to August 9, 2038.

The potential risk is managed through the provision of a reserve and the creation of an investment policy to ascertain other viable short-term gains. An initial reserve of $5 million was established as a buffer for unexpected shortfalls in projected dividend payments.

(ii) Bond (Principal) Payments –

The risk that the Company can become party to default in repaying its principal debt to bondholders in the years of repayment 2023, 2030 and 2038.

The Company, to minimise possibility of default on repayment of the principal amount, established a sinking fund account whereby systematic amounts will be deposited from time to time. The sinking fund account is governed by the Deed of Charge (Accounts) managed by First Citizens Trustee Services.

The Company's exposures to liquidity risk is summarised in the table below which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date.

	2018 ($'000)			
	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**
Financial Assets				
Cash at bank	159,825	-	-	159,825
Prepayments	55	-	-	55
Investments	-	-	8,150,026	8,150,026
	159,880	-	8,150,026	8,309,906
Financial Liabilities				
Accruals	28	-	-	28
Accrued bond interest	89,145	-	-	89,145
Bonds	-	1,200,000	2,800,000	4,000,000
	89,173	1,200,000	2,800,000	4,089,173

Notes to the Financial Statements (continued)

31 December 2018

3. Financial Risk Management (continued)

(c) Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

Changes in interest rates in the market, can affect the value of the bonds being traded on the corporate bond market. An increase in the market rate of interest may cause a decline in the market price of the bonds.

In the short to medium term the Company, may have to consider increasing its borrowing capacity in the form of another issue of bonds.

(i) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is not exposed to significant interest rate risk as it currently holds no financial assets or liabilities that are affected by fluctuations in the prevailing levels of interest rates except for balances held in bank accounts. Interest rates on the Bonds are fixed.

(ii) Currency risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company exposure to foreign exchange risk is currently limited to its investment in subsidiary, Trinidad Generation Unlimited (TGU), which is valued in United States Dollars.

(d) Other Risks

In addition to the risks listed above, the Company also considers:

(i) Operational Risk -

Operational risk is the risk derived from deficiencies relating to the Company's information technology and control systems, as well as the risk of human error and natural disasters. The Company is currently establishing the necessary systems required to minimise this risk and when implemented, the system would be continuously maintained and upgraded.

(ii) Compliance Risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Securities and Exchange Commission of Trinidad and Tobago, as well as by the monitoring of controls applied by the Company.

(iii) Reputation Risk -

The risk of loss of reputation arising from the negative publicity relating to the Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company applies procedures to minimise this risk.

Notes to the Financial Statements (continued)

31 December 2018

3. Financial Risk Management (continued)

(d) Other Risks (continued)

In addition to the risks listed above, the Company also considers:

(iii) Reputation Risk (continued) –

The Company, prior to the offer of the three series bonds, enlisted the service of Caribbean Information and Credit Rating Services Limited (CariCRIS) and attained a high regional rating of CariAA.

The Company also entered into covenants that are enforceable obligations such as: the Subscription Agreement, the Paying Agency Agreement, the Deed of Charge (Shares and Securities) and (Accounts) and the Trust Deed. The establishment of a sinking fund account was created to treat with a partial redemption of the bonds.

4. Significant Accounting Estimates, Assumptions and Judgments:

The preparation of the financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements, are as follow:

(i) Whether financial assets are classified as Fair Value Through Profit and Loss (FVTPL) or Fair Value Through Other Comprehensive Income (FVTOCI);

(ii) Whether financial liabilities are measured at Fair Value Through Profit and Loss (FVTPL) or Amortised Cost; and

(iii) Whether the Company is considered an investment entity in accordance with IFRS 10 Consolidated Financial Statements. This is required for the classification and measurement of the investment in TGU.

All financial assets are measured at FVTPL (see Note 2c and 2d) and the Company considers itself an investment entity in accordance with IFRS 10 – Consolidated Financial Statements on the following basis:

- Funds are obtained from one or more investors for the purpose of providing said investors with investment management services – the Company issued bonds to the public which are backed by the investments in four (4) listed companies and one (1) unlisted company.
- Its business purpose is to invest funds solely for the purpose for returns from capital appreciation, investment income or both – the Company has an investment policy to treat with an exit strategy for TGU.
- All of its investments are measured at fair value through the profit and loss.

Notes to the Financial Statements (continued)

31 December 2018

5. Cash at Bank

	31 Dec 2018 ($'000)
First Citizens Bank Limited	**159,825**

6. Investments

In July 2018, equity shares in five (5) companies with a total value of $7.941 billion were transferred to NIF by the Ministry of Finance (Corporation Sole). As consideration for the financials assets transferred by the GORTT, the Company issued a share certificate in the name of the Corporation Sole in the amount of $3.941 billion in addition to a loan note for $4 billion with the Minister of Finance.

During the period ended 31 December 2018, a net fair value gain of $209 million was realised on the financial assets, bringing the total value of investments to $8.150 billion at the close of the reporting period.

	No. of Shares	Share Price ($)	31 Dec 2018 ($'000)
Investments in Associates			
Angostura Holdings Limited	61,677,011	15.86	978,197
One Caribbean Media Limited	15,285,917	10.29	157,292
Republic Financial Holdings Limited	42,475,362	107.26	4,555,907
Other Equity Investments			
West Indian Tobacco Company Limited	4,548,712	95.33	433,692
Investment in Unconsolidated Subsidiary			
Trinidad Generation Unlimited	189,400,000	-	2,025,000
			8,150,026

7. Government Subvention

This balance represents unused Government Subventions received from the Ministry of Finance for establishment expenses.

	31 Dec 2018 ($'000)
Government Subvention for establishment expenses	3,243
Subvention allocated to the Statement of Comprehensive Income	(1,304)
Balance at 31 December 2018	**1,939**

Notes to the Financial Statements (continued)

31 December 2018

8. Bonds

The Company issued coupon rate bonds in three series during the period July 12 to August 9, 2018:

Bonds	Value	Rate	Duration	Maturity Date
Series A	1.2 billion	4.5%	5 years	August 9, 2023
Series B	1.6 billion	5.7%	12 years	August 9, 2030
Series C	1.2 billion	6.6%	20 years	August 9, 2038

The bond proceeds were utilised for the repayment of the $4 billion loan note to the GORTT for financial assets transferred to NIF (see Note 5). The loan note payable to the GORTT, was fully repaid on October 5, 2018.

Interest payments on the three (3) bonds are scheduled at six-month intervals commencing February 9, 2019.

The three series NIF bonds are also being traded on the corporate bond market.

	31 Dec 2018 ($'000)
Bonds in Series A, B and C	4,000,000
Amortised bond issuance cost	(40,066)
	3,959,934

9. Deferred Government Subvention

This balance represents Government Subvention received by NIF to cover the costs relating to the issuance of the bonds. During the period ended 31 December 2018, the Company received Government Subvention in the amount of $41.171 million to cover bond issuance costs.

	31 Dec 2018 ($'000)
Government Subvention for bond issuance costs	41,171
Subvention allocated to the Statement of Comprehensive Income	(1,105)
Balance as at 31 December 2018	**40,066**

Notes to the Financial Statements (continued)

31 December 2018

10. Stated Capital

	31 Dec 2018 ($'000)
Authorised:	
An unlimited number of ordinary shares of no par value	
Issued and fully paid:	
1 ordinary share of no par value	**3,940,967**

11. Reserves

	31 Dec 2018 ($'000)
Bond interest payment reserve	**5,000**

This amount represents funding received from the Ministry of Finance as a contingency for any shortfall in the Company's revenues, due to adverse variances in forecasted revenues that may impact the Company's ability to meet interest payments.

12. Dividend Income

	31 Dec 2018 ($'000)
Angostura Holdings Limited	5,551
One Media Caribbean Limited	3,057
Republic Financial Holdings Limited	133,797
West Indian Tobacco Company Limited	10,508
	152,913

Notes to the Financial Statements (continued)

31 December 2018

13. Other Income (Government Subvention)

	31 Dec 2018 ($'000)
Government subvention for bond issuance costs	1,105
Government subvention for establishment expenses	1,304
	2,409

14. Other Net Changes in Fair Value on Financial Assets

Other net changes in the fair value of the financial assets were attributable to the difference in market values from the date of acquisition during the year to the current reporting date 31 December 2018.

	Fair Value 6 July ($'000)	Fair Value 31 December ($'000)	Fair Value Gain/Loss 31 December ($'000)
Equity Investments			
Angostura Holdings Limited	972,030	978,197	6,168
One Caribbean Media Limited	183,431	157,292	(26,139)
Republic Financial Holdings Limited	4,364,768	4,555,907	191,139
Other Equity Investments			
West Indian Tobacco Company Limited	395,738	433,629	37,891
	5,915,967	**6,125,026**	**209,059**

15. Operating Expenses

	31 Dec 2018 ($'000)
Consulting fees	81
Audit fees	56
Directors' fees and expenses	279
Administrative fees	888
	1,304

Notes to the Financial Statements (continued)

31 December 2018

16. Fair Value of Financial Instruments:

The Company's carrying amounts with respect to prepayments, cash and bank, equity investments, accruals, accrued bond interest and due to related parties approximate their fair value as illustrated below:

	Carrying Amount 2018 ($'000)	Fair Value Amount 2018 ($'000)
Financial assets:		
Prepayments	56	56
Cash at bank	159,825	159,825
Investments	7,940,967	8,150,026
Financial liabilities:		
Accruals	28	28
Accrued Bond interest	89,145	89,145
Government Subvention	1,940	1,940
Bond	3,959,934	3,959,934
Deferred Government Subvention	40,066	40,066

17. Related Party Transactions

Related party transactions are transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Related parties include: persons, or a close member of that person's family, who has control, joint control, or significant influence over the Company, including members of the key management personnel; any subsidiary or associated companies.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates. Balances and transaction with related parties during the period were as follows:

	31 Dec 2018 ($'000)
Associates:	
Dividend Income	**142,405**

NATIONAL INVESTMENT FUND
HOLDING COMPANY LIMITED