PKF

Chartered Accountants
& Business Advisors

NATIONAL ENTERPRISES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

PKF

Chartered Accountants
& Business Advisors

NATIONAL ENTERPRISES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

CONTENTS

NATIONAL ENTERPRISES LIMITED

Level 15, Tower D, International Waterfront Centre, 1 Wrightson Road, Port of Spain, Trinidad, W.I.
Tel: (868) 625-0015/3144 • (868) 624-2886 • *Fax:* (868) 624-3029 *Web:* nel.co.tt

June 23, 2017

Statement of Management Responsibilities

Management is responsible for the following:

- preparing and fairly presenting the accompanying consolidated financial statements of National Enterprises Limited, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statements of comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- ensuring that the group 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 group's assets, detection/prevention of fraud, and the achievement of group'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 Companies Act; and

- using reasonable and prudent judgement in the determination of estimates.

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

Nothing has come to the attention of management to indicate that the group 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.

Terrence Clarke, General Manager

Nisha Maraj, Accountant

PKF

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholders
National Enterprises Limited

Opinion

We have audited the consolidated financial statements of National Enterprises Limited, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of National Enterprises Limited as at 31 March 2017 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 Enterprises 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.

Our Tailored Group Audit Scope

We specifically tailored the scope of the group audit to perform adequate work to enable us to provide an opinion on the consolidated financial statements as a whole. We also took into consideration the structure of the group and the different industries in which the companies in the group operate. The group consists of three (3) components; National Enterprise Limited (the parent), National Flour Mills Limited (NFM) and NEL Power Holdings Limited. The financial statements of NFM were audited by a non-PKF-related firm which is knowledgeable of the regulations pertaining to the component and is adequately equipped to conduct such audit. Our review of the component's audit working papers revealed that the work performed was sufficient and appropriate to give the component an unqualified opinion on the financial statements as at its year end.

Key Audit Matters

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

Telephone: (868) 235-5063
Address: 111 Eleventh Street, Barataria, Trinidad, West Indies
Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Partners: Renée-Lisa Philip Mark K. Superville

INDEPENDENT AUDITORS' REPORT (Cont'd)

Key Audit Matters (Cont'd)

Investments in joint ventures and associates

The investments in joint ventures and associates comprise 76% of the total assets of the company. International Accounting Standard (IAS) 28 - Investments in Associates and Joint Ventures and IAS 36 – Impairment of Assets require the entity to determine whether there is any objective evidence that its net investments in joint ventures and associates may be impaired. Such investments are considered impaired if, and only if there is objective evidence of impairment as a result of one or more events that occurred, which had an impact on the estimated future cash flows from the investments that could be reliably estimated. The Standards state that objective evidence includes information about significant changes with an adverse effect that had taken place in the technological, market, economic or legal environment in which the associate or joint venture operates, and indicates that the cost of the investment in the equity instrument may not be recovered. The Standards also state that a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is considered objective evidence of impairment. In such a case, the Standards require a comparison between the recoverable amount and the carrying value. The recoverable amount is the higher of the value in use and the fair value less costs to sell. The carrying amount is the amount at which an asset is recognized after deducting any accumulated depreciation/amortization/impairment losses.

We reviewed management's assessment of the occurrence or otherwise of an impairment event.

A valuation was commissioned by the management of National Enterprises Limited on one of the joint ventures for the purpose of determining a fair market price for the investment. The computation involved a detailed and complex evaluation of many objective and subjective assumptions. It relied on the integrity of the data used in the model calculation which was derived from various sources.

Our audit procedures included:

- critically evaluating the assumptions used to calculate the discount rates and performing sensitivity analyses as necessary;
- analyzing the projected future cash flows used in the models to determine whether they were reasonable and supportable, given the current economic climate and expected future performance of the joint venture; and
- comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance, to test the reasonableness of projections.

This issue was considered a key audit matter because of the subjectivity inherent in valuation estimates and the effect on total valuation, of changes in specific parameters within the valuation matrix.

INDEPENDENT AUDITORS' REPORT (Cont'd)

Key Audit Matters (Cont'd)

Valuation of financial investments and the impairment of financial assets

The company's financial assets are classed either as loans and receivables, available-for-sale investments or held to maturity investments.

The valuation of all investments can be attributed to various factors that can be verified. With respect to available-for-sale investments, a significant portion of the company's investments can be measured using fair value prices and rates that can be readily available in a liquid market. For the other securities, management performed an assessment and utilised their expertise judgement.

Management continually performs an assessment of impairment of all its financial assets.

Our audit procedures included:

- performing an assessment on the valuation of the company's financial assets;
- for those available-for-sale financial assets that were actively being traded, verifying the market prices;
- comparing the market prices from prior periods and performing analytical procedures on any unexpected significant changes noted;
- for the available-for-sale financial assets that were not traded on the active market, assessing the last available financial information; and
- conducting a review of management's assessment of impairment of both available-for-sale and held-to-maturity investments.

This issue was considered a key audit matter because it involved management estimation of future cash flows to be derived from each available-for-sale and held-to-maturity financial asset.

Valuation of the net retirement benefit asset and the medical and life insurance obligation

A subsidiary within the Group sponsored a defined benefit pension plan and a medical and life insurance plan for its employees. As at 31 March 2017 that subsidiary had:

- a net retirement benefit asset of TT$20 million, comprised of plan asset values at TT$180 million (of which TT$86 million is not based on observable market data) and a defined benefit obligation of TT$160 million; and
- a medical and life insurance plan liability of TT$17 million.

We reviewed the component auditors' working papers to determine the accuracy of the valuation of the net retirement benefit asset and the medical and life insurance obligation. We focused our review on the valuation of the defined benefit obligation and the medical and life insurance plan liability, as they require significant levels of judgement and technical expertise in determining appropriate assumptions.

This was considered a key audit matter because of the number of key assumptions which had a material impact on the calculation of the liability, including discount rates, salary increases and medical inflation rates.

INDEPENDENT AUDITORS' REPORT (Cont'd)

Key Audit Matters (Cont'd)

Valuation of the net retirement benefit asset and the medical and life insurance obligation (cont'd)

Our review revealed that management utilised an independent external actuary to perform certain calculations with respect to the estimated obligations.

We further noted that the pension assets consisted of financial investments held at fair value. This was based on a range of inputs. While many of the inputs were obtained from readily available market prices and rates, certain securities were based on modelled prices, as observable market data was limited. Due to the fact that in these instances, management was required to make significant judgements based on the complexity in the valuation model estimates which could have resulted in high estimation uncertainty, we focused our attention in this area.

We reviewed the key assumptions, including the discount rates and salary increase adjustments for the pension obligation and medical and life insurance liability by performing the following:

- Discount rates – the rates used by management were compared to the yield of a Government of Trinidad and Tobago bond of a similar period.
- Salary increases – salary increases were compared to historical increases, taking into account the current economic climate.

The medical inflation rates were actuarial assumptions determined by the independent actuary based on the actuaries' experience with this, as well as other similar plans. In relation to the assumptions, we performed the following procedures:

- We reviewed the assessment done on the independence and competence of the actuary utilized by management to calculate the pension obligation and medical and life insurance liability confirming that they were qualified and that there was no affiliation to the group.
- We reviewed the audit procedures on the method used by management's independent expert and noted that it was consistent with prior periods and was in compliance with the relevant reporting standard.
- We reviewed the census data used in the actuarial calculation by comparing it to personnel files.

We reviewed the testing of the pension plan assets, focusing on the valuation of those assets. For more judgemental valuations, which depended on unobservable inputs, we reviewed the evaluations done on the assumptions, methodologies and models used by management. Specifically, we reviewed the assessment of the significant inputs relating to yield, prices and valuation inputs against external sources and comparisons to similar transactions in the market place. We assessed any differences noted to determine whether they were within a reasonable range of outcomes, in the context of the inherent valuation uncertainties disclosed within the group's financial statements.

INDEPENDENT AUDITORS' REPORT (Cont'd)

Key Audit Matters (Cont'd)

Other Information Included in the Group's 2016 Annual Report

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

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 auditors' 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.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 controls.

- 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

PKF

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Renée-Lisa Philip.

PKF

Port-of-Spain
TRINIDAD
23 June 2017

NATIONAL ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 March 2017 ($ '000)	31 March 2016 ($ '000)
Non-Current Assets:			
Equity accounted investments	5	2,432,501	2,318,064
Financial assets	6	437,010	410,843
Fixed assets	7	165,337	167,376
Retirement benefit asset	8	20,277	9,059
Trademarks	9	-	533
Deferred tax asset	21	5,050	11,867
Total Non-Current Assets		3,060,175	2,917,742
Current Assets:			
Inventories	10	72,051	78,940
Accounts receivables and prepayments	11	154,554	211,809
Restricted deposit	12	54,728	-
Cash and cash equivalents	13	348,155	391,868
Taxation recoverable		2,615	4,343
Total Current Assets		632,103	686,960
Total Assets		**3,692,278**	**3,604,702**
Equity:			
Stated capital	15	1,736,632	1,736,632
Other equity	16	(2,633)	-
Investment remeasurement reserve	17	9,189	16,349
Translation reserve	18	61,576	25,147
Retained earnings		1,337,850	1,321,866
Capital and reserves attributable to equity holders		3,142,614	3,099,994
Non - controlling interest		124,255	107,229
Total Equity		3,266,869	3,207,223
Non-Current Liabilities:			
Non-current portion of long-term borrowings	19	145,729	93,895
Non-current portion of finance lease liability	20	932	932
Deferred tax liability	21	43,564	34,384
Medical and Life Insurance	22	16,833	17,194
Total Non-Current Liabilities		207,058	146,405
Current liabilities:			
Bank overdraft and short-term borrowings	23	125,254	168,021
Current portion of long-term borrowings	19	27,190	6,566
Current portion of finance lease facility	20	603	1,347
Taxation payable		4,663	26
Accounts payable and accruals	24	60,641	75,114
Total Current Liabilities		218,351	251,074
Total Liabilities		425,409	397,479
Total Liabilities and Equity		**3,692,278**	**3,604,702**

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 23 June 2017 and signed on their behalf by:

Director: ____________ **Director:** ____________

(The accompanying notes are an integral part of these consolidated financial statements)

NATIONAL ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 March 2017 ($ '000)	2016 ($ '000)
Turnover		470,509	481,214
Cost of sales		(330,518)	(365,463)
Gross profit		139,991	115,751
Selling and distribution expenses		42,695	46,237
Administrative expenses		43,682	41,058
		86,377	87,295
Operating profit		53,614	28,456
Finance cost		(14,977)	(7,284)
Dividend income		18,635	10,808
Interest income		9,516	6,608
Other income		9,442	15,543
Share of profit of equity accounted investments net of tax		145,899	65,385
Profit before tax	25	222,129	119,516
Taxation	26	(21,333)	(9,931)
Net profit for the year		200,796	109,585
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Unrealised gains		(7,160)	(1,563)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of retirement benefit asset and medical plan expenses, net of tax		9,677	(1,813)
Other comprehensive income for the year		2,517	(3,376)
Total comprehensive income for the year		**203,313**	**106,209**
Attributable to:			
Equity holders of the Company		181,575	90,419
Non-controlling Interest		21,738	15,790
Net profit for the year		**203,313**	**106,209**
Earnings per Share	27	$0.30	$0.15

(The accompanying notes are an integral part of these consolidated financial statements)

NATIONAL ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Stated Capital	Other Equity	Investment Remeasurement Reserve	Translation Reserve	Retained Earnings	Non-Controlling Interest	Total
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Year ended 31 March 2017							
Balance as at 1 April 2016	1,736,632	-	16,349	25,147	1,321,866	107,229	3,207,223
Total comprehensive income for the year	-	-	(7,160)	-	188,735	21,738	203,313
Share of translation reserve	-	-	-	36,429	-	-	36,429
Treasury Shares	-	(2,633)	-	-	-	-	(2,633)
Share of deferred tax on actuarial gain	-	-	-	-	6,005	-	6,005
Subsidiary dividend paid on non-controlling interest	-	-	-	-	-	(4,712)	(4,712)
Dividend refunded	-	-	-	-	1,244	-	1,244
Dividends paid **(Note 29)**	-	-	-	-	(180,000)	-	(180,000)
Balance as at 31March 2017	1,736,632	(2,633)	9,189	61,576	1,337,850	124,255	3,266,869

(The accompanying notes are an integral part of these consolidated financial statements)

NATIONAL ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2017

	Stated Capital	Investment Remeasurement Reserve	Translation Reserve	Retained Earnings	Non-Controlling Interest	Total
	($'000)	($'000)	($'000)	($'000)	($'000)	($'000)
Year ended 31 March 2016						
Balance as at 1 April 2015	1,736,632	17,912	19,532	1,602,048	94,973	3,471,097
Total comprehensive income for the year	-	(1,563)	-	91,982	15,790	106,209
Share of translation reserve	-	-	5,615	-	-	5,615
Share of deferred tax on actuarial gain	-	-	-	(1,407)	-	(1,407)
Subsidiary dividend paid on non-controlling interest	-	-	-	-	(3,534)	(3,534)
Dividend refunded	-	-	-	1,243	-	1,243
Dividends paid **(Note 29)**	-	-	-	(372,000)	-	(372,000)
Balance as at 31 March 2016	**1,736,632**	**16,349**	**25,147**	**1,321,866**	**107,229**	**3,207,223**

(The accompanying notes are an integral part of these consolidated financial statements)

NATIONAL ENTERPRISES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the year ended 31 March	
	2017 ($'000)	2016 ($'000)
OPERATING ACTIVITIES		
Net profit before taxation	222,129	119,516
Adjustment for non-cash items:		
Share of profit of equity accounted investments net of tax	(145,899)	(65,385)
Depreciation	13,061	11,149
Amortisation of trademarks	533	1,232
Loss on disposal of property plant and equipment	-	110
Increase in provision for doubtful debts	2,517	5,507
Retirement benefit and medical plan costs	2,245	(758)
	94,586	71,371
Net change in operating assets and liabilities		
Net change in accounts receivables	68,568	140,581
Net change in accounts payables	(14,473)	18,939
Net change in inventory	6,889	9,046
	155,570	239,937
Taxation paid (net)	(3,120)	(2,014)
Cash generated from Operating Activities	152,450	237,923
INVESTING ACTIVITIES		
Dividends declared and received (**Note 28**)	60,068	362,032
Change in long-term investments	(33,327)	(137,406)
Restricted cash	(54,728)	-
Disposal proceeds	-	80
Purchase of fixed assets	(11,022)	(19,824)
Cash (used in)/generated from Investing Activities	(39,009)	204,882
FINANCING ACTIVITIES		
Finance lease liability	(744)	(1,040)
Proceeds from/(repayment of) loan	72,458	(1,308)
Payments for treasury share purchases by trust	(2,633)	-
Dividend refunded	1,244	1,243
Dividends paid by subsidiary to non-controlling interest	(4,712)	(3,534)
Dividends paid (**Note 29**)	(180,000)	(372,000)
Cash used in Financing Activities	(114,387)	(376,639)
Net change in Cash Resources	(946)	66,166
Net Cash Resources at beginning of year	223,847	157,681
Net Cash Resources at end of year (**Note 14**)	**222,901**	**223,847**

(The accompanying notes are an integral part of these consolidated financial statements)

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

1. Incorporation and Principal Activities

National Enterprises Limited (NEL) is incorporated in Trinidad and Tobago with controlling interest by the Minister of Finance (Corporation Sole). It was formed by the Government of the Republic of Trinidad and Tobago as part of a re-organisation exercise, to hold its shareholdings in selected state enterprises and facilitate a public offering on the Trinidad and Tobago Stock Exchange.

Its initial portfolio of investments in National Flour Mills Limited (NFM), Telecommunication Services of Trinidad and Tobago Limited (TSTT) and Trinidad Nitrogen Company Limited (TRINGEN) were transferred at their last audited net asset value by the Minister of Finance (Corporation Sole) on behalf of the Government in exchange of 500,000,000 ordinary shares of no par value in the Company. All formation expenses were borne by the Ministry of Finance. Subsequently, on 14 December 2001, NEL acquired 20% shareholding in NGC NGL Company Limited (NGCNGL) financed by the issue of 50,511,540 shares and on 8 December 2003, NEL acquired 37.84% shareholding in NGC Trinidad and Tobago LNG Limited (NGCLNG) financed by the issue of 49,489,101 additional shares.

In December 2014, NEL entered into a joint venture and acquired 33.33% of Pan West Engineers and Constructors, LLC. NEL's principal business activity is that of an Investment Holding Company. The company has a wholly owned subsidiary, NEL Power Holdings Limited. The principal business activities of its investee companies are disclosed in **Note 32**.

The accounts for the consolidated entity (the Group) are presented here. The accounts of the unconsolidated entity are presented separately.

The registered office of the Company is Level 15, Tower D, International Waterfront Centre, Wrightson Road, Port of Spain.

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs), and are stated in thousands of Trinidad and Tobago dollars rounded to the nearest thousand. The historical cost basis is used, except for the measurement at fair value of available-for-sale investments and certain other financial instruments.

The accounting policies adopted are consistent with those of the previous financial year.

The group has elected to present one statement.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

2. Summary of Significant Accounting Policies (Continued)

(b) **Critical accounting estimates and judgements in applying accounting policies**

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Significant accounting estimates relate to the assessment of inventory and provision for doubtful receivables, as well as, the estimated useful lives of fixed assets and trademarks.

(c) **New Accounting Standards and Interpretations**

i) The Group has not applied the following standards, revised standards and interpretations that have been issued because they do not apply to the activities of the Group or have no material impact on its financial statements:

Effective for annual periods beginning on or after 1 January 2017

IFRS 12 Disclosure of Interest in Other Entities - Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying scope)

IAS 7 Statement of Cash Flows - Amendments resulting from disclosure initiative

IAS 12 Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses

ii) The Group has not applied the following standards, revised standards and interpretations that have been issued because they are not yet effective or are not expected to have a material impact on its financial statements:

Effective for annual periods beginning on or after 1 January 2018

IFRS 1 First-time Adoption of International Financial Reporting Standards - Amendments resulting from Annual Improvements 2014–2016 Cycle removing short-term exemptions

IFRS 2 Share-Based Payment - Amendments to clarify the classification and measurement of share-based payment transactions

IFRS 4 Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

2. Summary of Significant Accounting Policies (Continued)

(c) New Accounting Standards and Interpretations (continued)

IFRS 9	Financial Instruments - Finalised version incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition
IFRS 15	Revenue from Contracts with Customers - Amendments to defer the effective date to 1 January 2018
IFRS 15	Revenue from Contracts with Customers Clarifications to IFRS 15
IAS 28	Investment in Associates - Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements)
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

IFRS 16	Leases

Effective for annual periods beginning on or after 1 January 2021

IFRS 17	Insurance Contracts

Deferred Indefinitely

IFRS 10	Consolidated Financial Statements - Sale or contribution of assets between an investor and its associate or joint venture
IAS 28	Investment in Associates - Sale or contribution of assets between an investor and its associate or joint venture

The adoption of IFRS 9 Financial Instruments may result in significant changes in the Group's classification and presentation of financial instruments.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

2. **Summary of Significant Accounting Policies (Continued)**

(d) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. National Flour Mills Limited, in which the Group has a 51% interest, and NEL Power Holdings Limited, in which the Group has a 100% interest, are subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account. All intercompany transactions and balances are eliminated on consolidation.

(e) Equity accounted investments

NEL owns 51% of Telecommunication Services of Trinidad and Tobago Limited (TSTT) and Trinidad Nitrogen Company Limited (TRINGEN). Although NEL is the majority shareholder in these entities, shareholder agreements with the minority shareholders of both companies establish joint control by the joint venture partners. Additionally NEL owns 33.33% – Pan West Engineers Constructors, LLC and in accordance with International Accounting Standard No. 31 – Interests in Joint Ventures, these investments are accounted for using the equity method of accounting. However, NEL entered into an agreement in March 2015 with its joint venture partner in TSTT for the waiver of certain of the partner's rights under the shareholders' agreement in regard to the divestment of the partner's shareholding in TSTT.

NGC NGL Company Limited (NGCNGL) and NGC Trinidad and Tobago LNG Limited (NGCLNG) in which the Company has a 20% and 37.84% interest respectively, are associates and also accounted for using the equity method of accounting in accordance with International Accounting Standard No. 28 – Investments in Associates.

Equity accounting involves recognising in the Consolidated Statement of Comprehensive Income, the Group's share of the associated company's post-acquisition profits and losses. The Group's share of the associated company's post-acquisition movements in reserves is recognized in reserves. The Group's interest in associated companies is carried in the Consolidated Statement of Financial Position at an amount which reflects its share of net assets including any fair value adjustments at the date of acquisition.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

2. **Summary of Significant Accounting Policies (Continued)**

(f) **Financial assets**

Financial assets are classified into the following categories – loans and receivables, available for sale and held to maturity financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Loans and receivables
Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market and which the Group does not intend to sell in the short-term or which it has not designated as fair value through profit and loss, available for sale or held to maturity. Loans and receivables are carried at amortized cost using the effective interest method.

Available for sale
Investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates are classified as available for sale. These investments are carried at fair value with realized gains and losses being taken to the profit and loss account and unrealized gains and losses being shown in equity.

Held to maturity
Investments with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised costs.

Purchases and sales of investments are recognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus, in the case of financial assets not carried at fair value through profit and loss, transaction costs that are directly attributable to their acquisition. Investments are derecognized when the rights to receive cash flows from the investments have expired or where the Group has transferred substantially all risks and rewards of ownership.

The fair value of publicly traded instruments is based on its quoted market price at the reporting date. Where market values are not available the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis.

2. Summary of Significant Accounting Policies (Continued)

(g) Fixed assets

Fixed assets are stated as cost less related depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred. Land is not depreciated. Depreciation on other assets is calculated on the straight-line method to allocate their cost over their estimated useful lives using the following rates:

Buildings	2.5%
Plant, machinery and equipment	4.0 – 10.0%
Forklift, trucks and loaders	25.0%
Office equipment and air conditioning	10.0% - 25%
Computer equipment	20.0% - 33.33%
Motor vehicles	25.0%
Leasehold improvements	10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount and are included in the Consolidated Statement of Comprehensive Income.

(h) Retirement benefit plan

The Subsidiary, National Flour Mills (NFM), operates a defined benefit plan covering its permanent employees. The funds of the Plan are administered by trustees. The Group's net obligation in respect of the retirement benefit plan is calculated by estimating the amount of future benefit and that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of the plan assets. The calculation of the defined benefit obligation is performed annually by a qualified independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds of Plan or reductions in future contributions to the Plan (after considering any minimum funding requirements).

Remeasurement of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any), are recognized immediately in other comprehensive income.

Net interest expense (income) or the net defined benefit liability (asset) is determined using the discount rate. Net interest expense and other expenses related to the retirement benefit plan are recognized in profit or loss.

The actuary performs a full actuarial valuation every three years and any surpluses or deficits may be recognized by an adjustment of future contribution rates.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

2. Summary of Significant Accounting Policies (Continued)

(i) Trademarks

Trademarks are shown at historical cost less accumulated amortization. Amortisation is calculated using the straight-line method at 7.1% per annum to allocate the cost of trademarks over their estimated useful lives. The remaining amortization period is approximately 5 years.

(j) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of raw materials, packaging materials and maintenance spares is determined on the first-in, first-out basis. Finished products are stated at the lower of average cost of production and net realizable value. Cost of production comprises raw material, direct labour, other direct cost and related production overheads based on normal operating capacity. It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses.

(k) Accounts receivable and prepayments

Trade and sundry receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that a receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Consolidated Statement of Comprehensive Income.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, other short-term highly liquid investments less bank overdrafts. Bank overdrafts are shown within current liabilities on the Consolidated Statement of Financial Position.

(m) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2. Summary of Significant Accounting Policies (Continued)

(n) Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(o) Taxation

The Group is subject to Corporation Tax as it does not meet the criteria of an Investment Company as defined by the Corporation Tax Act, Section 6(3). Tax on profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment to tax payable for previous years.

Deferred tax is calculated using the liability method whereby liabilities are recognised for temporary differences arising between the carrying amount of assets and liabilities in the Consolidated Statement of Financial Position and their tax basis, using tax rates that have been enacted or substantially enacted by the year end reporting date, which result in taxable amounts in future periods. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent it is probable that sufficient taxable profits will be available against which the unused tax losses can be utilised.

(p) Provisions

Provisions are recognised when the Group 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 recognized 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 recognized 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 recognized in the Consolidated Statement of Comprehensive Income.

2. **Summary of Significant Accounting Policies (Continued)**

(q) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of activities. Revenue is shown net of value-added-tax, rebates and discounts and after eliminating intra-group sale. Interest income is recognised on the accruals basis and dividend income is accrued for when the right to receive payment is established.

(r) Earnings per share

Earnings per share is calculated by dividing profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

(s) Foreign currency translation

Functional and presentation currency
Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of Trinidad and Tobago dollars, which is the Group's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

Group companies
The results and financial position of group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of the Statement of Financial Position;
(ii) Income and expenses for each Statement of Comprehensive Income are translated at average exchange rates; and
(iii) The resulting exchange differences are recognized as a separate component of equity.

2. Summary of Significant Accounting Policies (Continued)

(t) Segment reporting

A business segment is a group of asset and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

(u) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

(v) Leases

Assets obtained under finance leases are capitalised in the Consolidated Statement of Financial Position and are depreciated over their estimated useful economic lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the Consolidated Statement of Comprehensive Income over the relevant period. The capital element of the future payments is treated as a liability.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the period of the lease.

(w) Dividends

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are declared by the Group's directors.

2. **Summary of Significant Accounting Policies (Continued)**

(x) Medical and life insurance plan

National Flour Mills Limited (NFM) operates a medical and life insurance plan (the medical Plan) covering employees who retire either directly from the company at age 60 or as a result of ill health. The medical plan is self-administered.

NFM's obligation in respect of the medical plan is calculated using approximate actuarial valuations of the liabilities and the projected unit actuarial method as required by IAS 19.

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 approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Re-measurement of the net medical plan, which comprise actuarial gains and losses, (excluding interest) are recognised immediately in other comprehensive loss.

Net interest expense (income) or the net defined liability is determined using the discount rate. Net interest expense and other expenses related to the medical and life insurance are recognised in profit or loss.

(y) Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

3. Financial Risk Management

Financial risk factors

The Group's activities are primarily related to the use of financial instruments. The Group accepts funds from shareholders and earns interest by investing these funds in equity and non-equity investments.

The following table summarizes the carrying amounts and fair values of the Group's financial assets and liabilities:

	2017	
	Carrying Value ($'000)	**Fair Value ($'000)**
Financial Assets		
Equity accounted investments	2,432,501	2,432,501
Held to maturity	145,899	145,899
Available for sale	291,111	291,111
Retirement benefit asset	20,277	20,277
Accounts receivable and prepayments	154,554	154,554
Restricted deposit	54,728	54,728
Cash and cash equivalents	348,155	348,155
Financial Liabilities		
Finance lease liability	1,535	1,535
Long term borrowings	172,919	172,919
Accounts payables and accruals	60,641	60,641
Bank overdraft and short-term borrowings	125,254	125,254
Medical and Life Insurance Plan	16,833	16,833

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

3. **Financial Risk Management (Continued)**

	2016	
	Carrying Value (\$'000)	**Fair Value (\$'000)**
Financial Assets		
Equity accounted investments	2,318,064	2,318,064
Held to maturity	112,573	112,573
Available for sale	298,270	298,270
Retirement benefit asset	9,059	9,059
Accounts receivable and prepayments	211,809	211,809
Cash and cash equivalents	391,868	391,868
Financial Liabilities		
Finance lease facility	2,279	2,279
Long term borrowings	100,461	100,461
Accounts payables and accruals	75,114	75,114
Bank overdraft and short-term borrowings	168,021	168,021
Medical and Life Insurance Plan	17,194	17,194

The Group is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by the Group to manage these risks are discussed below.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

3. **Financial Risk Management (Continued)**

(a) **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 Group is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities, including investments in bonds, loans and other funding instruments.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

Interest rate sensitivity analysis

The Group's exposure to interest rate risk is summarized in the table below, which analyses assets and liabilities at their carrying amounts categorized according to their maturity dates.

			2017			
	Effective Rate	Up to 1 year ($'000)	1 to 5 years ($'000)	Over 5 years ($'000)	Non - Interest Bearing ($'000)	Total ($'000)
Financial Assets						
Equity accounted investments	0%	-	-		2,432,501	2,432,501
Held to maturity	2 - 7%	-	87,692	58,207	-	145,899
Available for sale	0%	-	-	291,111	-	291,111
Retirement benefit asset		-	-	20,277	-	20,277
Accounts receivable and prepayments	0%	154,554				154,554
Restricted deposit	.15%	54,728	-	-	-	54,728
Cash and cash equivalents	0 - 2.90%	348,155	-	-	-	348,155
		557,437	87,692	369,595	2,432,501	3,447,225
Financial Liabilities						
Finance lease facility		603	932	-	-	1,535
Long term borrowings	2- 6.18%	27,190	24,816	120,913	-	172,919
Accounts payables and accruals	0%	60,641	-	-	-	60,641
Medical and Life Insurance Plan		-	-	16,833	-	16,833
Bank overdraft and short-term borrowings	0 - 1.4%	125,254	-	-	-	125,254
		213,688	25,748	137,746	-	377,182

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

3. **Financial Risk Management (Continued)**

Financial risk factors (continued)

(a) **Interest rate risk (continued)**

2016

	Effective Rate	Up to 1 year ($'000)	1 to 5 years ($'000)	Over 5 years ($'000)	Non - Interest Bearing ($'000)	Total ($'000)
Financial Assets						
Equity accounted investments	0%	-	-		2,318,064	2,318,064
Held to maturity	2 - 7%	-	-	112,573	-	112,573
Available for sale	0%	-	-	298,270	-	298,270
Retirement benefit asset		-	-	9,059	-	9,059
Accounts receivable and prepayments	0%	211,809	-	-	-	211,809
Cash and cash equivalents	0 - 2.50%	391,868	-	-	-	391,868
		603,677	-	419,902	2,318,064	3,341,643
Financial Liabilities						
Finance lease facility	6.18%	1,347	932	-	-	2,279
Long term borrowings	0%	6,566	-	93,895	-	100,461
Medical and Life Insurance Plan		75,114	-	-	-	75,114
Accounts payables and accruals	0 - 1.4%	-	-	17,194	-	17,194
Bank overdraft and short-term borrowings		168,021	-	-	-	168,021
		251,048	932	111,089	-	363,069

(b) **Credit Risk**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has policies in place to ensure that all amounts due are collected within the specified credit period.

Cash balances are held with high credit quality financial intuitions and the Group has policies to limit the amount of exposure to any financial institution.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

3. **Financial Risk Management (Continued)**

Financial risk factors (continued)

(c) **Liquidity Risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Liquidity gap

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

	2017			
	Up to 1 year ($'000)	**1 to 5 years ($'000)**	**Over 5 years ($'000)**	**Total ($'000)**
Financial Assets				
Equity accounted investments	-	-	2,432,501	2,432,501
Held to maturity	-	87,692	58,207	145,899
Available for sale	-	-	291,111	291,111
Retirement benefit asset	-	-	20,277	20,277
Accounts receivable and prepayments	154,554			154,554
Restricted deposit	54,728	-	-	54,728
Cash and cash equivalents	348,155	-	-	348,155
	557,437	87,692	2,802,096	3,447,225
Financial Liabilities				
Finance lease facility	603	932	-	1,535
Long term borrowings	27,190	24,816	120,913	172,919
Medical and Life Insurance Plan	-	-	16,833	16,833
Accounts payables and accruals	60,641	-	-	60,641
Bank overdraft and short-term borrowings	125,254	-	-	125,254
	213,688	25,748	137,746	377,182

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

3. **Financial Risk Management (Continued)**

Financial risk factors (continued)

(c) **Liquidity Risk (continued)**

	2016			
	Up to 1 year ($'000)	1 to 5 years ($'000)	Over 5 years ($'000)	Total ($'000)
Financial Assets				
Equity accounted investments	-	-	2,318,064	2,318,064
Held to maturity	-	-	112,573	112,573
Available for sale	-	-	298,270	298,270
Retirement benefit asset	-	-	9,059	9,059
Accounts receivable and prepayments	211,809	-	-	211,809
Cash and cash equivalents	391,868	-	-	391,868
	603,677	-	2,737,966	3,341,643
Financial Liabilities				
Finance lease facility	1,347	932	-	2,279
Long term borrowings	6,566	-	93,895	100,461
Medical and Life Insurance Plan	-	-	17,194	17,194
Accounts payables and accruals	75,114	-	-	75,114
Bank overdraft and short-term borrowings	168,021	-	-	168,021
	251,048	932	111,089	363,069

3. Financial Risk Management (Continued)

(d) 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 recognized assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(e) Operational risk

Operational risk is the risk derived from deficiencies relating to the Group's information technology and control systems, as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimize human error. Additionally, staff is often rotated and trained on an on-going basis.

(f) 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 controls applied by the Group.

(g) Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Group's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group. The Group engages in public social endeavors to engender trust and minimize this risk.

4. Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying the Group'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 Group 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 recognized in the Consolidated 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 recognized in the consolidated financial statements, are as follows:

i) Whether investments are classified as held to maturity investments, available for sale or loans and receivables.

ii) Whether leases are classified as operating leases or finance leases.

iii) Which depreciation method for plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Plant and equipment

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalized and in estimating the useful lives and residual values of these assets.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

5. Equity Accounted Investments

	TSTT ($'000)	TRINGEN ($'000)	NGCLNG ($'000)	NGCNGL ($'000)	PANWEST ($'000)	Total ($'000)
Year ended 31 March 2017						
Balance as at 1 April 2016	1,100,195	279,847	242,325	346,090	349,607	2,318,064
Share of profit after taxation	24,735	58,463	6,543	42,654	13,504	145,899
Dividends declared	-	(13,830)	-	-	-	(13,830)
Dividends received	-	(13,871)	-	(32,786)	(13,410)	(60,067)
Share of translation reserve	-	22,223	2,875	11,331	-	36,429
Share of net actuarial loss net of deferred tax	571	5,435	-	-	-	6,006
Balance as at 31 March 2017	1,125,501	338,267	251,743	367,289	349,701	**2,432,501**
Year ended 31 March 2016						
Balance as at 1 April 2015	1,315,704	243,999	291,381	474,449	349,636	2,675,169
Share of profit after taxation	(153,380)	139,600	18,923	35,794	24,448	65,385
Dividends declared	-	(32,130)	-	(32,536)	-	(64,666)
Dividends received	(54,288)	(81,314)	(68,392)	(133,561)	(24,477)	(362,032)
Share of translation reserve	-	3,258	413	1,944	-	5,615
Share of net actuarial loss net of deferred tax	(7,841)	6,434	-	-	-	(1,407)
Balance as at 31 March 2016	**1,100,195**	279,847	242,325	346,090	349,607	**2,318,064**

As a result of the financial year end of TRINGEN, NFM, NGCNGL and NGCLNG not being co-terminus with that of NEL, the book value under the equity method is based on the audited net asset position as at 31 December 2016.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

5. Equity Accounted Investments (Continued)

The Group's share of the results of associates and its share of the assets and liabilities are as follows:

	Assets ($'000)	Liabilities ($'000)	Income ($'000)	Profit after Taxation ($'000)
31 March 2017				
NGC NGL Company Limited	212,326	13	43,417	42,654
NGC Trinidad and Tobago LNG Limited	63,978	50	7,591	6,543
	276,304	63	51,008	49,197
31 March 2016				
NGC NGL Company Limited	223,812	20	36,115	35,794
NGC Trinidad and Tobago LNG Limited	54,543	33	19,287	18,923
	278,355	53	55,402	54,717

There are no contingent liabilities relating to the associated companies.

The Group's share of the results of joint ventures and its share of the assets, liabilities, contingent liabilities and capital commitments are as follows:

	TSTT		TRINGEN		PAN WEST	
	2017 ($'000)	2016 ($'000)	2017 ($'000)	2016 ($'000)	2017 ($'000)	2016 ($'000)
Assets						
Non-current assets	1,806,362	1,612,775	560,016	571,048	349,636	349,636
Current assets	760,037	568,935	297,875	245,615	-	-
	2,566,399	2,181,710	857,891	816,663	349,636	349,636
Liabilities						
Non-current liabilities	980,146	171,731	251,621	180,641	-	-
Current liabilities	460,701	909,732	238,911	286,055	-	-
	1,440,847	1,081,463	490,532	466,696	-	-
Net assets	1,125,552	1,100,247	367,359	349,967	349,636	349,636
Income	1,477,270	1,450,179	739,614	1,037,869	13,558	24,506
Expenses	(1,452,535)	(1,603,559)	(681,151)	(898,269)	(54)	(58)
Profit/(loss) after taxation	24,735	(153,380)	58,463	139,600	13,504	24,448
Capital commitments	84,966	87,363	50,824	30,682	-	-

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

5. Equity Accounted Investments (Continued)

31 March 2017	No. of Shares	Book Value Under Equity Method ($'000)
Telecommunications Services of Trinidad and Tobago Limited ("A" shares)	144,238,384	1,125,501
Trinidad Nitrogen Co. Limited ("A" shares)	306,000	338,267
NGC NGL Company Limited	9,406,950	367,289
NGC Trinidad and Tobago LNG Limited	9,226	251,743
Pan West Engineers and Construction, LLC		349,701
		2,432,501
31 March 2016		
Telecommunications Services of Trinidad and Tobago Limited ("A" shares)	144,238,384	1,100,195
Trinidad Nitrogen Co. Limited ("A" shares)	306,000	279,847
NGC NGL Company Limited	9,406,950	346,090
NGC Trinidad and Tobago LNG Limited	9,226	242,325
Pan West Engineers and Construction, LLC		349,607
		2,318,064

6. Financial Assets

	2017 ($'000)	2016 ($'000)
Held to maturity:		
National Housing Authority TT$40M 7% FXRB due 2025	39,563	39,511
Home Mortgage Bank TT$20M series B 2% FXRB due 2022	12,444	14,333
First Citizens Bank Loan Note	53,964	52,529
Restricted Deposit	6,200	6,200
ANSA Merchant Bank Loan Note	33,728	-
Available for sale investments:		
CLICO Investment Fund	22,500	22,560
First Citizens Bank Limited	40,509	43,554
Power Generation Company of Trinidad and Tobago Limited	151,316	151,316
Trinidad and Tobago Stock Exchange	224	224
Trinidad and Tobago National Gas Limited	32,802	30,636
UTC Calypso Index Fund	43,760	49,980
	437,010	410,843

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

7. Fixed Assets

31-Mar-17	Industrial and Office Buildings ($'000)	Plant, Machinery and Equipment ($'000)	Office Furniture, Equipment and Motor Vehicles ($'000)	Work in Progress ($'000)	Total ($'000)
Opening net book amount	102,249	48,413	5,570	11,144	167,376
Additions	46	691	3,288	6,997	11,022
Depreciation	(2,961)	(7,713)	(2,387)	-	(13,061)
Closing net book value	99,334	41,391	6,471	18,141	**165,337**
Cost	147,796	293,998	42,509	18,141	502,444
Accumulated depreciation	(48,462)	(252,607)	(36,038)	-	(337,107)
Closing net book value	99,334	41,391	6,471	18,141	**165,337**

31-Mar-16	Industrial and Office Buildings ($'000)	Plant, Machinery and Equipment ($'000)	Office Furniture, Equipment and Motor Vehicles ($'000)	Work in Progress ($'000)	Total ($'000)
Opening net book amount	103,172	50,630	4,786	303	158,891
Additions	1,727	4,028	2,925	11,144	19,824
Disposal	-	-	(190)	-	(190)
Reclassification	303	-	-	(303)	-
Depreciation	(2,953)	(6,245)	(1,951)	-	(11,149)
Closing net book value	102,249	48,413	5,570	11,144	**167,376**
Cost	147,750	293,307	39,353	11,144	491,554
Accumulated depreciation	(45,501)	(244,894)	(33,783)	-	(324,178)
Closing net book value	102,249	48,413	5,570	11,144	**167,376**

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDTED FINANCIAL STATEMENTS

31 MARCH 2017

8. Retirement Benefit Asset

The Subsidiary, National Flour Mills (NFM) operates a defined benefit pension plan as follows:

	2017 ($'000)	2016 ($'000)
(a) Change in Defined Benefit Obligations		
Defined benefit obligations at start	(162,703)	(161,663)
Service cost	(5,837)	(6,255)
Interest cost	(7,987)	(7,931)
Members' contributions	(1,604)	(1,728)
Benefits paid	5,993	6,180
Remeasurement:		
Experience adjustments	1,003	813
Actuarial loss from changes in financial assumptions	11,076	7,881
Defined Benefit Obligation at end	(160,059)	(162,703)
(b) Amount recognized in the Consolidated Statement of Financial Position		
Present value of defined benefit obligation	(160,059)	(162,703)
Fair value of plan assets	180,336	171,762
Net IAS #19 Defined Benefit Asset	**20,277**	**9,059**
(c) Change in Plan Assets		
Plan assets at start of year	171,762	172,251
Expected return on Plan assets	-	(12,062)
Interest income	8,580	8,684
Group contributions	4,482	7,755
Members' contributions	1,604	1,728
Benefits paid	(5,993)	(6,180)
Expense allowance		
Plan Assets at end of year	180,336	171,762
Actual Return on Plan Assets	8,888	(3,378)

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATION FINANCIAL STATEMENTS

31 MARCH 2017

8. **Retirement Benefit Asset (Continued)**

	2017 ($'000)	2016 ($'000)
(d) Amounts recognized in the Consolidated Statement of Comprehensive Income		
Current service cost	5,837	6,255
Interest on defined benefit obligation	(593)	(753)
Administration expenses	407	414
Net Pension Cost	5,651	5,916
(e) Reconciliation of Opening and Closing Statement of Financial Position Entries		
Opening defined benefit asset	9,059	10,588
Net pension cost	(5,651)	(5,916)
Remeasurement recognized in other comprehensive income	12,387	(3,368)
Group contributions paid	4,482	7,755
Closing Defined Benefit Asset	**20,277**	**9,059**
(f) Remeasurement reorganized in other Comprehensive Income		
Experience losses	12,387	3,368
(g) Experience History		
Defined benefit obligation	(160,059)	-
Fair value of Plan assets	180,336	171,762
Surplus	20,277	9,059
Experience adjustment of Plan liabilities	1,003	813
Actuarial losses from changes in financial assumptions	11,076	7,881

(h) The Subsidiary, National Flour Mills (NFM) expects to contribute **$5.2 million** to its defined benefit pension plan in 2018.

8. Retirement Benefit Asset (Continued)

(i) Summary of Principal Assumptions

	2017 (\$'000)	2016 (\$'000)
Discount rate	5.50%	5.00%
Salary increases	3.25%	3.25%
Pension increases	0.00%	0.00%

The calculation of the defined obligation is sensitive to the assumptions used. The following table summarises how the defined obligation as at 31 March 2017 would have changed as a result of a change in the assumptions used.

	% pa Increase \$million	1% pa Decrease \$million
Discount rate	(18.909)	(23.423)
Future salary increases	(7.110)	(6.251)

An increase of 1 year in the assumed life expectancies would increase the defined benefit obligation at 31 March 2017 by **\$2.773 million** (2016: \$2.923 million).

These sensitivities were calculated by computing the defined benefit obligations using the revised assumptions as adjusted for the sensitivities.

There have been no changes in the way the sensitivity analysis was computed when compared with the financial year ended 31 March 2016.

The most recent actuarial assessment of the Pension Plan was at 31 March 2015.

(j) Asset Allocation

	2017	2016
Locally listed equities ties	51,495	49,019
Overseas equities	10,199	10,902
TT\$-denominated bonds	72,316	64,994
Non-TT\$-denominated bonds (mainly US\$)	16,662	14,136
Mutual funds (short-term securities)	873	304
Cash and cash equivalents	18,562	21,730
Other (immediate annuity policies)	10,229	10,677
Fair value of Plan assets at end of year	180,336	171,762

The Plan does not directly hold any assets and/shares of NFM.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

8. Retirement Benefit Asset (Continued)

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

	2017	2016
Active	57%	57%
Deferred members	15%	18%
Pensioners	28%	25%

The weighted average duration of the defined benefit obligation at the year end 13.8 years (2016: 15.3 years).

98% (2016: 95%) of the value of the benefits for active members is vested.

20% (2016: 21%) of the defined benefit obligation for active members is conditional on future salary increases.

9. Trademarks

	2017 ($'000)	2016 ($'000)
Cost	17,312	17,312
Accumulated amortization	(17,312)	(16,779)
Net book value	-	533
Net book value at beginning of year	533	1,765
Charge for the year	(533)	(1,232)
Net book value at end of year	-	533

10. Inventories

	2017 ($'000)	2016 ($'000)
Raw materials	57,341	66,905
Packaging materials	4,066	3,800
Finished products	10,644	8,235
	72,051	78,940

Inventories are stated after a provision for impairment of **nil** (2016: $.718 million). The amount recognised as an expense in the year in respect of the write down of inventories is **$.178 million** (2016**: nil**). The amount recognised as a credit in the year in respect of reversals of write downs of inventories is **$.718 million** (2016: **nil**).

The cost of inventories recognised as an expense and included in cost of sales is **$253.504 million** (2016: $283.844 million).

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

11. Accounts Receivable and Prepayments

	2017 ($'000)	2016 ($'000)
Trade receivables	58,283	62,736
Dividends declared but not received	17,430	64,666
Prepayments	990	3,140
Sundry receivables	1,997	1,155
Other receivables	11,441	13,752
Debenture	49,512	51,221
Government of the Republic of Trinidad and Tobago	14,901	15,139
	154,554	211,809

The amount due from the Government of the Republic of Trinidad and Tobago (GORTT) is as a result of NFM offering discounts to customers to pass on to the public on specific products at the request of the GORTT.

The aging analysis of trade receivables at the reporting date was:

	Gross 2017 ($'000)	Impairment 2017 ($'000)	Gross 2016 ($'000)	Impairment 2016 ($'000)
Not past due	44,922	-	52,290	-
Past due:				
1-2 months	5,297	-	14,151	3,705
2-3 months	8,064	-	5,476	5,476
3-6 months	31,342	31,342	19,644	19,644
	89,625	31,342	91,561	28,825

The movement in the impairment allowance during the year was as follows:

	2017 ($'000)	2016 ($'000)
Balance at 1 April	28,825	23,318
Allowance charged to profit for the year	2,517	5,507
Balance at 31 March	31,342	28,825

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

12. Restricted Deposit

As at 31 March 2017, NFM held a deposit of **$60.928 million** (2016:6.2 million). **$6.2 million** are with a financial institution and is used to secure NFM's lease facility. The funds are held in a deposit, and earn interest of .15%.

An additional **$54.728 million** earn no interest and are held to secure overdue unpaid balances on a foreign denominated working capital facility and these mature within twelve (12) months of the Statement of Financial Position date.

13. Cash and Cash Equivalents

	2017 ($'000)	2016 ($'000)
Cash at bank	155,468	155,468
Short-term investments	192,687	236,400
	348,155	391,868

14. Cash Resources

	2017 ($'000)	2016 ($'000)
Cash and cash equivalents	348,155	391,868
Bank overdraft and short-term borrowings (**Note 23**)	(125,254)	(168,021)
	222,901	223,847

15. Stated Capital

	2017 ($'000)	2016 ($'000)
Authorised		
Unlimited number of shares of no par value		
Issued and fully paid		
600,000,641 ordinary shares of no par value	1,736,632	1,736,632

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

16. Other Equity

NFM provided for employee participation in the capital ownership structure by providing access to shares in NFM through its Employee Share Ownership Plan (ESOP). The plan which took effect from 5 May 1995, allowed for an initial injection of **$.7 million** into the Trust with annual amounts not exceeding 3% of after tax profits for distribution to all permanent members of staff each year. The plan is classified is a cash settled share based payment whose allocation vested immediately.

The amount paid to each employee is pro-rated based on that employee's basic salary as a factor of total basic salaries of permanent employees in the particular of distribution. The ESOP requires that a minimum of 40% of each employee's entitlement be taken in the form of a share based payment. The Trust is managed by a financial institution in the name of NFM on behalf of the employees. NFM's liabilities relating to this arrangement is included within Accounts Payables.

Treasury shares are shares in NFM that are held by the National Flour Mills Limited Employee Share Trust. Shares are for the purpose of issuing shares under National Flour Mills Limited Employee Ownership Plan. The number of NFM's share held by the plan as at 31 March 2017 is 2,335 with a fair value of **$5.884 million**. The fair value was derived from the Trinidad and Tobago Stock Exchange at the Statement of Financial Position date. The cost paid for those shares was **$2.633 million**.

17. Investment Remeasurement Reserve

In accordance with IAS #39, an investment re-measurement reserve has been created to capture unrealized gains/losses on available-for-sale investments.

18. Translation Reserve

This reserve is used to record exchange differences arising from the translation of the functional currency (USD) from Investments in joint ventures and associated companies TRINGEN, NGCLNG AND NGCNGL to the presentation currency (TTD).

19. Borrowings

	2017 ($'000)	2016 ($'000)
(i) Republic Bank Limited - NPHL	96,461	-
(ii) Republic Bank Limited - NEL	52,006	-
(iii) Republic Bank Limited - NFM	24,452	100,461
	172,919	100,461
Current portion of long-term borrowings	(27,190)	(6,566)
Non-current portion of long-term borrowings	**145,729**	**93,895**

19. Borrowings (Continued)

(i) In the 2016 financial period this balance represent a short term loan facility from Republic Bank Limited for the amount of **US$33,500,000** to assist with share acquisition in the PANWEST Engineers and Contractors, LLC at a rate of 1.4% per annum fixed, payable as at 19 May 2015. NEL secured an extension on this loan to 19 November 2015 with semi annual interest rate resets.

As at 21 April 2016 the loan was renegotiated with the Republic Bank Limited of Trinidad and Tobago on the balance outstanding of US$9,200,000. The new terms secured extended the loan for a period of three years with quarterly repayments at an interest rate of 140 basis points above the three month Libor to be reset semi-annually. A further extension was granted to 31 July 2019.

The loan facility is secured by a charge over cash **TT$65,000,000** held on the Second Unit Scheme account held with the Trinidad and Tobago Unit Trust Corporation and a lien over the Republic Bank of Trinidad and Tobago TTD bank account for $3,655,302.

(ii) The balance represents a loan facility from Republic Bank Limited for the amount of **US$16.3 million** to assist with share acquisition in the Power Generation Company of Trinidad and Tobago Limited.

The loan is repayable over ten (10) years at a rate of 2.829% per annum by principal reductions of **US$1 million** for the first three (3) years (2014-2017) thereafter payable via seven (7) annual payments of **US$1.9 million** in arrears.

(iii) This balance represents a 5 year amortised facility held by NFM for TT$40 million to cover working capital and operating costs at a fixed interest rate of 4.75%.

This facility is secured by a debenture on all fixed and floating assets of NFM as well as a collateral mortgage over all real property, stamped to cover **$90 million** ranking pari passu with a similar debenture held by Citibank Limited.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

20. Capital and Lease Commitments

The finance leases pertain to motor vehicles used by the Subsidiary, NFM. Finance leases liabilities are payable as follows:

	Future Minimum Lease Payments 2017 ($'000)	Interest 2017 ($'000)	Present Value of Minimum Lease Payments 2017 ($'000)	Future Minimum Lease Payments 2016 ($'000)	Interest 2016 ($'000)	Present Value of Minimum Lease Payments 2016 ($'000)
Less than one year	603	-	-	1,347	-	-
Between one and five years	1,682	(750)	-	2,837	(1,905)	-
	2,285	(750)	-	4,184	(1,905)	-

	2017 ($'000)	2016 ($'000)
Less than one year	**603**	**1,347**
Between one and five years	**932**	**932**
	1,535	2.279

21. Deferred Tax Asset/Liability

	2017 ($'000)	2016 ($'000)
Tax losses carried forward	-	7,569
Excess of net book value over written-down tax value	(37,481)	(32,118)
Remeasurement of medical plan	5,050	4,298
Retirement benefit asset	(6,083)	(2,266)
	(38,514)	(22,517)

The movement in deferred tax for the year is as follows:

	2017 ($'000)	2016 ($'000)
Balance at beginning of year	(22,517)	(14,984)
Charge to the Income Statement	(11,850)	(8,138)
Recognition in other comprehensive income	(4,147)	605
Balance at end of year	(38,514)	(22,517)
Deferred tax asset	**5,050**	**11,867**
Deferred tax liability	**(43,564)**	**(34,384)**
	(38,514)	(22,517)

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

22. Medical and Life Insurance Plan (Continued)

	2017 ($'000)	2016 ($'000)
(a) Change in Defined Benefit Obligations		
Defined benefit obligations at start	(17,194)	(17,063)
Service cost	(620)	(616)
Interest cost	(850)	(844)
Benefits paid	394	379
Remeasurement:		
Experience adjustments	227	758
Actuarial loss from changes in financial assumptions	1,210	192
Defined Benefit Obligation at end	**(16,833)**	**(17,194)**

(b) The obligation is allocated between the members as follows:

	2017	2016
Active	42%	44%
Pensioners	58%	56%

The weighted average duration of the obligation at the year-end was 14.3 years (2016: 15.3 years).

(c) Amounts recognized in the Consolidated statement of Comprehensive Income

	2017	2016
Current service cost	620	616
Interest on obligation	850	844
Net Pension Cost	1,470	1,460

(d) Reconciliation of Opening and Closing Statement of Financial Position Entries

	2017	2016
Opening Medical Life Insurance Plan liability	17,194	17,063
Net medical plan cost	1,470	1,460
Remeasurement recognized in other comprehensive income	(1,437)	(950)
Group contributions paid	(394)	(379)
Closing Medical Life Insurance Plan liability	**16,833**	**17,194**

(e) Remeasurement reorganized in other Comprehensive Income

	2017	2016
Experience losses	1,437	(950)

22. **Medical and Life Insurance Plan (Continued)**

(f) The subsidiary, National Flour Mills Limited, expects to pay **$0.396 million** in benefits in 2018.

	2017 ($'000)	2016 ($'000)
(g) Summary of Principal Assumptions		
Discount rate	5.50%	5.00%
Future medical cost increases	4,50%	4,50%
Future salary increases	3.25%	3.25%

The calculation of the Medical Plan Obligation is sensitive to the assumptions used. The following summarises how the medical Plan obligation as at 31 March 2017 would have changed as a result of a change in the assumptions used.

	1%pa Decrease $million 2017 ($'000)	1%pa Increase $million 2016 ($'000)
Discount rate	2,571	(2,046)
Medical cost increases	(1,521)	1,891

An increase of 1 year in the assumed life expectancies would increase the Medical Plan obligation at 31 March 2017 by **$0.183 million.**

These sensitivities were calculated by re-calculating the Medical Plan obligation using the assumptions as adjusted for the sensitivities.

There have been no changes in the way the sensitivity analysis was computed when compared with the financial year ended 31 March 2016.

The most recent actuarial assessment of the Medical and Life Insurance Plan was at 31 March 2015.

Risk exposure – Retirement Benefit Asset (the Plan) and medical plan (Medical Plan)

22. Medical and Life Insurance Plan (Continued)

(g) Summary of Principal Assumptions (continued)

Through its defined benefit pension plans and medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

(i) Assets volatility

The Plan and the Medical Plan liabilities are calculated using a discount rate set with reference to government bond yields; if plan assets underperform this yield, this will create a deficit. The Plan holds a significant proportion of equities, government bonds and corporate bonds, which all provide volatility and risk.

As the Plan matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

The Group believes that due to the long-term nature of the Plan liabilities, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to efficiently manage the Plan.

(ii) Changes in bond yields

A decrease in government bond yields will increase the Plan's liabilities, although this will be partially offset by an increase in the value of the Plan's bond holdings.

(iii) Inflation risks

Some of the group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities. The majority of the Plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

(iv) Life expectancy

The majority of the Plan and Medical Plan obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the Plans' liabilities.

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

23. Bank Overdraft and Short-Term Borrowing

	2017 ($'000)	2016 ($'000)
Revolving grain (i)	125,254	107,613
Short term loan facility (ii)	-	60,408
Balance at end of year	125,254	168,021

i) Revolving grain purchase loans have been provided by the following to finance the importation of grain.

	2017 (US$'000)	2016 (US$'000)
Export Import Bank of Trinidad and Tobago (Eximbank) Limited	9,285	5,213
Citibank (Trinidad and Tobago) Limited	9,282	11,471
	18,567	16,684
	(TT$'000)	(TT$'000)
TTD equivalent	125,254	107,613

Export Import Bank of Trinidad and Tobago -

The terms and conditions with the Export Import Bank of Trinidad and Tobago (Eximbank or the Lender) Limited are as follows:

- The loan shall be repaid to the Lender 30-180 days from the drawdown date.
- Interest on the Facility granted by the Lender is payable by the Borrower or the Group at the interest rate determined in the first tiered interest rate; this interest rate will be subject to revision and change at any time based on prevailing market conditions without any prior notice to the Borrower.
- First Tiered Interest Rate – the rate of interest that the Lender applies to the facility will be 6.50% per annum.
- Promissory notes are signed and stamped for amounts advanced prior to disbursement of funds.

23. Bank Overdraft and Short-Term Borrowing (Continued)

Citibank (Trinidad and Tobago) Limited

The terms and conditions with Citibank (Trinidad and Tobago) Limited (the Lender) are as follows:

- The Revolving Line of Credit in the amount of USD$10M for trade finance related activities, in relation to the purchase of grain and other associated costs as permitted by the Lender. The tenor of disbursements is 90 days after which both interest and principal becomes due.

- This facility is secured by a letter of guarantee issued by the Ministry of Finance of the Government of the Republic of Trinidad and Tobago for up to US $15M. Interest ranges between 2.82% to 2.91%. Additional security is provided by way of a debenture on all fixed and floating assets of the Company as well as a collateral mortgage over all real property stamped to cover $90M ranking pari passu with a similar debenture held by Republic Bank Limited.

ii) This represents a short term loan facility from Republic Bank Limited for the amount of **US$33,500,000** to assist with the joint acquisition of the Pan West Engineers and Contractors, LLC Limited at a rate of 1.4% per annum fixed, payable as at 19 May 2015. NEL recently secured an extension on the loan balance of **US$9,200,000** with semi-annual interest rate resets. The short term loan facility is secured by lien over cash **TTD$65,000,000** is held on the second Unit Scheme account held with the Trinidad and Tobago Unit Trust Corporation. This short term facility was restructured into a long term facility as at 31 March 2017.

	(TT$'000)	(TT$'000)
TTD equivalent	-	60,408

24. Accounts Payable and Accruals

	2017 ($'000)	2016 ($'000)
Trade payables	29,292	51,030
Payroll related liabilities	8,255	5,502
Accrued expenses	11,472	8,959
Government of the Republic of Trinidad and Tobago	11,622	9,623
	60,641	75,114

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

25. Profit Before Taxation

Profit before taxation is arrived at after charging:

	2017 ($'000)	2016 ($'000)
Finance charges	14,977	7,284
Depreciation and amortization	13,594	12,381
Directors' fees	1,357	1,551

26. Taxation

	2017 ($'000)	2016 ($'000)
Current year	(9,483)	(1,793)
Deferred tax	(11,850)	(8,138)
	(21,333)	**(9,931)**

Reconciliation of the effective tax rate to the statutory rate is as follows:

	2017	2016
Profit before taxation	222,129	119,516
Tax at statutory rate	(55,532)	(29,879)
Tax effect of expenses/income not deductible for tax purposes	40,614	
Tax utilised	547	21,727
Tax impact of change in deferred tax rate from 25% to 30%	(6,575)	
Business Levy	(61)	(1,093)
Green Fund Levy	(326)	(686)
	(21,333)	**(9,931)**

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

27. Earnings Per Share

	2017 ($'000)	2016 ($'000)
Profit attributable to equity holders of the Subsidiary	181,575	90,419
Weighted average number of ordinary shares in issue ('000)	600,001	600,001
Earnings per share	**0.30**	**0.15**

28. Dividends Received from Joint Ventures and Associates

	2017 ($'000)	2016 ($'000)
Telecommunications Services of Trinidad and Tobago Limited	-	54,288
Trinidad Nitrogen Co., Limited	13,871	81,314
NGC NGL Company Limited	32,786	133,561
NGC Trinidad and Tobago LNG Limited	-	68,392
Pan West Engineers and Constructors, LLC	13,411	24,477
	60,068	**362,032**

29. Dividends Paid

	2017 ($'000)	2016 ($'000)
2016 final dividend - **$0.15** per share (2015 - **$0.27** per share)	90,000	162,000
2017 interim dividend - **$0.15** per share (2016 - **$0.35** per share)	90,000	210,000
	180,000	**372,000**

A final dividend in respect of the year ended 31 March 2017 is **$.20** (2016 - $0.15) has been approved. These consolidated financial statements do not reflect this dividend payable.

30. Contingent Liabilities

As at 31 March 2017, the subsidiary National Flour Mills (NFM) had a contingent liability in respect of various legal proceedings. The actual liability could differ from this estimate of **$3,091,000.**

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

31. Related Party Transactions

	2017 ($'000)	2016 ($'000)
Key management compensation:		
Salaries and other short-term benefits	12,736	13,310
Termination benefits	713	684
	13,449	13,994

32. Principal Business Activities

The principal business activities of the subsidiary and other investee companies are:

Investment	Incorporated	Activity	% Interest
Subsidiary			
National Flour Mills Limited	Trinidad and Tobago	Food processing	51.00%
NEL Power Holdings Limited	Delaware, USA	Investment	100.00%
Joint Ventures			
Telecommunications Services of Trinidad and Tobago Limited	Trinidad and Tobago	Telecommunications provider	51.00%
Trinidad Nitrogen Co., Limited	Trinidad and Tobago	Manufacturer of ammonia	51.00%
Pan West Engineers and Contractors, LLC	Delaware, USA	Investment	33.33%
Associates			
NGC NGL Company Limited	Trinidad and Tobago	Investment holding company	20.00%
NGC Trinidad and Tobago LNG Limited	Trinidad and Tobago	Investment holding company	37.84%

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

33. Operating Segments

National Flour Mills Limited has two reportable segments, as described below, which are the subsidiary's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the subsidiary's Chief Executive Officer (CEO) reviews internal management reports monthly. The following summary describes the operations in each of the subsidiary's reportable segments:

- Food stuff. Includes manufacturing and distributing flour, flour by products and rice.
- Animal feed. Includes manufacturing and distribution of feed products for animals.

Other operations include the purchase and sale of imported dry goods.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment gross profit, as included in the internal management reports. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

	Food		Animal Feed		Other		Total	
	2017 ($'000)	2016 ($'000)	2017 ($'000)	2016 ($'000)	2017 ($'000)	2016 ($'000)	2017 ($'000)	2016 ($'000)
External Revenue	308,531	294,886	117,903	125,575	44,075	60,753	470,509	481,214
Depreciation and amortisation	8,849	8,392	4,051	3,842	29	28	12,929	12,262
Gross profit	92,454	76,445	37,623	31,108	9,914	8,198	139,991	115,751

NATIONAL ENTERPRISES LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2017

34. Maturity of Financial Liabilities

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

	Carrying Amount ($'000)	Contractual Cash Flow ($'000)	6 Months or less ($'000)	6-12 Months ($'000)	1-2 Years ($'000)	2-5 Years ($'000)
31-Mar-17						
Long term borrowings	172,919	172,919	-	88,984	54,715	29,220
Other secured advances	125,254	125,254	125,254	-	-	-
Finance lease liability	1,535	1,535	-	603	-	932
Medical and life insurance plan	16,833	16,833	-	-	-	16,833
Accounts payable and accruals	60,648	60,648	60,648	-	-	-
		377,189	185,902	89,587	54,715	46,985
31-Mar-16						
Long term borrowings	100,461	100,461	-	12,476	12,476	75,509
Other secured advances	168,021	168,021	168,021	-	-	-
Finance lease liability	2,279	2,279	-	1,347	-	932
Medical and life insurance plan	17,194	17,194	-	-	-	17,194
Accounts payable and accruals	75,114	75,114	75,114	-	-	-
		363,069	243,135	13,823	12,476	93,635