

**THE NATIONAL GAS COMPANY OF  
TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2013**

# **THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

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**Independent Auditors' Report  
to the Shareholders of  
The National Gas Company of Trinidad and Tobago Limited**

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited (the Company) and its subsidiaries (together the Group), which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and of financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**Other matter**

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2013.

Deloitte & Touche  
Port of Spain  
Trinidad

12 August 2014



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2013 \$'000	2012 \$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	15,631,417	10,489,098
Capital assets and licences	5	2,981,366	–
Investment properties	6	551,731	577,051
Goodwill	7	2,298,173	–
Other intangible assets	8	2,746	5,138
Interest in joint venture	9	–	1,049,184
Deferred tax asset	10	632,558	522,140
Net investment in leased asset	11	519,445	560,430
Long-term loans receivable	12	1,448,987	1,708,955
Financial assets at fair value through profit and loss	13	232,623	141,988
Other financial assets	14	3,701,637	1,852,109
Deferred expenses	15	341,351	282,658
Debt reserve funds	16	<u>290,146</u>	<u>92,378</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>28,632,180</u>	<u>17,281,129</u>
<b>CURRENT ASSETS</b>			
Inventories	17	231,936	35,913
Income taxes receivable		450,097	381,867
Deferred expenses	15	19,774	28,204
Dividends receivable		–	65,091
Cash at bank and short term deposits	18	10,563,591	16,189,705
Net investment in leased assets – current portion	11	14,647	6,214
Long-term loan receivable – current portion	12	296,206	314,135
Accounts receivable	19	3,783,468	2,855,973
Sundry debtors and prepayments	20	<u>1,136,142</u>	<u>930,270</u>
<b>TOTAL CURRENT ASSETS</b>		<u>16,495,861</u>	<u>20,807,372</u>
<b>TOTAL ASSETS</b>		<u><b>45,128,041</b></u>	<u><b>38,088,501</b></u>

The accompanying notes on pages 8 to 115 form an integral part of these consolidated financial statements.

**THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

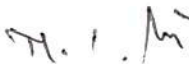
**AS AT 31 DECEMBER 2013**

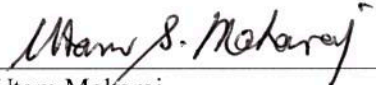
(Amounts expressed in Trinidad and Tobago dollars)

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
<b>EQUITY</b>			
Stated capital	21	1,855,266	1,855,266
Reserve fund	22	438,192	438,192
Other reserves	23	3,075,536	2,478,834
Retained earnings		<u>23,365,380</u>	<u>20,722,111</u>
Total equity attributable to owners of the parent		28,734,374	25,494,403
Non-controlling interests	40	<u>1,063,166</u>	<u>448,725</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>29,797,540</u>	<u>25,943,128</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	10	4,056,352	1,956,081
Long-term debt	24	3,191,428	2,774,578
Provisions	25	1,053,271	794,713
Post retirement medical and group life obligation	26	135,125	106,115
Pension obligation	27	481,320	290,207
Deferred income	28	185,464	435,572
Long-term creditors	29	<u>356,918</u>	<u>95,472</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>9,459,878</u>	<u>6,452,738</u>
<b>CURRENT LIABILITIES</b>			
Long-term debt – current portion	24	221,684	101,560
Trade payables	30	3,242,625	3,437,278
Sundry payables and accruals	31	1,576,032	1,084,361
Deferred income – current portion	28	209,088	106,283
Provisions	25	3,000	6,652
Income taxes payable		430,317	131,501
Dividends payable		<u>187,877</u>	<u>825,000</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>5,870,623</u>	<u>5,692,635</u>
<b>TOTAL LIABILITIES</b>		<u>15,330,501</u>	<u>12,145,373</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>45,128,041</u>	<u>38,088,501</u>

The accompanying notes on pages 8 to 115 form an integral part of these consolidated financial statements.

The consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited were authorized for issue by The Board of Directors on 12 August 2014.

  
 Mr. Roop Chan Chadeesingh  
 Director

  
 Dr. Utam Maharaj  
 Director

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2013 \$'000	2012 \$'000
Sales	32	22,373,183	18,354,479
Cost of sales	32	<u>(14,846,809)</u>	<u>(13,588,468)</u>
Gross profit		7,526,374	4,766,011
Other operating income	33	347,250	369,563
Interest and other investment income	34	1,114,687	861,468
Fair value gain on step up acquisition	7	1,263,086	–
Other income on asset acquisition	5	1,247,835	–
Share of income from joint venture	9	–	696,329
Administrative, maintenance & general expenses	35	(1,500,662)	(885,793)
Impairment expense	36	(10,175)	(35,792)
Finance costs	37	(211,273)	(249,433)
Other expenses		(87,076)	(25,988)
Gain/(loss) on foreign exchange transactions		<u>23,083</u>	<u>(21,008)</u>
Profit before taxation		9,713,129	5,475,357
Income tax expense	38	<u>(3,199,228)</u>	<u>(1,525,329)</u>
Profit for the year after taxation		<u>6,513,901</u>	<u>3,950,028</u>
<b>Other comprehensive income, net of taxes:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Re-measurement of net defined benefit liability		(184,957)	(33,091)
Income tax relating to net defined benefit liability		77,044	13,295
Foreign currency translation differences		<u>222,247</u>	<u>(117,476)</u>
		114,334	(137,272)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Net gain/(loss) on available-for-sale financial assets		<u>422,742</u>	<u>(98,993)</u>
Total other comprehensive income for the year, net of tax		<u>537,076</u>	<u>(236,265)</u>
<b>Total comprehensive income for the year, net of tax</b>		<u><b>7,050,977</b></u>	<u><b>3,713,763</b></u>

The accompanying notes on pages 8 to 115 form an integral part of these consolidated financial statements.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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	Notes	2013 \$'000	2012 \$'000
Profit for the year attributable to:			
- Owners of the Parent		6,261,656	3,768,996
- Non-controlling interests		<u>252,245</u>	<u>181,032</u>
		<b><u>6,513,901</u></b>	<b><u>3,950,028</u></b>
Total comprehensive income for the year attributable to:			
- Owners of the Parent		6,789,971	3,536,031
- Non-controlling interests		<u>261,006</u>	<u>177,732</u>
		<b><u>7,050,977</u></b>	<b><u>3,713,763</u></b>

The accompanying notes on pages 8 to 115 form an integral part of these consolidated financial statements.

**THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts expressed in Trinidad and Tobago dollars)

	Stated capital \$'000	Reserve fund \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
<b>Balance as at 1 January 2012</b>	1,855,266	438,192	2,731,419	18,433,495	23,458,372	524,416	23,982,788
Profit for the year	–	–	–	3,768,996	3,768,996	181,032	3,950,028
Other comprehensive income for the year	–	–	(213,169)	(19,796)	(232,965)	(3,300)	(236,265)
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	(39,416)	39,416	–	–	–
Dividends (Note 51)	–	–	–	(1,500,000)	(1,500,000)	(253,423)	(1,753,423)
<b>Balance as at 31 December 2012</b>	<b><u>1,855,266</u></b>	<b><u>438,192</u></b>	<b><u>2,478,834</u></b>	<b><u>20,722,111</u></b>	<b><u>25,494,403</u></b>	<b><u>448,725</u></b>	<b><u>25,943,128</u></b>
<b>Balance as at 1 January 2013</b>	1,855,266	438,192	2,478,834	20,722,111	25,494,403	448,725	25,943,128
Non-controlling interest on acquisition of PPGPL	–	–	–	–	–	604,846	604,846
Profit for the year	–	–	–	6,261,656	6,261,656	252,245	6,513,901
Other comprehensive income for the year	–	–	636,228	(107,913)	528,315	8,761	537,076
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	(39,526)	39,526	–	–	–
Dividends (Note 51)	–	–	–	(3,550,000)	(3,550,000)	(251,411)	(3,801,411)
<b>Balance as at 31 December 2013</b>	<b><u>1,855,266</u></b>	<b><u>438,192</u></b>	<b><u>3,075,536</u></b>	<b><u>23,365,380</u></b>	<b><u>28,734,374</u></b>	<b><u>1,063,166</u></b>	<b><u>29,797,540</u></b>

The accompanying notes on pages 8 to 115 form an integral part of these consolidated financial statements.



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	39	7,878,671	5,739,796
Pension and other post retirement contributions paid		(50,010)	(49,833)
Income taxes paid		(2,917,185)	(1,578,603)
Income tax received		3,577	-
Interest paid		(234,621)	(202,848)
Interest received		<u>344,180</u>	<u>370,818</u>
Net cash generated from operating activities		<u>5,024,612</u>	<u>4,279,330</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(310,001)	(250,684)
Purchase of investment property		(5,391)	(7,236)
Proceeds on disposal of property, plant and equipment		1,195	818
Net change in short-term investments		903,484	1,111,507
Proceed from sale of equities		9,187	-
Proceeds from repayment of loan receivables		349,981	495,586
Dividends received		197,255	1,046,537
(Decrease)/increase in debt reserve fund		(28,822)	85,986
Net cash outflow from acquisition of subsidiary and assets	40	(4,748,518)	-
Purchase of long-term investments (net)		<u>(1,333,489)</u>	<u>24,008</u>
Net cash (used in)/generated from investing activities		<u>(4,965,119)</u>	<u>2,506,522</u>
<b>Cash flows from financing activities</b>			
Repayment of long-term debt		(262,387)	(128,757)
Dividends paid		<u>(4,518,509)</u>	<u>(1,493,423)</u>
Net cash used in financing activities		<u>(4,780,896)</u>	<u>(1,622,180)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(4,721,403)	5,163,672
Net foreign exchange difference		(31,225)	(49,973)
Cash and cash equivalents			
- beginning of year		<u>12,343,453</u>	<u>7,229,754</u>
- end of year	18 (c)	<u><b>7,590,825</b></u>	<u><b>12,343,453</b></u>

The accompanying notes on pages 8 to 115 form an integral part of these consolidated financial statements.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 1. Corporate information

The National Gas Company of Trinidad and Tobago Limited and subsidiaries (“the Group”) is a diversified group primarily engaged in the purchase, transmission, distribution, processing and sale of natural gas and the aggregation, fractionation and marketing of natural gas liquids in Trinidad and Tobago, oil and gas exploration, the management of certain infrastructural facilities and the promotion and development of the Union Industrial Estate at La Brea. The National Gas Company of Trinidad and Tobago Limited (“the Company”) is wholly owned by the Government of the Republic of Trinidad and Tobago (GORTT). The Company’s registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas, Trinidad.

### 2. Summary of significant accounting policies

#### 2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### 2.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis, except for the Group’s offshore plant and equipment, pipelines and available-for-sale investments, which have been measured at fair value. The consolidated financial statements are presented in Trinidad and Tobago dollars (TT\$).

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.2 Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### 2.3 New and Revised Accounting Standards and interpretation

##### a) Standards and Interpretations adopted which impacted the financial statements

In the current year, the Company has applied a number of new and revised IFRSs issued by the IASB that are mandatorily effective for accounting periods beginning on or after 1 January 2013.

- **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**

The Company has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of profit or loss and other comprehensive income. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### a) Standards and Interpretations adopted which impacted the financial statements (continued)

- **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 (continued)**

However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section; (a) items that will not be reclassified subsequently to profit or loss (e.g., actuarial gains and losses on defined benefit plans and revaluation of land and buildings) and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met (e.g., net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

- **IFRS 13 Fair Value Measurement**

IFRS 13 established a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRS require or permit fair value measurements and related disclosures, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. value in use for impairment assessment purposes).

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### a) Standards and Interpretations adopted which impacted the financial statements (continued)

- **IFRS 13 Fair Value Measurement (continued)**

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at the measurement date under current market conditions. IFRS 13 requires prospective application for financial years beginning on or after 1 January 2013.

In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by IFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

- **IAS 19 Employee Benefit (as revised in 2011)**

In the current year, the Company has applied IAS *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past services costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. The Company previously recognised all actuarial gains and losses in profit and loss and therefore the adoption of IAS (as revised in 2011) only resulted in a reclassification of the actuarial gains and losses from profit and loss to other comprehensive income as follows:

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### a) Standards and Interpretations adopted which impacted the financial statements (continued)

- IAS 19 Employee Benefit (as revised in 2011) (continued)

	2013 \$'000	2012 \$'000
<b>Impact of IAS 19 revised on profit or loss:</b>		
Decrease in administrative and general expenses	(184,957)	(33,091)
Increase in profit before tax	184,957	33,091
Taxation (deferred tax asset element)	(77,044)	(13,295)
<b>Impact of IAS 19 revised on other comprehensive income:</b>		
Inclusion of the following line item to record experience		
Actuarial (gain)/loss on liabilities and plan assets:		
Re-measurement of net defined benefit liability	(184,957)	(33,091)
Taxation (deferred tax asset element)	77,044	13,295

##### b) Standards and Interpretations adopted with no effect on the financial statements

- IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

The Company has applied the amendments to IFRS 7, Disclosures – Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IFRS 7 require entities to disclose information about the rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar agreement.

The amendments have been applied retrospectively and have had no impact on the financial statements.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### b) Standards and Interpretations adopted with no effect on the financial statements (continued)

- **New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures.

*IFRS 10, Consolidated Financial Statements (annual periods beginning on or after 1 January 2013)*

IFRS 10 replaces the part of IAS 27 Consolidated and Separate Financial Statements that deals with consolidated financial statements and SIC12 Consolidation – Special Purpose Entities. It prescribes one basis for consolidation based on the presence of all three elements of control at the date of initial application. This means that some entities that were previously consolidated may not have to be consolidated under IFRS 10. Conversely, entities that were not previously consolidated may need to be consolidated under IFRS 10. There is no impact on the consolidated financial statements.

*IFRS 11, Joint Arrangements (annual periods beginning on or after 1 January 2013)*

IFRS 11 replaces IAS 31, Interests in Joint Ventures and SIC13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 prescribes the accounting for a joint arrangement based on parties' rights and obligations under the arrangements. Joint arrangements whereby joint venturers have rights to the net assets of the arrangement would qualify as a joint venture requiring the use of the equity method of accounting. Proportionate consolidation is no longer allowed. If joint operators have rights to the assets and obligations for the liabilities of the arrangements, the arrangement qualifies as a joint operation whereby each operator recognizes its assets, liabilities, revenue and expenses relating to its interest in the joint operation. The application of this new standard has no impact on the consolidated financial position of the Group.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### b) Standards and Interpretations adopted with no effect on the financial statements (continued)

- **New and revised Standards on consolidation, joint arrangements, associates and disclosures (continued)**

*IAS 28, Investments in Associates. Re-issued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011), (annual periods beginning on or after 1 January 2013)*

Similar to the previous Standard, the revised Standard deals with how to apply the equity method of accounting. However, the scope of the revised Standard has been changed to include investments in joint ventures as well because IFRS 11 requires investments in joint ventures to be accounted for using the equity method.

- **IAS 1 Clarification of the requirement for comparative information (Amendment)**

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

An opening statement of financial position (known as the ‘third balance sheet’) must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements (IAS 8), provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that a third balance sheet does not have to be accompanied by comparative information in the related notes.



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### b) Standards and Interpretations adopted with no effect on the financial statements (continued)

- **Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012**

The Annual Improvements to IFRSs 2009 – 2011 resulted in amendments to the following standards which are effective for accounting periods beginning on or after 1 January 2013:

- IAS 1, Presentation of Financial Statements; third statement of financial position and additional comparative information
- IAS 16, Property, Plant and Equipment; classification of service equipment
- IAS 32, Financial Instruments, Presentation; income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction

##### c) New and revised IFRSs in issue but not yet effective

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

- IFRS 9 Financial instruments<sup>2</sup>
- Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure<sup>2</sup>
- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities<sup>1</sup>
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities<sup>1</sup>

<sup>1</sup>Effective for annual periods beginning on or after 1 January, 2014, with earlier application permitted.

<sup>2</sup>Effective for annual periods beginning on or after 1 January, 2015, with earlier application permitted.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### c) New and revised IFRSs in issue but not yet effective (continued)

- **IFRS 9 Financial Instruments**

IFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future will impact on the amounts reported in respect of the Group's financial assets and liabilities. However it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.3 New and Revised Accounting Standards and interpretation (continued)

##### c) New and revised IFRSs in issue but not yet effective (continued)

- **Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities**

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group's financial statements as the Group is not an investment entity.

- **Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities**

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Company do not anticipate that the application of these amendments of IAS 32 will have a significant impact on the Group's financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.4 Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### Changes in the Group's ownership interest in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 2.5 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.5 Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.5 Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### 2.6 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.6 Goodwill (continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at note 2.7 below

#### 2.7 Investment in associate and joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.7 Investment in associate and joint venture (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.7 Investment in associate and joint venture (continued)

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

#### 2.8 Interest in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.8 Interest in joint operations (continued)

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

#### 2.9 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.10 Foreign currencies

The functional currency of the Group is the United States dollar (US\$) because the US\$ is the currency of the primary economic environment in which the Group operates. The Group statutory financial statements is required to be presented in Trinidad & Tobago dollars (TT\$), therefore the presentation currency is Trinidad & Tobago dollars (TT\$). All statement of financial position amounts have been translated using exchange rates in effect at the reporting date and statement of profit or loss and other comprehensive income amounts have been translated using average exchange rates for the year. Gains and losses resulting from this process have been recorded in translation reserve as a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Resulting exchange differences are recognized in income/expense for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions.

#### 2.11 Property, plant and equipment

##### a) Non-oil and gas assets

Property, plant and equipment, except for offshore plant and equipment and pipelines, are stated at cost less accumulated depreciation and accumulated impairment losses. Offshore plant and equipment and pipelines are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

Freehold land is not depreciated.

Depreciation is provided using the straight-line method at the following rates which are designed to write-off the cost of these assets over their expected useful life.

Machinery and equipment	5% - 20%
Offshore assets	12.5% - 25%
Marine infrastructural assets	2.5%
Other assets	12.5% - 33.3%

The pipelines and related facilities were revalued at 31 December 2010. Effective 1 January 2011 these assets will be depreciated over their remaining useful lives varying from 5 to 60 years, but not exceeding 31 December 2070.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.11 Property, plant and equipment (continued)

##### a) Non-oil and gas assets (continued)

Leasehold property is amortized as follows:

Land	-	over the term of the lease.
Buildings	-	over fifty (50) years or the term of the lease, whichever is shorter.

All costs relating to assets under construction will upon completion be transferred to their relevant fixed asset categories upon completion and are depreciated from that date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

##### b) Oil and gas assets

Following initial recognition at cost, offshore plant and equipment and pipelines are carried at the revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Generally valuations are performed every five to seven years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss, in which case, the increase is recognized in profit and loss. A revaluation deficit is recognized in profit or loss, with the exception of a deficit directly offsetting a previous surplus on the same asset. This is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.11 Property, plant and equipment (continued)

##### b) Oil and gas assets (continued)

The Company accounts for its natural gas and crude oil exploration, development and production activities under the full cost method of accounting. Under this method all costs associated with the exploration for and development of oil and gas reserve are capitalized.

These costs include land acquisition costs, geological and geophysical costs, interest and the carrying costs of non-producing properties, cost of drilling productive and non-productive wells, administration costs related to exploration and development activities and related plant and equipment costs, but do not include any cost related to production, general corporate overheads or similar activities. The cost also includes the estimated cost of dismantlement, assets removal and site restoration.

The provision for depletion and amortization is determined using the unit-of-production method based upon the estimated proved developed reserves of oil and gas, as determined by an independent qualified petroleum consultant. Costs associated with the acquisition and evaluations of significant unproved properties are excluded from amounts subject to depletion until such time as the properties are proven or become impaired.

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

#### 2.12 Intangible assets

##### a) Intangible assets acquired separately

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.12 Intangible assets (continued)

##### b) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

##### c) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### 2.13 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.13 Impairment of tangible and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 2.14 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs and subsequently stated at cost less accumulated depreciation less impairment. Depreciation is provided on a straight line basis over the estimated economic useful lives of the assets at the following rates:

Fabrication yard	3.33%
Development cost	10.00% - 33.33%
Buildings	3.33%

No depreciation is provided on freehold land.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.15 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### a) Current tax

Current tax receivable and payable are based on taxable profit for the current and prior years. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income/ statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.15 Taxation (continued)

##### b) Deferred tax (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### 2.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### a) The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.16 Leases (continued)

##### b) The Group as a lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### 2.17 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.17 Financial instruments (continued)

##### a) Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Group re-evaluates the classification of financial assets at each financial year end where allowed and appropriate.

##### b) Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

##### c) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group has not designated any financial assets as held for trading.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.17 Financial instruments (continued)

##### c) Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'interest and other investment income' line item. Fair value is determined in the manner described in Note 50.

##### d) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

##### e) Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.17 Financial instruments (continued)

##### e) Available-for-sale financial assets (AFS financial assets) (continued)

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 50. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.17 Financial instruments (continued)

##### f) Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

##### g) Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.17 Financial instruments (continued)

##### g) Impairment of financial assets (continued)

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.17 Financial instruments (continued)

##### g) Impairment of financial assets (continued)

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of other reserves. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

##### h) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.18 Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### b) Other financial liabilities

Other financial liabilities (including long term debt and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

##### c) Derecognition of other financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.19 Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Group does not carry any financial instrument which meets the strict criteria for hedge accounting.

#### 2.20 Take-or-pay

The Group has take-or-pay contracts with various upstream producers. A liability is recognized in the year in which the Group has to pay for volumes contractually committed to but not yet taken. The expenditure is recognized on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period. If management determines that they will not be able to take the volumes before the expiration of the deficiency recovery period, the amount is immediately recognized as an expense within cost of sales.

The Group also has take-or-pay contracts with its major customers. Deferred income is recorded in the year in which the customers have to pay for volumes contractually committed to but not yet taken. The revenue is recognized at the earlier of the expiration of the customer's deficiency period and when the volumes are taken.

#### 2.21 Inventories

Inventories are valued at the lower of weighted average cost and net realizable value.

The cost of LNG inventories comprises feed gas cost, and other direct and production costs including transportation tariff and processing fees. Net realizable value is the estimate of the selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

In the newly acquired subsidiary of the Group (i.e. PPGPL), inventories are measured at the lower of cost and net realizable value. Cost of natural gas liquids is determined using the first-in-first-out principle and includes a proportion of plant overheads. Cost of spares is determined using weighted average cost basis.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 2. Summary of significant accounting policies (continued)

#### 2.22 Cash and cash equivalents

Cash on hand, in banks and short-term deposits that are held to maturity are carried at cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks and short-term deposits with an original maturity of three months or less.

#### 2.23 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amounts of the obligation. Where the Group expects some or all of a provision to be reimbursed for example under an insurance contract the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement. If the effects of the time value of money is material, provisions are discounted using a current pre tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used the increase in the provision due to the passage in time is recognised as a finance cost.

##### a) Asset retirement obligation

The Group has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment and its proportionate share of the Teak, Samaan and Poui (TSP) assets, SECC assets and Block 2C and 3A in the Angostura Field at the end of their useful lives. The related fixed assets are increased in an amount equivalent to the provision and subsequently depreciated as part of the capital costs of the plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset unless related to the time value of money. The unwinding of the discount on the provision is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

##### b) Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 2. Summary of significant accounting policies (continued)

#### 2.23 Provisions (continued)

##### c) Provision for re-forestation

The Group has recorded a provision for the cost of reforestation. These estimated cost of replacing forest cleared in the construction of its pipelines and development of estates were included in the related fixed asset and are to be depreciated as part of the capital cost of the assets.

#### 2.24 Pension and other post employment benefits

##### a) Defined benefit plan

The Group maintains a defined benefit pension plan which covers all of its permanent employees effective 1 May 1977. The funds of the plan are held separately from the Group and are administered by Trustees. The plan is funded by payments from employees and the Group, taking into account the recommendations of independent qualified actuaries. A full valuation of plan is done every three years. The last full valuation was done as at 31 December 2012 was carried out in 2013. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'administrative, maintenance and general expenses'. Curtailment gains and losses are accounted for as past service costs.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.24 Pension and other post employment benefits (continued)

##### a) Defined benefit plan (continued)

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for an additional post-employment medical and group life benefits to retirees is recognised at the earlier of when the entity can no longer withdraw the offer of the benefits and when the entity recognises any related restructuring costs.

##### b) Defined contribution plan

In one of the newly acquired subsidiaries' of the Group, effective 1 January 2003, the Membership of the pension plan converted the pension plan from a defined plan to a defined contribution plan. A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity (Republic Bank Limited) and has no legal or constructive obligation to pay future amounts.

The plan covers all full time employees and is funded by payments from employees and a subsidiary taking into account the recommendations of independent qualified actuaries. The subsidiary's contributions to the defined contribution plan are charged to profit or loss in the period to which the contributions relate. At the end of 2013 there was no liability outstanding.

#### 2.25 Non-refundable capital contribution

The Group recognizes a non-refundable capital contribution (NRCC) when payment is received from industrial users as part of a condition of their connection to the pipeline network which provides them with continuous access to a supply of gas for use in their respective industries.

The contribution is recorded as deferred NRCC income in the Statement of Financial Position in the year received. The contribution is then amortized on a monthly basis and taken to the profit or loss over the period of the industrial user's sales contract.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.26 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 2.27 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

#### 2.28 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- Revenues associated with the sale of gas, oil, natural gas liquids and condensate are recognized when title and the related rights pass to the customer.
- Revenue associated with services and marine infrastructure income is recognized upon performance of the services.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 2. Summary of significant accounting policies (continued)

#### 2.28 Revenue recognition (continued)

- Lease rental and service charge from operating leases on investment properties are recognised as revenue in the period in which they are earned. Premiums on leases are recognised as revenue in the initial year of the lease.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- Management fees earned on government funded projects are accounted for on the accruals basis.

### 3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

#### **Judgments**

In the process of applying the Group's accounting policies management has determined that there were no judgment apart from those involving estimations which have a significant effect on the amounts recognized in the financial statements.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting period date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### *Impairment of non-financial assets*

The Group assesses whether there are indicators of impairment for all non-financial assets at each reporting date. When value-in-use calculations are undertaken management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 3. Significant accounting judgements, estimates and assumptions (continued)

#### *Impairment of available-for-sale investments*

The Group classifies certain assets as available-for-sale and recognizes movement in their fair value in equity. When fair value declines management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss.

#### *Tax assessments*

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the income tax and deferred tax provisions in the period in which such determinations is made.

#### *Pension and other post employment benefits*

The cost of defined benefits pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, future salary increases mortality rates and future pension increases. Due to the long term nature of these plans such estimates are subject to significant uncertainty.

In one of the newly acquired subsidiaries' of the Group, the Membership of the pension plan converted the pension plan from a defined plan to a defined contribution plan. A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay future amounts.

#### *Asset retirement obligation*

The Group has recorded a provision for the estimated cost of decommissioning its offshore plant and equipment. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and expected cost to dismantle and remove the offshore plant and equipment.

#### *Take-or-pay*

Take-or-pay obligations arising from long-term gas purchase contracts are accounted for as deferred expenditure or cost of sales (see Accounting Policy 2.20) based on management's assessment of the timeframe within which the gas will be taken. This assessment requires assumptions to be made regarding the future demand for gas arising from current and existing projects.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 3. Significant accounting judgements, estimates and assumptions (continued)

#### *Revaluation*

The Group revalues its offshore and onshore pipelines and related facilities every five to seven years. The key considerations in arriving at the fair value include location, historic and replacement cost, effective age, indicative life, gas reserve life, inherent risks and other information from management. The functional condition and economic obsolescence of the assets are also taken into account. Based on these factors, it has been estimated that the onshore and offshore pipelines will have a maximum useful life, not extending beyond 31 December 2070.

#### *Carrying value of oil and gas assets*

Oil and gas properties are depreciated using the units-of-production (UOP) method over proved developed and undeveloped mineral reserves.

The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proved reserves;
- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues.

#### *Useful lives of property, plant and equipment and investment property*

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment and investment property policies above. These rates and the residual lives of the assets are reviewed annually taking cognizance of the forecasted commercial and economic realities and through benchmarking of accounting treatments within the port and marine operations industry.

#### *Operating lease commitments - Group as Lessor*

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 3. Significant accounting judgements, estimates and assumptions (continued)

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cashflows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

During the year the Group acquired Phoenix Park Gas Processors Limited which resulted in goodwill of \$2,298.17 million. Management assessed the goodwill for impairment at 31 December 2013 and determined that no impairment was necessary. Refer to Note 7.

#### *Recognition of Block 2 (c) and Block 3 (a)*

The Group acquired NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. which holds a 30% and 8.5% participating interest in Block 2 (c) and Block 3 (a) respectively. The acquisition of these interests is treated as an asset. The fair value of these assets has been disclosed in Capital assets and licences in Note 5.

**THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

**4. Property, plant and equipment**

	Free- hold land \$'000	Lease- hold property \$'000	Develop- -ment costs \$'000	Machinery and equipment \$'000	Pipeline & related facilities \$'000	Oil and gas and plant assets \$'000	Offshore plant and equipment \$'000	Marine infra- structural assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
<b>Year ended</b>											
<b>31 December 2013</b>											
Opening net book value	17,246	158,414	899	16,672	7,794,563	304,375	–	380,934	24,672	1,791,323	10,489,098
Acquisition of subsidiary	–	–	–	–	–	2,029,055	–	–	23,262	94,652	2,146,969
Additions	4,651	561	–	8,699	–	66,574	1,405	12,811	13,824	206,916	315,441
Transfers	–	1,406	–	–	1,253,898	43,537	–	14,798	7,443	(1,321,082)	–
Disposals	–	–	–	(4)	–	–	–	(275)	(597)	–	(876)
Depreciation for year	–	(3,225)	(197)	(7,687)	(201,357)	(250,635)	–	(27,147)	(22,908)	–	(513,156)
Impairment	–	–	–	–	–	–	(1,405)	(100)	–	–	(1,505)
Fair value adjustment	–	–	–	–	–	3,095,799	–	–	–	–	3,095,799
Foreign exchange difference	160	1,336	–	119	68,955	421	–	–	151	28,505	99,647
<b>Closing net book value</b>	<b>22,057</b>	<b>158,492</b>	<b>702</b>	<b>17,799</b>	<b>8,916,059</b>	<b>5,289,126</b>	<b>–</b>	<b>381,021</b>	<b>45,847</b>	<b>800,314</b>	<b>15,631,417</b>
<b>At 31 December 2013</b>											
Cost	22,057	224,696	2,062	138,608	9,436,570	5,921,898	479,094	807,997	130,230	800,313	17,963,525
Accumulated depreciation/impairment	–	(66,204)	(1,360)	(120,809)	(520,511)	(632,771)	(479,094)	(426,976)	(84,383)	–	(2,332,108)
<b>Net book value</b>	<b>22,057</b>	<b>158,492</b>	<b>702</b>	<b>17,799</b>	<b>8,916,059</b>	<b>5,289,127</b>	<b>–</b>	<b>381,021</b>	<b>45,847</b>	<b>800,313</b>	<b>15,631,417</b>

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013

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(Continued)

4. Property, plant and equipment (continued)

	Freehold land \$'000	Lease- hold property \$'000	Develop- ment costs \$'000	Machinery and equipment \$'000	Pipeline & related facilities \$'000	Oil and gas assets \$'000	Offshore plant and equipment \$'000	Marine infra- structural assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
<b>Year ended</b>											
<b>31 December 2012</b>											
Opening net book value	13,135	161,938	1,098	16,546	7,989,524	310,521	–	402,927	23,664	1,636,420	10,555,773
Additions	4,179	344	–	6,461	–	49,534	5,599	10,175	11,717	162,190	250,199
Transfers	–	–	–	112	6,725	–	–	5,464	–	(12,301)	–
Disposals	–	–	–	(11)	–	–	–	(748)	(460)	–	(1,219)
Depreciation for year	–	(3,209)	(199)	(6,382)	(167,580)	(36,474)	–	(26,203)	(10,166)	–	(250,213)
Impairment	–	–	–	–	–	–	(5,599)	(10,681)	–	–	(16,280)
Foreign exchange difference	(68)	(659)	–	(54)	(34,106)	(19,206)	–	–	(83)	5,014	(49,162)
<b>Closing net book value</b>	<b>17,246</b>	<b>158,414</b>	<b>899</b>	<b>16,672</b>	<b>7,794,563</b>	<b>304,375</b>	<b>–</b>	<b>380,934</b>	<b>24,672</b>	<b>1,791,323</b>	<b>10,489,098</b>
<b>At 31 December 2012</b>											
Cost	17,246	220,951	2,062	130,233	8,113,717	686,511	477,689	784,678	94,148	1,791,323	12,318,558
Accumulated depreciation/impairment	–	(62,537)	(1,163)	(113,561)	(319,154)	(382,136)	(477,689)	(403,744)	(69,476)	–	(1,829,460)
<b>Net book value</b>	<b>17,246</b>	<b>158,414</b>	<b>899</b>	<b>16,672</b>	<b>7,794,563</b>	<b>304,375</b>	<b>–</b>	<b>380,934</b>	<b>24,672</b>	<b>1,791,323</b>	<b>10,489,098</b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 4. Property, plant and equipment (continued)

#### (a) Revaluation of offshore plant and equipment and pipelines

##### i. Offshore plant and equipment

The Group revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Group revalued its offshore plant and equipment at an amount of \$139.0 million, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of \$90.30 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December 2013.

The offshore plant and equipment was fully impaired in 2005 and conditions resulting in impairment have remained unchanged.

##### ii. Pipelines

The Group revalues its pipelines every five to seven years. The Directors approved an independent valuation performed by PricewaterhouseCoopers at 31 December 2010, of the pipelines and related facilities owned by the Group.

The valuation was conducted using the depreciated replacement cost basis assuming the facilities will continue to be used for the purpose for which they were designed and intended. For valuation purposes the pipelines have been assessed to have a maximum useful life not extending beyond 31 December 2070. The estimated useful life is based on current and estimated future gas reserves as well as other factors.

The revaluation resulted in a net revaluation surplus of \$1,298.3 million, which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of \$62.56 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the statement of profit or loss and other comprehensive income. The 2010 revaluation surplus of \$1,361.18 million reserve net of deferred taxes will be transferred to retained earnings on a basis consistent with the depreciation charged on the pipelines.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 4. Property, plant and equipment (continued)

#### (b) Pipelines and related facilities

- i. Included in “Pipelines and related facilities” is the Trinidad and Tobago Electricity Commission (T&TEC) pipeline system which was acquired by the Group from T&TEC with effect from 1 January 1977. However, the Group has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired.
- ii. As at 31 December 2013 the Group has recorded a provision of \$37.97 million (2012 \$37.63 million) for compensation payable to owners of land along Rights of Way of the Company’s pipelines.

#### (c) Assets under construction

Included under assets under construction are costs relating to the Phoenix Park Valve Station Upgrade. Costs incurred on this project as at 31 December 2013 are \$395.20 million. The estimated completion date for this project is third quarter 2014.

In addition Tobago pipeline was transferred from Assets Under Construction to pipelines at a cost of \$1.22 billion in Quarter 1 of 2013.

#### (d) Marine infrastructure assets

The fair value was based on the marine infrastructure assets’ value in use. The recoverable amount of the Group’s assets has been determined based on a value-in-use calculation using cash flow projections from the financial budgets prepared by management and approved by the Board of Directors and extrapolated for a four year period, at a discount rate of 3.48% and a terminal capitalization rate of 3.48%. As a result of this analysis, management has recognised an impairment charge of \$0.100 million (2012: \$10.681 million) on its property, plant and equipment in the statement of profit or loss.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 4. Property, plant and equipment (continued)

Details of the Group's offshore plant and equipment, pipeline and related facilities and marine infrastructure assets which are carried at revalued amounts and information about the fair value hierarchy are as follows:

<b>At 31 December 2013</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
Offshore plant and equipment, pipeline and related facilities	-	8,931,690	-	8,931,690
Marine infrastructure assets	-	-	20,710	20,710
	<u>-</u>	<u>8,931,690</u>	<u>20,710</u>	<u>8,952,400</u>
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>At 31 December 2012</b>				
Offshore plant and equipment, pipeline and related facilities	-	7,794,575	-	7,794,575
Marine infrastructure assets	-	-	24,665	24,665
	<u>-</u>	<u>7,794,575</u>	<u>24,665</u>	<u>7,819,240</u>

There were no transfers between Levels 1 and 2 during the year.

The net carrying amount of the pipelines if it was carried at cost rather than at the revalued amount would have been \$5,372.23 million as at 31 December 2013 (2012: \$5,676.90 million).



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 5. Capital assets and licenses

Asset acquisition of exploration and production assets

	<b>Block 2c</b>	<b>Block 3a</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 31 December 2013</b>			
Additions on acquisition	3,051,054	-	3,051,054
Fair value adjustment	237,726	41,673	279,399
Depreciation expense	(364,885)	-	(364,885)
Foreign exchange gain	15,798	-	15,798
Closing net book value	<u>2,939,693</u>	<u>41,673</u>	<u>2,981,366</u>
<b>At 31 December 2013</b>			
Cost	3,304,578	41,673	3,346,251
Accumulated depreciation	(364,885)	-	(364,885)
Net book value	<u>2,939,693</u>	<u>41,673</u>	<u>2,981,366</u>

The Group acquired NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. which holds a 30% and 8.5% participating interest in Block 2 (c) and Block 3 (a) respectively.

As part of the Joint Operating Arrangement (JOA) which NGC Investments B.V. is a party of the Group has rights to the underlying assets and obligations for their share of the liabilities as it relates to the respective blocks but joint control does not exist because the decisions about the relevant activities do not require the unanimous consent of the parties that control the arrangement.

The arrangement does not meet the definition of a joint arrangement or joint control within the scope of IFRS 11 which requires the unanimous consent of the parties sharing control.

Further, since the Group does not have joint control in the operations of the respective blocks, it appears that the arrangement also does not meet the definition of 'business combination' under IFRS 3.

Therefore the asset is treated as tangible and intangible asset under IAS 16 and IAS 38 with no recognition of residual goodwill and deferred tax.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 5. Capital assets and licenses (continued)

On acquisition of NGC E&P Investments B.V. and NGC E&P (Netherlands) B.V. the Group obtained the right to economic benefits from these investments effective 1/1/2012.

As result the income generated by these companies less any expenses for the period 1/1/2012 until the executed date of the Purchase and Sale agreement became the entitlement of the Group on acquisition. This benefit in the amount of \$1,247.84 million is shown in the Statement of Profit or Loss and Other comprehensive income under other income on asset acquisition.

### 6. Investment properties

	2013 \$'000	2012 \$'000
<b>Year ended 31 December</b>		
At 1 January	577,051	616,472
Additions/transfers at cost	5,390	7,236
Depreciation	(22,040)	(21,546)
Impairment (Note 36)	<u>(8,670)</u>	<u>(25,111)</u>
At 31 December	<u><b>551,731</b></u>	<u><b>577,051</b></u>
<b>At 31 December</b>		
Cost	1,209,186	1,312,617
Accumulated depreciation and impairment charges	<u>(657,455)</u>	<u>(735,566)</u>
Net book value	<u><b>551,731</b></u>	<u><b>577,051</b></u>
<b>Amounts recognised in profit or loss</b>		
Rental income from investment properties	<u><b>22,787</b></u>	<u><b>20,640</b></u>
Direct operating expenses	<u><b>3,967</b></u>	<u><b>3,253</b></u>

Investment properties comprise the lands at Union Industrial Estate (UIE) and a warehousing facility which is being constructed on the UIE. The Group has applied for a reclamation licence in respect of the land on which the warehouse facility sits.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 6. Investment properties (continued)

The fair value was based on the investment property value in use. The recoverable amount of the lands at UIE and the warehousing facility constructed at UIE has been determined based on a value-in-use calculation using cash flow projections from lease agreements and the Board approved business development, at a discount rate of 5.72%. As a result of this analysis, management has recognised an impairment charge of \$8.609 million (2012: \$34.832 million) on its investment properties in the statement of profit or loss.

Also the fair value on the land on which the fabrication yard at La Brea Industrial Estate was based on value in use. The recoverable amount of these lands was based on a value-in-use calculation using cash flow projections from the 2014 financial budgets prepared by management and approved by the Board of Directors and extrapolated for a four year period, at a discount rate of 3.48% and a terminal capitalization rate of 3.48%. As a result of this analysis, management has recognised an impairment charge of \$0.060 million (2012: reversal of \$9.721 million) on its investment properties in the statement of profit or loss.

Legal title for the land on which the fabrication yard at La Brea Industrial Estate is situated have not yet been transferred to the Group by the Petroleum Company of Trinidad and Tobago Limited (Petrotrin).

The fair values of investment properties were estimated as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Union Industrial Estate	354,932	317,281
Brighton Materials Storage and Handling Warehouse facility	89,958	114,616
Land situated at fabrication yard	<u>122,285</u>	<u>117,897</u>
At 31 December	<u><b>567,175</b></u>	<u><b>549,794</b></u>

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**7. Goodwill**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Step acquisition of Phoenix Park Gas Processors Limited	<u><b>2,298,173</b></u>	<u><b>—</b></u>

The Parent company acquired 100% shares of Conoco Phillips Inc. and changed the name of the acquired entity to Trinidad & Tobago Holdings LLC (TTHLLC). TTHLLC owns 39% of Phoenix Park Gas Processors Limited (PPGPL) which brings the Group's total investment in PPGPL to 79.8%. This shareholding together with other considerations resulted in the Group obtaining control over PPGPL. PPGPL was previously treated as a joint venture (see Note 9).

	<b>\$'000</b>
Fair value consideration for controlling interest (Note a)	3,863,100
Non-controlling interest (Note b)	401,263
Fair value of previously held interest (Note c)	<u>2,046,443</u>
	6,310,806
Fair value of net assets of PPGPL (Note d)	<u>4,012,633</u>
Goodwill	<u><b>2,298,173</b></u>
(a) Fair value consideration of controlling interest	
Cash	<u><b>3,863,100</b></u>

(b) Non-controlling interest

The Parent company elected to measure non-controlling interest at their proportionate share of the fair value of the net assets (refer to note (d) below).

(c) Fair value previously held interest

The fair value of the previously held interest was calculated by using the fair value of the net assets acquired of TT\$4,012.64 million multiplied by the formerly held percentage shareholding of 51%. This amounts to TT\$2,046.44 million.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 7. Goodwill (continued)

#### (d) Fair value of net assets acquired

The fair values of the identifiable assets acquired and liabilities recognised at the acquisition date 16 August 2013:

	<b>\$'000</b>
<b>Non-current assets</b>	
Property, plant and equipment	5,220,454
<b>Current assets</b>	
Cash and short term deposits	954,007
Debt reserve fund	169,230
Inventories	187,159
Trade and other receivables	501,263
<b>Non-current liabilities</b>	
Long-term debt	(517,761)
Deferred tax liability	(1,648,330)
<b>Current liabilities</b>	
Trade and other payables	(698,879)
Borrowings	<u>(154,510)</u>
Net assets of PPGPL	<u><b>4,012,633</b></u>

The cost approach was used to estimate the fair value of the identifiable assets and liabilities. Except for property, plant and equipment, the carrying values of all assets and liabilities were assumed to equate their fair values. The fair value of property, plant and equipment (PPE) was estimated by considering the replacement cost of the PPE. The replacement cost of PPE exceeded the carrying values which lead to a corresponding increase in the deferred tax liability.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 7. Goodwill (continued)

#### *Goodwill impairment test*

The smallest identifiable group of assets that generates cash inflows to which goodwill is allocated is deemed to be the entity acquired (PPGPL).

This cash-generating unit was tested for impairment at year end. The test showed that goodwill was deemed not to be impaired.

The carrying amount of goodwill allocated to the cash generating unit amounted to \$2,298.17 million. The recoverable amount was determined to be the fair value less cost of disposal.

Goodwill was determined on the date of acquisition which was three (3) months prior to the reporting date. There have been no significant changes to the assets and liabilities and the key assumptions used. In accordance with IAS 36 the fair value amount used to determine impairment do not differ from those used to calculate goodwill.

Discounted cashflows projections to the year 2029 were used in determining the fair value less cost of disposal as this represents the initial duration of its major feedstock supplier contract. These projections were calculated based on a fluctuating growth rate, with projections beyond the five year period ranging from 5.5% to 0% up to 2029.

A discount rate of 17% has been used to determine the projected cashflows for the said period.

#### *Gain recognised on acquisition*

The Group recognised a gain of \$1,263.09 million on the acquisition of the additional shares of PPGPL which was determined as follows:

	<b>\$'000</b>
Total fair value of previously held interest – 51%	2,046,443
Fair value attributable to non-controlling interest – 10.2%	<u>(409,289)</u>
Fair value of previously held interest attributable to Group – 40.8%	1,637,154
Carrying amount under IFRS 11 (previously IAS 31)	<u>(374,068)</u>
Statement of profit or loss	<u><b>1,263,086</b></u>

#### *Impact of acquisition on the results of the Group*

Included in the profit for the year is \$742.62 million attributable to the additional business generated by PPGPL. Revenue for the year includes \$2,680.03 million in respect PPGPL.

Information relating to the effect of the business combinations had it occurred effected at 1 January 2013 was not determine as fair values were not readily available at 1 January 2013.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 8. Other intangible assets

	2013 \$'000	2012 \$'000
<b>Year ended 31 December</b>		
At 1 January	5,138	17,033
Additions/transfers at cost	3,458	485
Depreciation	(5,887)	(12,337)
Foreign exchange difference	<u>37</u>	<u>(43)</u>
At 31 December	<u><b>2,746</b></u>	<u><b>5,138</b></u>
<b>At 31 December</b>		
Cost	118,230	114,735
Accumulated depreciation	<u>(115,484)</u>	<u>(109,597)</u>
Net book amount	<u><b>2,746</b></u>	<u><b>5,138</b></u>

Software is amortised over the useful economic life currently estimated at two (2) years.

The depreciation expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category, consistent with the function of the intangible asset.

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**9. Interest in joint venture**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Phoenix Park Gas Processors Limited	<u>—</u>	<u><b>1,049,184</b></u>

Details of the Group's joint venture at the end of the reporting period is as follows:

<u>Name of joint venture</u>	<u>Principal activity</u>	<u>Place of incorporation and principal place of business</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>	
			<u>2013</u>	<u>2012</u>
Phoenix Park Gas Processors Limited (PPGPL)	Extraction of propane, butanes and natural gasoline from the natural gas stream	Rio Grande Drive, Point Lisas Industrial Estate, Point Lisas	79.8%	51%

During the year the Group acquired 100% of Trinidad and Tobago Holdings LLC (TTHL) which owns 39% shares of PPGPL. As a consequence the Group obtained control over PPGPL and the financial position, and financial performance and cash flows were consolidated during the year ended 31 December 2013 (Note 7). In the prior year and up to the date of acquisition of 16 August 2013, the investment in PPGPL was accounted for using the equity method of accounting.

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Movement in investment in joint ventures during the reporting period</b>		
Balance at beginning of the reporting period	1,049,184	1,092,241
Share of PPGPL total comprehensive income (Note a)	314,076	696,329
Dividends received	(344,005)	(751,521)
Exchange and other adjustments	21,926	12,135
Recognition of joint venture following acquisition of controlling interest (Note b)	<u>(1,041,181)</u>	<u>—</u>
Interest in joint venture	<u>—</u>	<u><b>1,049,184</b></u>



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 9. Interest in joint venture (continued)

- (a) Reconciliation of the financial information (Note 40) to the share of profit in the joint venture recognised in the Group's financial statements:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
PPPGPL's total comprehensive income for the year	615,835	1,365,351
Proportion of the Group's ownership interest in the joint venture	<u>51%</u>	<u>51%</u>
Share of profit in the joint venture	<u><b>314,076</b></u>	<u><b>696,329</b></u>

- (b) Reconciliation of financial information (Note 40) to the carrying amount of the interest in the joint venture recognised in the Group's comparative financial statements:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Net assets of PPGPL	2,041,531	2,057,224
Proportion of the Group's ownership interest in the joint venture	<u>51%</u>	<u>51%</u>
Carrying amount of the Group's interest in the joint venture	<u><b>1,041,181</b></u>	<u><b>1,049,184</b></u>

### 10. Deferred taxation

Significant components of deferred tax asset and liability are as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax asset:</b>		
Asset retirement obligation	337,738	261,202
Post retirement medical and group life and pension	215,757	138,713
Finance lease - Dolphin pipeline	21,037	65,076
Property, plant and equipment (net of valuation allowance)	3,010	628
Accrued interest expense	31,447	30,882
Other	<u>23,569</u>	<u>25,639</u>
	<u><b>632,558</b></u>	<u><b>522,140</b></u>

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(Continued)

<b>10. Deferred taxation (continued)</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax liability:</b>		
Property, plant and equipment	<u><b>4,056,352</b></u>	<u><b>1,956,081</b></u>
<b>Movement in net deferred tax balance</b>		
Balance at 1 January	1,433,941	1,214,426
Tax charge recognized in profit and loss	203,123	213,365
Tax charge recognized in other comprehensive income	77,044	13,295
Fair value measurement of net assets acquired:		
- in profit or loss	501,784	-
- in other comprehensive income	112,470	-
Initial recognition of goodwill	438,631	-
Initial recognition and charge on acquisition of subsidiary	527,224	-
Foreign exchange translation	<u>129,577</u>	<u>(7,145)</u>
Balance as at 31 December	<u><b>3,423,794</b></u>	<u><b>1,433,941</b></u>
<b>11. Net investment in leased assets</b>		
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Finance lease - gross investment	1,627,809	1,838,657
Less: Unearned finance charges	<u>(1,093,717)</u>	<u>(1,272,013)</u>
	<u><b>534,092</b></u>	<u><b>566,644</b></u>
Gross investment in leased assets has the following maturity profile:		
Within 1 year	205,094	198,293
1 to 5 years	872,946	844,115
Over 5 years	<u>549,769</u>	<u>796,249</u>
	<u><b>1,627,809</b></u>	<u><b>1,838,657</b></u>
Net investment in leased assets has the following maturity profile:		
Within 1 year	14,647	6,214
1 to 5 years	235,987	149,622
Over 5 years	<u>283,458</u>	<u>410,808</u>
	<u><b>534,092</b></u>	<u><b>566,644</b></u>
Current	14,647	6,214
Non-current	<u>519,445</u>	<u>560,430</u>
	<u><b>534,092</b></u>	<u><b>566,644</b></u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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(Continued)

### 11. Net investment in leased assets (continued)

In December 2010, NGC completed its acquisition of the 58.8 mile 24 inch diameter offshore subsea pipeline and related facilities. BG/Chevron Texaco has entered into a Gas Transportation Agreement (GTA) with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85% of the pipeline capacity. BGI as operator will operate and maintain the pipeline and related facilities for an initial term of four years.

An assessment of the transaction was made under IFRIC 4 to determine whether the arrangement contains a lease and also IAS 17. Consequently, the pre-transfer and capacity payments received from BG/Chevron during the period April 2006 to December 2010 were offset against the acquisition cost of the pipeline and set up as the net investment in a leased asset

### 12. Loans receivable

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Trinidad and Tobago Electricity Commission (Note (a))	1,207,577	1,433,514
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited (Note (b))	363,381	416,883
Atlantic LNG Company of Trinidad and Tobago (Note (c))	<u>174,235</u>	<u>172,693</u>
	1,745,193	2,023,090
Less: current portion of loans receivable	<u>(296,206)</u>	<u>(314,135)</u>
Long-term loans receivable	<u><b>1,448,987</b></u>	<u><b>1,708,955</b></u>

#### (a) Trinidad and Tobago Electricity Commission (T&TEC)

The Group has converted trade receivables in the amount of US\$282.8 million for unpaid gas sales for the period July 2005 to September 2009 together with related interest of US\$36.8 million to a medium-term loan receivable of US\$319.7 million with an effective date of 1 December 2009. The Loan Agreement was executed on 9 March 2012. The loan is for a period of 7 years with interest payable at a fixed rate of 3% per annum and semi-annual installments which commenced on 1 December 2011.

The impairment provision on the loan decreased by \$50.93 million during 2013 to \$117.82 million (US\$18.30 million) at 31 December 2013. The impairment test was based on cash flows as per the terms of the medium-term loan, using the original effective interest rate of 7%.

The fair value of the long-term loan receivable was \$1,205.43 million at 31 December 2013 (2012: \$1,433.51 million).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 12. Loans receivable (continued)

#### (b) Atlantic LNG 4 Company of Trinidad and Tobago limited

Pursuant to the Atlantic LLC Agreement, the Members were obligated to make Members loans and working capital contributions in proportion to each member's percentage interest to fund the construction, commissioning and operations of the ALNG Train 4. The maximum aggregate principal amount of the long-term Members Loan is US\$1.2 billion of which Trinidad and Tobago LNG Limited proportion is 11.11% (US\$133.320 million). As at 31 December 2013 the Company has contributed US\$111.988 million (2012: US\$111.988 million) which represents its share of the long-term Members Loan.

This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of Libor plus a margin which ranges from 1.125% to 2.125% per annum. The effective interest rate at the reporting date was 1.9398% (2012: 2.0614%). This loan is expected to mature on 15 December 2020.

Loan re-payments of US\$8,888,000 (2012: US\$8,888,000) were made during the year. The loan balance at 31 December 2013 is US\$56.439 million (TT \$363.381 million), (2012: US\$65.327 million/TT\$416.883 million).

#### (c) Atlantic LNG Company of Trinidad and Tobago

Atlantic LNG Company of Trinidad and Tobago has secured financing in the amount of US\$270.6 million. The National Gas Company of Trinidad and Tobago Limited (NGC) has provided financing of US\$27.06 million which represents ten percent (10%) of the total loan facility.

The term facility was funded on 30 August 2011. The loan shall be repayable in five (5) consecutive semi-annual installments in equal principal amounts, commencing on the date which is sixty (60) months after the closing date of 30 August 2011 and ending on the seventh (7th) anniversary of the Closing Date in 2016. The loan bears interest at a rate per annum equal to the LIBOR rate plus the applicable margin of 1.10%. The effective interest rate at 31 December 2013 was 1.267% (2012: 1.309%).

### 13. Financial asset at fair value through profit and loss

In 2006 the Group issued a \$2,509 million (US\$400 million) bond to be repaid via a bullet payment in January 2036. To meet 50% of the liability, in 2008 the Company invested \$225.69 million (US\$35.50 million) in two (2) single tranche credit linked notes at a cost of \$112.84 million (US\$17.75 million) each. During the first ten (10) years of the investment there is risk in relation to loss of the principal. At the end of the ten (10) year period, the note converts to a zero coupon bond and this risk no longer applies. Upon maturity of the notes they will have a value of US\$100 million each subject to any loss in value arising from credit events during the first ten (10) years of the investment.

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(Continued)

### 13. Financial asset at fair value through profit and loss (continued)

The fair value of the credit linked investment as at 31 December 2013 was \$232.62 million (US\$36.13 million) (2012: \$141.99 million (US\$22.25 million)). The fair value gain/loss in respect of this investment is charged to the statement of profit or loss and other comprehensive income and presented within finance income or finance expense.

### 14. Other financial assets

	2013 \$'000	2012 \$'000
Investments comprise the following:		
Held-to-maturity investments (Note (a))	277,636	98,209
Available-for-sale financial assets (Note (b))	3,420,114	1,751,324
Other	<u>3,887</u>	<u>2,576</u>
	<u><b>3,701,637</b></u>	<u><b>1,852,109</b></u>

#### (a) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity dates which the Group intends to hold to maturity and comprises the following:

	2013 \$'000	2012 \$'000
Petrotrin Bonds	42,679	46,613
Government of Trinidad and Tobago Bonds	20,053	19,688
Government of Barbados Bonds	13,797	31,908
Home Mortgage Bank Bonds	<u>201,107</u>	<u>—</u>
	<u><b>277,636</b></u>	<u><b>98,209</b></u>

#### (b) Available-for-sale financial assets

	2013 \$'000	2012 \$'000
First Citizens Bank Limited – shares	34,495	—
Petrotrin Bonds	157,429	—
Corporate bonds/ shares	1,108,915	—
Other listed shares	1,775,674	1,410,765
Shares – unlisted	<u>343,601</u>	<u>340,559</u>
	<u><b>3,420,114</b></u>	<u><b>1,751,324</b></u>

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(Continued)

### 14. Other financial assets (continued)

#### (b) Available-for-sale financial assets (continued)

##### Listed

Available-for-sale financial assets consist of investments in ordinary shares and the first unit scheme of The Trinidad & Tobago Unit Trust Corporation (a mutual fund) and therefore have no fixed maturity date or coupon rate. The fair value of the listed ordinary shares is determined by reference to published price quotations in an active market.

##### Unlisted

For investments where there is no active market the fair value estimates cannot be reasonably assessed and as such these investments are measured at cost. The investment comprises:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Atlantic 1 Holdings LLC	157,003	155,613
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	180,259	178,663
National Helicopter Services Limited	<u>6,339</u>	<u>6,283</u>
	<b><u>343,601</u></b>	<b><u>340,559</u></b>

### 15. Deferred expenses

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Take-or-pay (Note a)	259,215	193,199
Capacity rights (Note b)	94,663	110,884
Other	<u>7,247</u>	<u>6,779</u>
	<b><u>361,125</u></b>	<b><u>310,862</u></b>
Current	19,774	28,204
Non-current	<u>341,351</u>	<u>282,658</u>
	<b><u>361,125</u></b>	<b><u>310,862</u></b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 15. Deferred expenses (continued)

#### a) Take-or-pay

Take-or-pay represents the right to take gas under a take-or-pay agreement for which the Company has recognized a liability to pay for gas volumes contractually committed to but not yet taken. The expenditure is recognized on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period.

#### b) Capacity rights

The Company has acquired reserved capacity rights in a 36" pipeline from Beachfield to Point Fortin.

The expenditure will be amortised to the statement of profit or loss and other comprehensive income over the period of the contract which expires on 4 July 2019.

### 16. Debt reserve funds

In accordance with security agreements, two of the subsidiary companies are required to maintain a debt reserve fund. These debt reserve funds are held in interest bearing accounts.

One of the subsidiaries' of the Group has an Escrow account with a financial institution and is required to maintain a balance on the account equivalent to the next two loan installments at all times.

### 17. Inventories

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Finished goods – LNG	3,087	373
Consumable spares	144,240	32,130
TSP spares	6,847	6,787
Natural Gas Liquid - NGL	73,167	–
Stock of crude oil	7,346	–
Other	947	288
Provision for slow moving and obsolete stock	<u>(3,698)</u>	<u>(3,665)</u>
	<b><u>231,936</u></b>	<b><u>35,913</u></b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 18. Cash and short-term deposits

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at banks and on hand	7,590,825	12,343,453
Short-term deposits	<u>2,972,766</u>	<u>3,846,252</u>
	<b><u>10,563,591</u></b>	<b><u>16,189,705</u></b>

(a) Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. The fair value of cash and short-term deposits is \$10,563.59 million (2012: \$16,189.71 million).

(b) The Group holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT\$1,095.48 million (US\$171. million) as at 31 December 2013 which have matured and were not repaid.

CIB experienced financial and liquidity issues. On 31 January 2009 the Central Bank of Trinidad & Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates and the related accrued interest were fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December 2013.

By order of the High Court dated 17 October 2011, CIB was ordered to be wound up and the Deposit Insurance Corporation (DIC) was appointed Liquidator. The Group has submitted a claim to the Liquidator for the amount due.

(c) For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December.

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at banks and on hand	<u>7,590,825</u>	<u>12,343,453</u>



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**19. Accounts receivable**

	2013 \$'000	2012 \$'000
Trade receivable	<u>3,783,468</u>	<u>2,855,973</u>

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

As at 31 December 2013, trade receivables impaired and fully provided for totaled \$53.3 million (2012: \$63.9 million). Movements in the provision for impairment of receivables were as follows:

	Individually impaired \$'000	Collectively impaired \$'000	Total \$'000
At 1 January 2012	–	47,924	47,924
Charge for year	3,269	20,690	23,959
Reversal of prior year provision	–	(373)	(373)
Foreign currency translation adjustment	–	(7,671)	(7,671)
At 31 December 2012	<u>3,269</u>	<u>60,570</u>	<u>63,839</u>
At 1 January 2013	3,269	60,570	63,839
Charge for year	193	16,730	16,923
Reversal of prior year provision	–	(27,421)	(27,421)
At 31 December 2013	<u>3,462</u>	<u>49,879</u>	<u>53,341</u>

As at 31 December the ageing analysis of trade receivables net of impaired amount is as follows:

	Total \$'000	Neither past due nor impaired \$'000	Past due but not impaired				
			<30 days \$'000	30-60 days \$'000	60-90 days \$'000	90-120 days \$'000	>120 days \$'000
<b>2013</b>							
Accounts receivable	<u>3,783,468</u>	<u>2,646,001</u>	<u>219,087</u>	<u>100,270</u>	<u>27,700</u>	<u>181,392</u>	<u>609,018</u>
<b>2012</b>							
Accounts receivable	<u>2,855,973</u>	<u>2,238,649</u>	<u>91,745</u>	<u>29,209</u>	<u>46,643</u>	<u>10,299</u>	<u>439,428</u>

**THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

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**20. Sundry debtors and prepayments**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Sundry debtors and prepayments comprise the following:		
Prepayments	273,804	61,204
Staff related balances	5,711	8,262
Related party balances	17,086	10,688
Due from the Government of Trinidad & Tobago - billed	425,979	521,198
Due from the Government of Trinidad & Tobago – not yet billed	30,607	57,371
Value Added Tax	110,151	85,205
Interest receivable	71,111	56,716
Accrued income	43,346	47,892
Restricted funds (Note (b))	2,166	3,669
Other	<u>156,181</u>	<u>78,065</u>
	<b><u>1,136,142</u></b>	<b><u>930,270</u></b>

Notes:

(a) For terms and conditions relating to related party receivables refer to Note 48.

(b) During 2011 two wire transfers amounting to \$31.888 million (US\$4.975 million) were fraudulently withdrawn from one of the subsidiaries' bank account. Due to the lack of objective evidence of the final outcome of recovery efforts, a provision for \$31.888 million was recorded at 31 December 2011.

Subsequently, the Group received \$5.835 million and at 31 December 2013, the Group continues to hold a provision of \$23.887 million.

**21. Stated capital**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Authorised</b>		
An unlimited number of ordinary shares of no par value		
<b>Issued and fully paid</b>		
1,855,266,340 ordinary shares of no par value	<u><b>1,855,266</b></u>	<u><b>1,855,266</b></u>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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(Continued)

### 22. Reserve fund

A Reserve Fund has been set up by the Board of Directors with the objective of minimizing the Group's exposure arising from business interruption, adverse gas price fluctuations, and liabilities or losses which may result from accidents on its self-insured assets.

Transfers to the Reserve Fund will be made in such cases where the Group's standard return on equity is exceeded. The fund cap is 25% of the issued stated capital of the Parent Company.

### 23. Other reserves

	2013 \$'000	2012 \$'000
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines	1,243,503	1,283,029
Unrealized gain on available-for-sale financial assets	1,361,179	938,437
Foreign currency translation	<u>470,854</u>	<u>257,368</u>
	<b><u>3,075,536</u></b>	<b><u>2,478,834</u></b>

### 24. Long-term debt

	2013 \$'000	2012 \$'000
US \$400M 30-year bond (Note a)	2,150,122	2,130,380
RBTT Trust (Trinidad and Tobago) Limited (Note b)	10,333	17,204
CALYON Bank Limited (Note c)	629,943	710,130
First Citizens Bank Limited (Note d)	9,500	18,424
Bank of New York (Note e)	<u>613,214</u>	<u>--</u>
	3,413,112	2,876,138
Current portion	<u>(221,684)</u>	<u>(101,560)</u>
Non-current portion	<b><u>3,191,428</u></b>	<b><u>2,774,578</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 24. Long-term debt (continued)

- (a) This loan relates to a US\$400 million bond issued by the Group and arranged by Lehman Brothers/Citigroup on 20 January 2006 to finance the construction/ acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund its 11.11% of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.

The bond will be redeemed via a bullet payment on 15 January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05% commencing in July 2006. The fair value of the gross bond was \$2,683.26 million (US\$416.75 million) at 31 December 2013 (2012: \$2,761.40 million) (US\$432.72 million).

- (b) This loan relates to a bond issued on 2 May 2005 for TT\$62 million to finance the construction of the fabrication yard and La Brea dock expansion. The Trustee is RBC Trust (Trinidad and Tobago) Ltd.

The bond provides for two (2) semi-annual interest payments in arrears at a fixed rate of interest of 6.05%, in addition to a one (1) year moratorium on principal. This is followed by 18 semi-annual payments of interest and principal. Interest rate is fixed at 6.05% per annum. The fair value of the bond was \$10.338 million at December 2013 (2012: \$17.336 million).

The bond is guaranteed by The National Gas Company of Trinidad and Tobago Limited and The Petroleum Company of Trinidad and Tobago Limited.

- (c) The Group secured financing in the amount of US\$200 million (TT\$1.260 billion) from a group of lenders. The Lead Arrangers for the Lenders are Credit Agricole Bank (formerly CALYON Bank Ltd), ING Capital LLC, MIZUHO Corporate Bank Ltd. and Sumitomo Mitsui Banking Corporation.

On 18 September 2007, (the conversion date) the construction advances of US\$200 million was converted to a fifteen (15) year long-term loan. The principal is repayable in thirty (30) consecutive semi-annual installments which commenced on 1 June 2006 and matures on 1 December 2021.

Interest on the loan is paid quarterly. The interest rate is based on the relevant type of Euro/base rate advances requested plus a margin as summarized below:

	<b>Euro dollar rate advances</b>	<b>Base rate advances</b>
Pre-conversion	1.500% p.a.	0.500% p.a.
Post-conversion	Range of 1.625 to 2.500% p.a.	Range of 0.625 to 1.500% p.a.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 24. Long-term debt (continued)

#### (c) (continued)

As at 31 December 2013, all drawdowns are Eurodollar rate advances. The Company has entered into an interest rate hedge with Credit Agricole Bank (formerly CALYON Bank Ltd) effective 1 December 2005 for 15 years, for fifty percent (50%) of the financing (US\$100 million) at a fixed rate of interest of 4.98% per annum plus the margin noted above.

The impact of this hedge in 2013 was an increase in interest expense in the amount of TT\$16.78 million (2012: TT\$18.03 million). The fair value of the loan at 31 December 2013 is TT\$669.14 million (2012: TT\$784.20 million).

The collateral given to secure this financing includes:

- All collateral accounts which include a debt service reserve account
- Assignment of the borrower's right, title and interest prescribed in specified term sheets relating to the Gas Transportation Agreements, receivables and inventory
- Assignment of insurance policies
- Assignment of the NGC Pipeline Company Limited's shares owned by the Parent Company
- Guarantees by the Parent Company

(d) The Group in pursuit of its capital expansion program obtained a loan from First Citizens Bank Limited on the 17 May 2004 in the value of \$67.9 million. The loan provides for two equal semi-annual payments of interest only, followed by 18 semi-annual payments of principal and interest. Interest rate is fixed at 6.20% per annum. The loan is secured by the following:

- (i) Collateral Chattel Mortgage over two (2) tugboats - NEC Empress & NEC Majestic with carrying amounts totalling \$37.780 million (2012: \$39.658 million).
- (ii) Marine Hull, Machinery Risk and Protection & Indemnity Insurance over the two (2) tugboats.
- (iii) Deed of Assignment and Notice of Assignment of the proceeds of a Pier Usage contract.
- (iv) Deed of Charge over Deposit Account in the name of NEC to service loan facility.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 24. Long-term debt (continued)

- (e) The Group has three long term bonds due April 2013, April 2017 and April 2020 respectively. The bond that was due April 2013 was repaid on 2 April 2013.

#### *Long term senior bonds due April 2020*

The long term senior bonds maturing in April 2020 were issued in four Series at a fixed interest rate of 5.95% for Series A, Series B and Series C with the Series D notes being issued at 5.48%. The notes were consolidated in January 2007 with the issue of Series E at a fixed interest rate of 5.76%. Quarterly principal and interest payments commenced in July 2006. As security to the Noteholders, the Group has secured this debt on certain assets as disclosed below.

#### *Long term senior bonds due April 2017*

The long term senior bonds maturing in April 2017 were issued in a single draw on 1 May, 2007, at a fixed interest rate of 5.28%. Interest and principal are quarterly and commenced in July 2007 and January 2009 respectively. As security to the Noteholders, the Group has secured this debt on certain assets as disclosed below.

#### *Security to lenders*

Under the term of the loan agreements, security in favour of the lenders as stipulated in the Note Purchase Agreement dated 21 June 2006, the Note Purchase Agreement dated 1 May 2007 and Financial Institution Loan Agreement and Promissory Note dated 22 May 1998 which rank pari passu includes the following:

- (i) A debenture giving the senior lenders first fixed and floating charges on all the subsidiary's assets (PPGPL).
- (ii) A deed of mortgage in favour of the senior lenders over the project site and over the benefits of right of ways and easements.
- (iii) Assignment to the senior lenders of the subsidiary's right under marketing and other agreements.
- (iv) Payments of dividends are restricted by the terms of the financing agreement.

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(Continued)

**24. Long-term debt (continued)**

(e) (continued)

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Maturity profile of long-term debt</b>		
In one year or less	221,684	101,560
In more than one year but not more than two years	200,542	96,162
In more than two years but not more than three years	180,130	84,356
In more than three years but not more than four years	173,235	84,236
In more than four years but not more than five years	167,220	87,937
In more than five years	<u>2,470,301</u>	<u>2,421,887</u>
	<b><u>3,413,112</u></b>	<b><u>2,876,138</u></b>

**25. Provisions**

	<b>Asset retirement obligation \$'000</b>	<b>Environ- mental obligation \$'000</b>	<b>Onerous contract \$'000</b>	<b>2013 Total \$'000</b>	<b>2012 Total \$'000</b>
<b>Year ended 31 December</b>					
Balance as at 1 January 2013	667,031	8,991	125,343	801,365	785,410
Unwinding of discount	-	-	-	-	31,658
Increase/(decrease) in provision	(196,902)	(2,545)	187,019	(12,428)	(12,507)
Increase in provision due to asset acquisition	260,293	-	-	260,293	-
Foreign currency translation	<u>5,252</u>	<u>-</u>	<u>1,789</u>	<u>7,041</u>	<u>(3,196)</u>
Balance as at 31 December 2013	<b><u>735,674</u></b>	<b><u>6,446</u></b>	<b><u>314,151</u></b>	<b><u>1,056,271</u></b>	<b><u>801,365</u></b>
Current portion	-	3,000	-	3,000	6,652
Non-current portion	<u>735,674</u>	<u>3,446</u>	<u>314,151</u>	<u>1,053,271</u>	<u>794,713</u>
	<b><u>735,674</u></b>	<b><u>6,446</u></b>	<b><u>314,151</u></b>	<b><u>1,056,271</u></b>	<b><u>801,365</u></b>

**(a) Asset retirement obligation**

The Group has recorded provisions for the decommissioning of production and transportation of its recently acquired Exploration and Production Subsidiaries in the amount of \$260.29 million (US\$40.43 million).

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 25. Provisions (continued)

#### (a) Asset retirement obligation (continued)

The Group has recorded provisions for the net present value of the estimated cost of decommissioning the offshore plant and equipment and the Teak, Samaan and Poui (TSP) platforms and SECC assets based on studies conducted.

A letter of credit was established for the Company's portion of the obligation for the TSP platforms. The decommissioning of these platforms is not expected to occur before 2025. However, the ultimate amount and timing of the cost may vary from the original estimate.

In 2013, NGC conducted an exercise to obtain an updated cost of decommissioning for its offshore platforms. Based on the report submitted by TSB Offshore Incorporated, the cost of decommissioning was estimated as \$334.41 million (US\$51.94 million). This resulted in the existing provision being reduced by \$196.90 million (US\$30.69 million).

#### (b) Environmental obligation

The Group has committed to the reforestation of land areas equivalent to those cleared for pipeline construction and right of way extension.

#### (c) Onerous contract

The Group has an onerous contract to provide compression services with a customer for which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits to be received from it.

The contract provides for 18 months' notice to be given if either party wants to terminate the contract. The Group has provided for the net unavoidable costs expected to be incurred during the 18 month contractual notice period.



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 26. Post retirement medical and group life

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2013	2012
Medical cost inflation	5.75%	5.57%
Discount rate	5.00%	5.00%
Salary increases	6.00%	6.00%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2012 and 2013 are as follows:

Life expectancy at age 60 for current pensioner in years:

Male	21.0	21.0
Female	25.1	25.1

Life expectancy at age 60 for current members age 40 in years:

Male	21.4	21.4
Female	25.4	25.4

Expense recognized in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2013 \$'000	2012 \$'000
Current service cost	6,374	5,667
Net interest on net defined benefit liability/(asset)	5,278	5,686
Past service cost	<u>          --</u>	<u>          --</u>
Net benefit cost	<u><b>11,652</b></u>	<u><b>11,353</b></u>
<b>Re-measurement recognized in Other Comprehensive Income</b>		
Experience (gains)/losses	<u>17,295</u>	<u>(8,294)</u>
Total amount recognized in Other Comprehensive Income	<u><b>17,295</b></u>	<u><b>(8,294)</b></u>

**THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

**26. Post retirement medical and group life (continued)**

**Net liability in the Statement of Financial Position arising from the entity's obligation in respect of its defined benefit plans is as follows:**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of Defined Benefit Obligation	134,163	106,115
Fair value of plan assets	<u>—</u>	<u>—</u>
Deficit	134,163	106,115
Foreign exchange translation	<u>962</u>	<u>—</u>
Net defined benefit liability/(asset)	<b><u>135,125</u></b>	<b><u>106,115</u></b>

**Reconciliation of Opening & Closing Statement of Financial Position:**

Opening defined benefit liability/(asset)	106,115	103,813
Net pension cost	11,652	11,353
Re-measurement recognized in Other Comprehensive Income	17,295	(8,294)
Company Contributions paid	(899)	(757)
Foreign exchange translation	<u>962</u>	<u>—</u>
Closing defined benefit obligation	<b><u>135,125</u></b>	<b><u>106,115</u></b>

**Movement in Present Value of defined benefit obligation:**

Defined benefit obligation at start of year	106,115	102,951
Current Service Cost	6,374	5,667
Interest cost	5,278	5,686
Re-measurements:		
Experience adjustments	17,295	(8,294)
Company's Premiums Paid	(899)	(757)
Foreign exchange translation	<u>962</u>	<u>862</u>
Defined benefit obligation at end of year	<b><u>135,125</u></b>	<b><u>106,115</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 26. Post retirement medical and group life (continued)

#### Movement in Fair Value of Plan Assets/Asset Allocation:

The Plan has no assets.

#### Funding

##### Post-retirement group life

The Group insures the group life benefits for retirees with an external insurer and pays the premiums as they fall due. The Group expects to pay \$0.168 million in 2014.

##### Post-retirement medical

The Group insures the medical benefits for retirees with an external insurer. Retirees meet roughly 10% of the total premiums due and the Group meets the remaining 90%. The Group expects to pay \$0.993 million in retiree medical premiums in 2014.

### 27. Pension obligation

#### The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2013	2012
Discount rate	5.0%	5.0%
General Salary increases	4.0%	4.0%
Salary increases due to age, merit and promotion	2.0%	2.0%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2012 and 2013 are as follows:-

Life expectancy at age 60 for current pensioner in years:-

Male	21.0	21.0
Female	25.1	25.1

Life expectancy at age 60 for current members age 40 in years:-

Male	21.4	21.4
Female	25.4	25.4

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 27. Pension obligation (continued)

#### Expenses recognized in the Statement of Profit or Loss are as follows:

	2013 \$'000	2012 \$'000
Current service cost	54,118	31,814
Net interest on net defined benefit liability	12,919	12,292
Past service cost	10,503	–
Administration expenses	<u>1,041</u>	<u>821</u>
Net benefit cost	<u><b>78,581</b></u>	<u><b>44,927</b></u>

#### Re-measurement recognized in Other Comprehensive Income:

Experience (gains)/losses	<u>167,662</u>	<u>41,386</u>
Total amount recognized in Other Comprehensive Income	<u><b>167,662</b></u>	<u><b>41,386</b></u>

#### Net liability in the Statement of Financial Position arising from the entity's obligation in respect of its defined benefit plans is as follows:

Present value of defined benefit obligation	1,098,184	822,317
Fair value of plan assets	<u>(618,192)</u>	<u>(530,772)</u>
Deficit	479,992	291,545
Foreign exchange translation	<u>1,328</u>	<u>(1,338)</u>
Net defined benefit liability	<u><b>481,320</b></u>	<u><b>290,207</b></u>

#### Reconciliation of Opening & Closing Statement of Financial Position entries:

Opening defined benefit liability/(asset)	290,207	254,308
Net pension cost	78,581	44,927
Re-measurement recognized in Other Comprehensive Income	167,662	41,386
Company Contributions paid	(57,796)	(49,076)
Foreign exchange translation	<u>2,666</u>	<u>(1,338)</u>
Closing defined benefit obligation	<u><b>481,320</b></u>	<u><b>290,207</b></u>

**THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

**27 Pension obligation (continued)**

**Movement in Present Value of Defined Benefit Obligation:**

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Defined benefit obligation at start of year	822,317	689,134
Current Service Cost	54,118	31,814
Interest cost	40,522	37,468
Members contribution	10,370	14,203
Addition voluntary contributions	25	32
Past service cost/(credit)	10,503	–
Re-measurements		
Experience adjustments	184,392	65,710
Benefits paid	<u>(24,063)</u>	<u>(16,044)</u>
Defined benefit obligation at end of year	<b><u>1,098,184</u></b>	<b><u>822,317</u></b>

**Movement in Fair Value of Plan Assets/Asset Allocation:**

Fair value of Plan assets at start of year	530,772	434,826
Interest income	27,603	25,176
Return on plan assets excluding interest income	16,730	24,324
Company contributions	57,796	49,076
Members contributions	10,370	14,203
Additional voluntary contributions	25	32
Benefits paid	(24,063)	(16,044)
Expenses	<u>(1,041)</u>	<u>(821)</u>
Fair value of plan assets at end of year	<b><u>618,192</u></b>	<b><u>530,772</u></b>

**Asset Allocation:**

Locally listed equities	106,774	80,095
Overseas equities	81,169	67,554
Government issued nominal bonds	208,597	134,143
Corporate bonds	159,013	166,563
Mutual funds	10,028	2,002
Cash and cash equivalents	45,829	73,417
Annuities	<u>6,782</u>	<u>6,998</u>
Fair value of plan assets at end of year	<b><u>618,192</u></b>	<b><u>530,772</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 27. Pension obligation (continued)

All asset values as at 31 December 2013 were provided by the Plan's investment managers (Republic Bank Limited and First Citizens Investment Services Limited). Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The investment managers calculate the fair value of the Government bonds and Corporate bonds by discounting expected future proceeds using a constructed yield curve.

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

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

#### **Funding**

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to twice those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the Plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay \$73.2 million to the pension plan during 2014.

Some of the Group employees are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. This is a defined benefit pension plan that provides pensions related to employees' length of service and basic earnings at retirement. The Plan's financial funding position is assessed by means of triennial actuarial valuations which was completed in 2013 and carried out by an independent actuary.

The subsidiary companies have no further obligations to pension costs once the contributions have been paid.

The Group also made a Voluntary Early Retirement Plan (VERP) offer to its employees in the second half of 2013. Members who accepted the VERP would receive benefits that were enhanced with additional pensionable service. The total cost of the VERP offer has been accrued for in these financial statements (Note 52).

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 28. Deferred income

	2013 \$'000	2012 \$'000
Gas sales (Note (a))	218,150	368,026
Non-refundable capital contribution (Note (b))	44,530	50,640
Capital grant (Note (c))	53,103	41,768
Transportation tariff (Note (d))	61,405	40,855
Pier user charge (Note (e))	16,810	16,413
Other	<u>554</u>	<u>24,153</u>
	<b><u>394,552</u></b>	<b><u>541,855</u></b>
Current	209,088	106,283
Non-current	<u>185,464</u>	<u>435,572</u>
	<b><u>394,552</u></b>	<b><u>541,855</u></b>

#### Notes

- (a) This represents revenue for gas volumes contractually committed to but not yet taken by customers. Income is recognized on the earlier of the expiration of the deficiency period and when the gas volumes are actually taken.
- (b) Non-refundable capital contributions received from industrial users are amortized to profit or loss over the period of the industrial users' sales contracts.
- (c) This amount relates to capital grants expended on depreciable assets and are to be amortized to profit or loss over the useful lives of the related asset.
- (d) This amount comprises shippers reserve capacity which is billed one month in advance.
- (e) This amount comprises pier user charges which are billed in advance.

### 29. Long-term creditors

Long-term creditors relate to take-or-pay liabilities expected to be settled more than one year after the reporting period date.

### 30. Trade payables

	2013 \$'000	2012 \$'000
Trade payables are settled on 30 day terms	<b><u>3,242,625</u></b>	<b><u>3,437,278</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 31. Sundry payables and accruals

	2013 \$'000	2012 \$'000
Accrued interest – Board of Inland Revenue	24,197	23,949
Accrued interest – other	84,182	86,405
Accrued material/service amounts	1,293,047	815,049
Contract provisions	47,248	66,527
Employee related accruals	122,797	90,739
Other	<u>4,561</u>	<u>1,692</u>
	<b><u>1,576,032</u></b>	<b><u>1,084,361</u></b>

Terms and conditions of the above financial liabilities:

Interest payable is normally settled in accordance with the terms and conditions of the respective loan. (See Note 24)

Accrued materials service amounts and contract provisions are non-interest bearing and have an average term of two (2) months.

### 32. Sales and cost of sales

	2013 \$'000	2012 \$'000
<b>Sales include the following:</b>		
Gas sales	13,125,822	16,208,565
Natural gasoline	2,735,653	–
Natural gas liquid sale	2,322,020	–
Condensate sales	543,632	82,675
Transportation tariffs income	361,475	222,747
Compression charges income	66,038	64,448
Crude oil income	1,420,915	563,740
Rental Income	22,750	20,640
LNG sales	1,478,152	921,614
Marine facilities and services income	<u>296,726</u>	<u>270,050</u>
	<b><u>22,373,183</u></b>	<b><u>18,354,479</u></b>

**Cost of sales includes the following:**

Gas purchase	12,462,520	12,578,192
Feedstock purchases	1,327,253	–
Depreciation	314,489	222,147
Impairment – offshore plant and equipment	1,407	5,599
Other operating cost	244,685	299,733
Production taxes including SPT	124,035	148,918
Maintenance cost	173,038	199,011
Staff cost (Note 35)	52,700	73,240
Royalties	64,969	68,388
Exploration and production costs	<u>81,713</u>	<u>(6,760)</u>
	<b><u>14,846,809</u></b>	<b><u>13,588,468</u></b>



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 33. Other operating income

	2013 \$'000	2012 \$'000
Lease income	19,005	18,883
Interest income – Dolphin lease	188,981	193,750
Operating and maintenance fees income – Dolphin pipeline	105,630	120,617
Project management fees income – GORTT	5,611	7,832
Amortization of non-refundable capital contribution	7,056	6,567
Other income	<u>20,967</u>	<u>21,914</u>
	<b><u>347,250</u></b>	<b><u>369,563</u></b>

### 34. Interest and other investment income

	2013 \$'000	2012 \$'000
Investment income	24,032	81,924
Interest Income - related party income	100,091	56,445
Net gain on financial asset through profit and loss (Note 13)	89,047	82,923
Fair value gain on T&TEC loan (Note 12 (a)) and other receivable	65,837	36,955
Net decrease in provision for asset retirement obligation	<u>196,902</u>	<u>–</u>
	<b><u>475,909</u></b>	<b><u>258,247</u></b>
Dividend income - Available-for-sale financial assets	342,445	295,017
LNG production payments	<u>296,333</u>	<u>308,204</u>
Other investment income	<u>638,778</u>	<u>603,221</u>
	<b><u>1,114,687</u></b>	<b><u>861,468</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 35. Expenses

	2013 \$'000	2012 \$'000
Administrative, maintenance and general expenses include the following:		
Staff costs (see below)	382,377	306,064
Penalty Interest- Board of Inland Revenue	–	4,206
Voluntary early retirement plan	20,891	–
Depreciation	150,117	34,062
Provision for irrecoverable receivables	22,174	22,177
Increase/(decrease) in provision for onerous contract	185,057	(8,421)
Operations and maintenance-Dolphin Pipeline	91,382	109,652
Material, service and contract labour	58,785	107,821
Professional fees	77,234	82,985
Provisional for fraudulent wire transfers	–	19,841
Other	<u>512,645</u>	<u>207,406</u>
	<b><u>1,500,662</u></b>	<b><u>885,793</u></b>
Staff costs:		
Wages and salaries	337,626	287,637
National insurance	7,880	6,799
Pension and post retirement medical and group life	<u>89,571</u>	<u>84,867</u>
	<b><u>435,077</u></b>	<b><u>379,303</u></b>
Staff costs included within:		
Cost of sales (Note 32)	52,700	73,240
Administrative and general expenses *	<u>382,377</u>	<u>306,064</u>
	<b><u>435,077</u></b>	<b><u>379,304</u></b>

\* Comprises staff costs and voluntary early retirement plan.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

<b>36.</b>	<b>Impairment expense</b>	<b>2013</b>	<b>2012</b>
		<b>\$'000</b>	<b>\$'000</b>
	Investment properties (Note 6)	8,670	25,111
	Property, plant and equipment (Note 4)	<u>1,505</u>	<u>10,681</u>
		<b><u>10,175</u></b>	<b><u>35,792</u></b>
<b>37.</b>	<b>Finance costs</b>	<b>2013</b>	<b>2012</b>
		<b>\$'000</b>	<b>\$'000</b>
	Interest	223,682	204,106
	Amortization of transaction costs	711	873
	Decommissioning – unwinding of discount rate	–	31,658
	Take or pay interest *	(13,120)	11,874
	Fair value loss on other receivables	<u>–</u>	<u>922</u>
		<b><u>211,273</u></b>	<b><u>249,433</u></b>
	* Take or pay interest was reversed during the year as a result of agreements on amounts due to gas supplier.		
<b>38.</b>	<b>Taxation</b>	<b>2013</b>	<b>2012</b>
		<b>\$'000</b>	<b>\$'000</b>
	Corporation tax	1,767,784	1,173,222
	Petroleum profit tax	780,162	91,555
	Business levy	–	6
	Green fund levy	<u>24,876</u>	<u>21,610</u>
		2,572,822	1,286,393
	Deferred tax charge	<u>626,406</u>	<u>238,936</u>
		<b><u>3,199,228</u></b>	<b><u>1,525,329</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 38. Taxation (continued)

	2013 \$'000	2012 \$'000
<b>Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate</b>		
Accounting profit	<u>9,713,129</u>	<u>5,475,357</u>
Tax at the rate of 35%	3,399,594	1,916,375
Tax exempt income	(253,443)	(269,115)
Non-deductible expenses/(disallowed income)	306,257	(9,720)
Permanent differences	(189)	8,731
Other differences	(179,000)	(1,174)
Prior years' tax	(58,513)	(90,373)
Business levy	—	1
Green fund	24,876	21,610
Increase in valuation allowance	(2,669)	1,932
Tax effect of subsidiaries at different rate	(194,726)	(81,577)
Tax losses utilized	(218)	(267)
Effect of oil and gas assets taxed at a different rate	166,409	26,065
Foreign exchange translation	<u>(9,150)</u>	<u>2,841</u>
Income tax provision	<u><b>3,199,228</b></u>	<u><b>1,525,329</b></u>

### 39. Cash generated from operations

	2013 \$'000	2012 \$'000
Profit before tax	9,713,129	5,475,357
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	900,081	284,106
Impairment	10,175	41,391
Penalty interest	—	4,206
Decrease in decommissioning cost	(190,209)	—
Loss on disposal of property, plant and equipment	(337)	401
Share of profit from joint venture	—	(696,329)
Increase in deferred income	(147,307)	66,245
(Increase)/decrease in deferred expenses	(49,442)	19,132
Post retirement costs	(80,244)	56,281
(Decrease)/increase in onerous contract provision	187,019	(8,421)
Decrease in environmental obligation	(2,595)	(3,808)
Dividend income	<u>(342,445)</u>	<u>(295,017)</u>
Carried forward	9,997,825	4,943,544

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 39. Cash generated from operations (continued)

	2013 \$'000	2012 \$'000
Brought forward	9,997,825	4,943,544
Fair value gain on re-measurement of investment	(1,263,086)	–
Other income on asset acquisition	(1,247,835)	–
Amortization of deferred expenses	2,069	–
Amortization of deferred income	(3,717)	–
Finance costs	211,273	249,433
Interest income on finance lease	(188,983)	(193,750)
Interest and investment income	<u>(283,702)</u>	<u>(258,247)</u>
Operating profit before working capital changes	7,223,844	4,740,980
Working capital changes:		
Decrease in accounts receivable and sundry debtors	1,964,953	195,686
Increase in inventories	(428,547)	(4,150)
(Decrease)/increase in trade creditors, sundry creditors and accruals	<u>(881,579)</u>	<u>807,280</u>
	<u><b>7,878,671</b></u>	<u><b>5,739,796</b></u>

### 40. Subsidiaries

(a) The Group's subsidiaries are as follows:

Name of Company	Principal Activity	Place of incorporation and operation	Proportion of shareholding and voting power held by the Group	
			2013	2012
<i>Subsidiaries</i>				
National Energy Corporation of Trinidad and Tobago Limited	Management of certain marine infrastructural facilities at the Port of Point Lisas and the promotion and development of the Union Industrial Estate at La Brea	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, finance, construct, operate and maintain a 56 inch Cross Island Pipeline (CIP) from Beachfield on the south east coast of Trinidad to Point Fortin on the south west coast of Trinidad	Trinidad and Tobago	100%	100%

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

(a) The Group's subsidiaries are as follows (continued):

Name of Company	Principal Activity	Place of incorporation and operation	Proportion of shareholding and voting power held by the Group	
			2013	2012
<i>Subsidiaries (continued)</i>				
Trinidad and Tobago LNG Limited	Shareholding in a Liquefied Natural Gas Plant in Trinidad and in the processing and sale of Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs) in partnership with others	Trinidad and Tobago	100%	100%
La Brea Industrial Development Company Limited	Promotion and development of an industrial estate and marine infrastructure facilities at La Brea	Trinidad and Tobago	83.43%	83.43%
Trinidad and Tobago NGL Limited (effective 13 September 2013)	An investment holding company with the intention of holding a 39.0% effective ownership interest in Phoenix Park Gas Processors Limited ("Phoenix Park")	Trinidad and Tobago	100%	—
Trinidad & Tobago Holdings LLC (from August 2013) (formally ConocoPhillips Trinidad and Tobago Holdings Inc.)	An investment holding company with the intention of holding a 39.0% effective ownership interest in Phoenix Park Gas Processors Limited ("Phoenix Park")	United States of America	100%	—
NGC Trinidad and Tobago LNG Company Limited	Shareholding in a Liquefied Natural Gas Plant in Trinidad in partnership with others	Trinidad and Tobago	62.16%	62.16%
NGC NGL Company Limited	Holds 51% investment in Phoenix Park	Trinidad and Tobago	80%	80%

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

(a) The Group's subsidiaries are as follows (continued):

Name of Company	Principal Activity	Place of incorporation and operation	Proportion of shareholding and voting power held by the Group	
			2013	2012
<i>Subsidiaries (continued)</i>				
NGC CNG Company Limited	Construct, operate and maintain Compressed Natural Gas Service Station throughout Trinidad and Tobago	Trinidad and Tobago	100%	—
NGC E&P (Barbados) Limited (effective 26 September 2013)	Provide for certain material needs and services for its member (NGC E&P Netherlands Coöperatief U.A)	Barbados	100%	—
NGC E&P Investments (Barbados) Limited (effective 26 September 2013)	Provide for certain material needs and services for its member (NGC E&P Netherlands Coöperatief U.A)	Barbados	100%	—
<i>Sub-Subsidiaries</i>				
Phoenix Park Gas Processors Limited Company status changed to subsidiary due to the acquisition of Trinidad and Tobago Holdings LLC in August 2013	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	79.80%	40.8%
NGC E&P Netherlands Coöperatief U.A	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	—
NGC E&P (Netherlands) B.V. (formally ELF Exploration Trinidad B.V) (effective 26 September 2013)	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	—
NGC E&P Investments (Netherlands) B.V. (formally TOTAL E & P Trinidad B.V.) (effective 26 September 2013)	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	—

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

#### (b) Wholly owned subsidiaries

Principal Activity	Place of incorporation and operation	Number of wholly-owned subsidiaries	
		2013	2012
NGL and LNG Sales	Trinidad and Tobago	1	1
Natural gas purchase, sale, transmission and distribution	Trinidad and Tobago	1	1
Construction, operation and maintenance of compressed natural gas service stations	Trinidad and Tobago	1	-
Port infrastructure and development	Trinidad and Tobago	1	1
Exploration, development and production of oil and gas	Netherlands	2	-
Intermediate holding companies	Trinidad and Tobago	1	-
	Barbados	2	-
	Netherlands	1	-
	United States of America	1	-
		<u>11</u>	<u>3</u>

#### (c) Non-wholly owned subsidiaries

Principal Activity	Place of incorporation and operation	Number of non- wholly-owned subsidiaries	
		2013	2012
NGL and LNG Sales	Trinidad and Tobago	3	2
Port infrastructure and development	Trinidad and Tobago	1	1
		<u>4</u>	<u>3</u>



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

(d) Details of non-wholly owned subsidiaries with material non-controlling interest

Name of Company	Place of incorporation and operation	Proportion of shareholding and voting rights held by non-controlling interest		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2013	2012	2013	2012	2013	2012
				\$'000	\$'000	\$'000	\$'000
Phoenix Park Gas Processors Limited	Trinidad and Tobago	10%*	0%	129,986	--	196,365	--
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	37.84%	37.84%	58,676	40,807	107,639	102,604
NGC NGL Company Limited	Trinidad and Tobago	20%	20%	133,374	139,149	354,691	341,744
Fair value adjustment to non-controlling interest in PPGPL						398,163	--
Individually immaterial subsidiaries with non-controlling interests						6,308	4,377
<b>Total</b>						<b>1,063,166</b>	<b>448,725</b>

\*NGC currently holds 79.8% shareholding in PPGPL. The non-controlling interest consists of Pan West Engineers and Constructors Inc. (10%) and National Enterprises Limited (NEL) (10.2%). The NEL portion of the non-controlling interest is represented within the NGC NGL Company Limited balances shown in the table above.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

(d) Details of non-wholly owned subsidiaries with material non-controlling interest (continued)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

#### Phoenix Park Gas Processors Limited

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Summary statement of financial position</b>		
Current assets	1,656,195	1,851,007
Non-current assets	2,083,202	2,127,962
Current liabilities	(760,116)	(790,528)
Non-current liabilities	(1,015,628)	(1,131,217)
Equity attributable to owners of the Company	1,767,288	2,057,224
Non-controlling interest	196,365	n/a
<b>Summary statement of profit or loss and other comprehensive income</b>		
Revenue	5,188,600	5,405,442
Expenses	<u>(3,888,737)</u>	<u>(4,040,091)</u>
Profit for the year	<u><b>1,299,863</b></u>	<u><b>1,365,351</b></u>
Profit attributable to owners of the Company	1,169,877	n/a
Profit attributable to the non-controlling interest	<u>129,986</u>	<u>n/a</u>
Profit for the year	<u><b>1,299,863</b></u>	<u><b>1,365,351</b></u>
Other comprehensive income attributable to owners of the Company	--	--
Other comprehensive income attributable to the non-controlling interest	--	--
Other comprehensive income for the year	--	--

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

(d) Details of non-wholly owned subsidiaries with material non-controlling interest (continued)

#### Phoenix Park Gas Processors Limited (continued)

	2013 \$'000	2012 \$'000
<b>Summary statement of profit or loss and other comprehensive income (continued)</b>		
Total comprehensive income attributable to owners of the Company	1,169,877	n/a
Total comprehensive income attributable to the non-controlling interest	<u>129,986</u>	<u>n/a</u>
Total comprehensive income for the year	<u><b>1,299,863</b></u>	<u><b>1,365,351</b></u>
Dividends paid to non-controlling interest	74,043	n/a
<b>Summary statement of cash flows</b>		
Net cash (used in)/ generated from operating activities	(58,388)	118,442
Net cash used in investing activities	(71,103)	(110,636)
Net cash used in financing activities	<u>(158,861)</u>	<u>(200,609)</u>
Net cash outflow	<u><b>(288,352)</b></u>	<u><b>(192,803)</b></u>

#### NGC NGL Company Limited

	2013 \$'000	2012 \$'000
<b>Summary statement of financial position</b>		
Current assets	835,081	659,908
Non-current assets	1,001,463	1,049,184
Current liabilities	(63,089)	(370)
Equity attributable to owners of the Company	1,418,764	1,366,978
Non-controlling interest	354,691	341,744

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

(d) Details of non-wholly owned subsidiaries with material non-controlling interest (continued)

#### NGC NGL Company Limited (continued)

	2013 \$'000	2012 \$'000
<b>Summary statement of profit or loss and other comprehensive income</b>		
Revenue	665,435	698,828
Other income /(expenses)	<u>1,433</u>	<u>(3,081)</u>
Profit for the year	666,868	695,747
Profit attributable to owners of the Company	533,494	556,598
Profit attributable to the non-controlling interest	<u>133,374</u>	<u>139,149</u>
Profit for the year	<b><u>666,868</u></b>	<b><u>695,747</u></b>
Other comprehensive income attributable to owners of the Company	10,415	(7,414)
Other comprehensive income attributable to the non-controlling interest	<u>2,604</u>	<u>(1,854)</u>
Other comprehensive income for the year	<b><u>13,019</u></b>	<b><u>(9,268)</u></b>
Total comprehensive income attributable to owners of the Company	543,910	549,184
Total comprehensive income attributable to the non-controlling interest	<u>135,977</u>	<u>137,295</u>
Total comprehensive income for the year	<b><u>679,887</u></b>	<b><u>686,479</u></b>
Dividends paid to non-controlling interest	123,031	201,459
<b>Summary statement of cash flows</b>		
Net cash generated from/ (used in) operating activities	65,386	(2,449)
Net cash generated from investing activities	720,615	752,291
Net cash used in financing activities	<u>(615,154)</u>	<u>(1,007,297)</u>
Net cash inflow/(outflow)	<b><u>170,847</u></b>	<b><u>(257,455)</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 40. Subsidiaries (continued)

(d) Details of non-wholly owned subsidiaries with material non-controlling interest (continued)

#### NGC Trinidad and Tobago LNG Limited

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Summary statement of financial position</b>		
Current assets	128,004	115,720
Non-current assets	157,003	155,613
Current liabilities	(549)	(180)
Equity attributable to owners of the Company	176,819	168,549
Non-controlling interest	107,639	102,604
<b>Summary statement of profit or loss and other comprehensive income</b>		
Revenue	156,117	112,216
Expenses	<u>(1,054)</u>	<u>(4,374)</u>
Profit for the year	<u><b>155,063</b></u>	<u><b>107,842</b></u>
Profit attributable to owners of the Company	96,387	67,035
Profit attributable to the non-controlling interest	<u>58,676</u>	<u>40,807</u>
Profit for the year	<u><b>155,063</b></u>	<u><b>107,842</b></u>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 40. Subsidiaries (continued)

(d) Details of non-wholly owned subsidiaries with material non-controlling interest (continued)

#### NGC Trinidad and Tobago LNG Limited (continued)

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Summary statement of profit or loss and other comprehensive income (continued)</b>		
Other comprehensive income attributable to owners of the Company	1,144	(871)
Other comprehensive income attributable to the non-controlling interest	696	(531)
	<u>1,840</u>	<u>(1,402)</u>
Other comprehensive income/(loss) for the year		
Total comprehensive income attributable to owners of the Company	97,531	66,164
Total comprehensive income attributable to the non-controlling interest	59,372	40,276
	<u>156,903</u>	<u>106,440</u>
Total comprehensive income for the year		
Dividends paid to non-controlling interest	54,337	51,963
<b>Summary statement of cash flows</b>		
Net cash generated from/ (used in) operating activities	1,263	(4,032)
Net cash generated from investing activities	154,173	112,216
Net cash used in financing activities	(143,598)	(137,324)
	<u>11,838</u>	<u>(29,140)</u>
Net cash inflow/(outflow)		

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 40. Subsidiaries (continued)

#### (e) Acquisitions

Name of Company	Principal Activity	Date of Acquisition	Place of incorporation and operation	Proportion of voting equity interest acquired %	Consideration transferred \$'000
Trinidad & Tobago Holdings LLC	NGL and LNG Sales	16 August 2013	Trinidad and Tobago	100%	3,863,100

Effective 16 August, 2013 ConocoPhillips Trinidad and Tobago Holdings Inc. was purchased by The National Gas Company of Trinidad and Tobago Limited, and its name subsequently changed to Trinidad and Tobago Holdings LLC, a limited liability company. Its registered office is located at 2711 Centerville Road, Suite 400, in the City of Wilmington, Country of New Castle, 19808, USA. It is principally engaged in holding 39 % investment in Phoenix Park Gas Processors Limited (PPGPL). As a consequence, PPGPL became a subsidiary of the Group during the year. Refer to Notes 7 and 9 for further details.

Net cash outflow on acquisition of subsidiaries and capital assets and licenses

	2013 \$'000	2012 \$'000
Consideration paid in cash	7,362,635	--
Less: Cash and cash equivalent balances acquired	<u>(2,614,117)</u>	<u>--</u>
	<u><b>4,748,518</b></u>	<u><b>--</b></u>

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Comparative notes to the financial statements are based on information received by Management as at the reporting date.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 41. Associates

	Place of incorporation and operation	Proportion of ownership interest and Voting powers held by the Group	
		2013	2012
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	Trinidad and Tobago	20%	20%

Investment in Trintomar was fully impaired in a prior year.

### 42. Contingent liabilities

#### (a) Taxes

For income years 1993 to 1996 and 1999 the Group has objected to certain adjustments of TT\$126.67 million by the Board of Inland Revenue to the Parent Company's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the accounts for any additional tax liabilities, penalties or interest.

#### (b) Litigation matters

The Group is involved in a number of proceedings which are at various stages of litigation and their outcomes are difficult to predict. The information usually required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these matters.

The Group has made a provision in these financial statements which is believed to be a reasonable estimate of any costs which may be incurred in relation to these outstanding matters. It is the opinion of management, based on the information provided by the internal legal counsel, that if any further liability should arise out of these claims it is not likely to have a materially adverse impact on the company's financial position or results.

#### (c) Customs bonds

The Group has contingent liabilities in respect of customs bonds amounting to \$0.76 million (2012: \$1.68 million).



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### 43. Contingent asset

The Group has submitted a claim to its insurers in respect of amounts incurred in relation to a mechanical failure which occurred during construction of one of the Group's pipelines which occurred in 2010. There is uncertainty regarding the quantum and timing of recovery however discussions are currently ongoing with the insurers.

### 44. Guarantees

The Group has provided the following guarantees as at 31 December 2013:

- (i) Bank guarantee for an amount of \$51.46 million in respect of a loan obtained by La Brea Industrial Development Company Limited. The loan balance is \$10.3 million at 31 December 2013.
- (ii) The Parent company has pledged its shares in NGC Pipeline Company Limited and provided a guarantee in respect of its Shipper Gas Transportation Agreement with NGC Pipeline Company Limited as collateral for a loan obtained by the Group. The loan also restricts the ability of the subsidiary to declare dividends. The loan balance is \$629.94 million (US\$97.84 million) at 31 December 2013.

### 45. Capital commitments

	2013 \$'000	2012 \$'000
Approved and contracted capital expenditure	<u>322,566</u>	<u>256,672</u>

### 46. Operating lease commitments

- (i) Group as a lessee

The Group has lease arrangements for motor vehicles, office equipment and helicopter services with duration ranging from 1 to 5 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2013 \$'000	2012 \$'000
Within one year	91,331	28,033
One to five years	142,494	13,840
More than five years	<u>74,004</u>	<u>—</u>
	<u>307,829</u>	<u>41,873</u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 46. Operating lease commitments (continued)

#### (ii) Group as a lessor

The Group entered into commercial land leases on its investment properties portfolio, consisting of land and infrastructure. These leases have terms of between one (1) year and thirty (30) years.

Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Within one year	17,217	20,538
One to five years	43,611	43,158
More than five years	<u>172,458</u>	<u>174,561</u>
	<u><b>233,286</b></u>	<u><b>238,257</b></u>

### 47. Commitment contracts

#### *Purchases*

The Group purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers with terms varying from 15 to 23 years. Under these long-term take-or-pay contracts, the Group is obliged to take or if not taken pay for said natural gas up to the contracted take-or-pay volume at the current price. The prices on certain tranches of gas of these contracts are linked to the commodity prices of ammonia and methanol subject to a floor price that escalates annually.

In prior years, the Group committed to purchase additional volumes of natural gas for several new projects that have not materialized as forecasted. For 2013 the Group had no take-or-pay liability.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 47. Commitment contracts (continued)

#### *Sales*

Under long-term take-or-pay sales contracts, the Group's customers are obligated to take or if not taken pay for said natural gas at the current price, up to the contracted take-or-pay volume. The price of natural gas sold to the producers of ammonia and methanol are linked to the relevant commodity price of ammonia and methanol. The natural gas prices under these contracts are not capped but the contracts include floor prices which represent the minimum prices for which natural gas can be sold to the respective customers.

In one of the Group's newly acquired subsidiaries is committed to sell natural gas liquids to various companies under the terms of negotiated sales contracts. The contract periods vary from one to three years.

#### *Royalty gas*

For the period November 2005 to December 2010 the Group received "royalty" gas from an upstream supplier. The Group has no economic interest in the "royalty" gas as it is only a transporter of the gas to T&TEC on behalf of the GORTT. As there is no "royalty" gas agreement between GORTT and the upstream supplier, invoices were issued by the upstream supplier to the Group and invoices were issued by the Group to T&TEC for the royalty gas delivered. The expense and income relating to the royalty gas received and sold for the above period were not recognized in the financial statements as the Group did not obtain any economic benefit from this arrangement.

Effective October 2012, The Group has agreed to purchase the royalty gas from the Ministry of Energy and Energy Affairs. The terms and conditions of the purchase have not been finalized.

### 48. Related party transactions

The Group is wholly-owned by the GORTT. In the ordinary course of its business, the Group enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include T&TEC, Petrotrin, First Citizens Bank Limited, Trinidad Generation Unlimited, Alutrint Limited and Alutech Limited.

Outstanding balances at the year end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2013 the Group has not made any additional provision for doubtful debts relating to amounts owed by related parties. At 31 December 2013, the Group has a provision for doubtful debts relating to amounts owed by related parties of \$42.728 million (2012: \$42.728 million). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 48. Related party transactions (continued)

The following table provides the total amount of material transactions, which have been entered into with related parties as at or for the years ended 31 December.

		<b>Income from related parties \$'000</b>	<b>Purchases from related parties \$'000</b>	<b>Amounts due from related parties \$'000</b>	<b>Amounts due to related parties \$'000</b>
<b>Alutech Limited</b>	2013	–	–	–	–
	2012	–	–	20,309	–
<b>Alutrint Limited</b>	2013	–	–	–	–
	2012	–	–	23,844	–
<b>Trinidad Nitrogen Company Ltd</b>	2013	1,392,593	–	205,230	–
	2012	1,601,358	–	303,561	–

### Compensation of key management personnel:

	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Short-term employee benefits	37,992	35,722
Post employment benefit	<u>5,388</u>	<u>2,515</u>
	<b><u>43,380</u></b>	<b><u>38,237</u></b>

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 49. Financial risk management objectives and policies

The Group has various financial assets such as investments in ordinary shares and the first unit scheme of the Trinidad and Tobago Unit Trust Corporation, trade receivables, short-term investments and cash which arise directly from its operations. The Group's financial liabilities comprise bank loans, trade and sundry payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Group may enter into derivative transactions such as interest rate swap. The purpose is to manage the interest rate and currency risk arising from the Group's operations and its sources of finance.

The main risk arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risks. Management reviews and agrees policies for managing each of these risks which are summarized below.

#### Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group and arises principally from credit exposures to customers relating to outstanding receivables.

The Group trades only with recognized credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group does not hold collateral as security. The maximum exposure to credit risk is the carrying amount of the receivables balances. The Parent's primary activity is the purchase, transmission, distribution and sale of natural gas and there is no significant concentration of credit risk as they have numerous large and small customers across Trinidad and Tobago.

With respect to credit risk arising from other financial assets of the Group, the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

As stated in note 12(a), a loan agreement was executed with T&TEC in 2011 for the capitalization of 2005 to 2009 outstanding trade balances. The Group is working with T&TEC and the GORTT to formulate the terms and conditions for the sale of gas and to put measures in place to ensure that T&TEC continues to service the loan as well as its monthly gas purchases.

With respect to credit risk arising from other financial assets of the Group the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 49. Financial risk management objectives and policies (continued)

#### Liquidity risk

The Group monitors its risks to a shortage of funds by managing the maturity of both financial investments and financial assets (e.g. accounts receivables and short term investments) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2013	On demand \$'000	≤ 3 mths \$'000	3-12 mths \$'000	1-5 yrs \$'000	≥ 5 yrs \$'000	Total \$'000
Long-term debt	–	128,007	344,606	1,633,646	6,094,279	8,200,538
Long-term creditors	–	–	–	356,918	–	356,918
Trade and other payables	–	4,765,780	52,342	535	–	4,818,657
Other financial liabilities	–	–	187,877	–	–	187,877
	<u>–</u>	<u>4,893,787</u>	<u>584,825</u>	<u>1,991,099</u>	<u>6,094,279</u>	<u>13,563,990</u>

Year ended 31 December 2012	On demand \$'000	≤ 3 mths \$'000	3-12 mths \$'000	1-5 yrs \$'000	≥ 5 yrs \$'000	Total \$'000
Long-term debt	–	77,216	226,988	1,093,624	5,341,106	6,738,934
Long-term creditors	–	–	–	95,472	–	95,472
Trade and other payables	–	4,266,196	69,432	–	–	4,335,628
Other financial liabilities	–	–	825,000	–	–	825,000
	<u>–</u>	<u>4,343,412</u>	<u>1,121,420</u>	<u>1,189,096</u>	<u>5,341,106</u>	<u>11,995,034</u>

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rates. The Group has used derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations whereby the Group agrees to exchange at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon national principal amount.

**THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

**49. Financial risk management objectives and policies (continued)**

**Interest rate risk table**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowing). There is minimal impact on the Group's equity.

	<b>Increase/ (decrease) in basis points</b>	<b>Effect on profit before tax \$'000</b>
Long term debt		
<b>2013</b>	+50	3,150
	-50	(3,150)
<b>2012</b>	+50	1,786
	-50	(1,786)
	<b>Increase/ (decrease) in basis points</b>	<b>Effect on profit before tax \$'000</b>
Loan receivables		
<b>2013</b>	+50	2,732
	-50	(2,732)
<b>2012</b>	+50	1,163
	-50	(1,163)

**Foreign currency risk**

The Group has transactional currency exposures. Such exposures arises from sales or purchases in currencies other than the Group's functional currency.

The Group also has currency exposure from loans denominated in currencies other than the Group's functional currency.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

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### 49. Financial risk management objectives and policies (continued)

#### Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in the TT dollar exchange rate with all other variables held constant of the Group's profit before tax. There is minimal impact on the Group's equity.

	<b>Increase/ (decrease) in exchange rate (cents)</b>	<b>Effect on profit before tax \$'000</b>
<b>2013</b>	0.05 (0.05)	17,535 (17,535)
<b>2012</b>	0.05 (0.05)	25,516 (25,516)

#### Commodity price risk

The Group is exposed to commodity price risk for natural gas sold to the producers of ammonia and methanol products. The Group's prices to these customers are affected by the volatility of ammonia and methanol prices. The Group manages this commodity price exposure by matching volumes it sells under these sales contracts with volumes under certain of its purchase contracts that contain similar commodity linked prices. These provisions reduce, but do not eliminate, the effect of commodity price volatility.

#### Other price risk

The Group is exposed to equity price risks arising from its investments in ordinary shares in NEL, the first unit scheme of the Unit Trust Corporation (a mutual fund) and other local and international shares in governing and corporate institutions. These equity instruments are held for strategic rather than trading purposes and the Group does not actively trade these investments.



# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 49. Financial risk management objectives and policies (continued)

#### Other price risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in the price of these equity instruments, with all other variables held constant, of the Group's equity. There is no impact to the Group's profit before tax.

	<b>Increase/ (decrease) in equity price</b>	<b>Effect on equity \$'000</b>
<b>2013</b>	10%	174,539
	(10%)	(174,539)
<b>2012</b>	10%	150,274
	(10%)	(150,274)

#### Capital management

The primary objective of the Group's Capital Management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. It also manages its capital to ensure that the Group will be able to continue as a going concern. The Group's overall strategy remains unchanged from 2012.

The capital structure of the Group consists of share capital, reserves and retained earnings. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure the Group may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objectives, policies or process during the years ended 31 December 2013 and 31 December 2012.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

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### 49. Financial risk management objectives and policies (continued)

#### Capital management (continued)

The Group monitors capital using a gearing ratio which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio between 25% and 30%. The Group includes within net debt interest bearing loans and borrowing. Capital includes stated capital, reserves and retained earnings.

	2013 \$'000	2012 \$'000
Net debt	3,413,112	2,876,138
Equity	28,734,374	25,494,403
Debt plus equity	32,147,486	28,370,541
Gearing ratio	11%	10%

### 50. Financial instruments

#### Fair values

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

#### Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis. At 31 December 2013 the fair values of listed available-for-sale investments and held for trading shares and bonds were based on quoted market prices and therefore included in the Level 1 hierarchy.

#### Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. At 31 December 2013 the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 50. Financial instruments (continued)

#### Fair values (continued)

##### Level 3

Level 3 hierarchies relate to financial assets that are not quoted as there are no active markets to determine a price. Unlisted available-for-sale investments are included within the Level 3 category at year end.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2013.

	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>
<b>Financial assets</b>			
Available-for-sale financial assets	3,076,513	343,601	–
Financial assets at fair value through profit or loss	212,623	–	–

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 December 2012.

	<b>Level 1</b> <b>\$'000</b>	<b>Level 2</b> <b>\$'000</b>	<b>Level 3</b> <b>\$'000</b>
<b>Financial assets</b>			
Available-for-sale financial assets	1,410,765	340,559	–
Financial assets at fair value through profit or loss	141,988	–	–

#### Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, short-term investments, sundry debtors and current liabilities are a reasonable estimate of fair values because of the short term nature of these instruments.

#### Long-term financial assets and liabilities

The fair value of the Group's floating rate long-term loan receivable and debt approximates its carrying amount given the floating nature of the loans at prevailing market rates.

The fair value of investments that are actively traded in financial markets is determined by reference to quoted market prices at the close of business at the reporting period date. For investments where there is no active market the fair value estimates cannot be reasonably assessed and as such are measured at cost.

# THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts expressed in Trinidad and Tobago dollars)

(Continued)

### 50. Financial instruments (continued)

#### Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Group does not carry any financial instrument which meets the strict criteria for hedge accounting.

The Group has entered into an interest rate hedge with CALYON Bank Ltd effective 1 December 2005 for 15 years for US\$100 million, whereby it receives a fixed rate of interest of 4.98% and pays a variable rate equal to LIBOR + 1.625% on the notional amount. The impact of this hedge in 2013 was an increase in interest expense in the amount of \$16.78 million (2012: \$18.03 million). The secured loan and interest rate swap have the same terms.

### 51. Dividends

	2013 \$'000	2012 \$'000
Dividends declared during the year:		
Dividends for 2011	–	1,500,000
Dividends for 2012	1,300,000	–
Dividends for 2013	<u>2,250,000</u>	<u>–</u>
	<u>3,550,000</u>	<u>1,500,000</u>
Dividends attributable to non-controlling interest:		
Dividends for 2012	–	253,423
Dividends for 2013	<u>251,411</u>	<u>–</u>
	<u>251,411</u>	<u>253,423</u>
Total dividends	<u><b>3,801,411</b></u>	<u><b>1,753,423</b></u>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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### **52. Voluntary early retirement plan**

The Group has approved a Voluntary Early Retirement Plan (VERP) for employees between the ages of 50 to 59 years.

If all the eligible employees accepted the VERP the cost would be \$120 million, however as at 31 December 2013 only twenty-three (23) employees have accepted. The applicable cost for these employees in the amount of \$20.89 million (US\$3.26 million) has been accrued for in these financial statements.

### **53. Events after the reporting period**

The Group is currently evaluating both upstream and downstream gas related investment opportunities. These investments will present the Group with an attractive opportunity to diversify its asset base, and become a more prominent player in the natural gas value chain. In addition, the Group's brand as a global player in the gas industry will be enhanced.

All proposed investment opportunities are subject to approval by the Parent's Shareholder, the Government of the Republic of Trinidad & Tobago.

On 27 February 2014, the Group's management liquidated its shareholdings in Trinidad and Tobago Holdings LLC and transferred these assets (39% share of Phoenix Park Gas Processors Limited) to Trinidad and Tobago NGL Limited.

The Group's management is currently planning to divest part of the shareholdings in Trinidad and Tobago NGL Limited on the Trinidad and Tobago Stock Exchange, although no date has yet been publicised for this IPO.