

**The National Gas Company of
Trinidad and Tobago Limited**

**Consolidated financial statements
31 December 2019**

The National Gas Company of Trinidad and Tobago Limited

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The National Gas Company of Trinidad and Tobago Limited

Statement of management's responsibilities

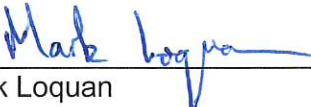
Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited, ('the Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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



Mark Loquan
President



Narinejit Pariag
Vice President,
Finance, Technology and Risk

31 July 2020

31 July 2020

**Independent Auditors' report
to the shareholder of The National Gas Company of Trinidad and Tobago Limited and its
subsidiaries**

Report on the audit of consolidated financial statements

Opinion

We have audited the consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The National Gas Company of Trinidad and Tobago Limited and its subsidiaries as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements

Management is responsible for the other information. The other information obtained at the date of this auditors' report comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

Continued...

**Independent Auditors' report (continued)
to the shareholder of The National Gas Company of Trinidad and Tobago Limited and its
subsidiaries**

**Responsibilities of management and those charged with governance for the consolidated
financial statements (continued)**

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

Auditors' responsibilities for the audit of the consolidated financial statements

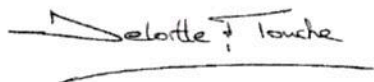
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this Independent Auditors' report is Daryl Walcott-Grappie (ICATT#1248).



Deloitte & Touche
Trinidad
3 August 2020

The National Gas Company of Trinidad and Tobago Limited

Consolidated statement of financial position As at 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2019 \$'000	Restated 2018 \$'000	Restated 01-Jan-18 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	16,412,716	17,285,885	17,733,683
Capital assets and licenses	6	1,046,376	1,694,547	1,326,333
Investment properties	7	529,005	550,630	578,840
Other intangible assets	8	21,702	16,953	949
Right-of-use assets	9	141,641	-	-
Goodwill	10	2,413,786	2,420,247	2,413,929
Investment in associate	11	339,293	314,897	325,968
Loans receivable	12	3,692,007	3,644,417	323,706
Other financial assets	13	3,791,616	3,962,609	4,392,993
Net investment in leased assets	9	224,635	209,121	394,983
Deferred tax asset	14	1,135,836	793,192	671,783
Contract assets	15	-	217	9,039
Debt reserve funds	16	120,384	118,263	116,083
Total non-current assets		29,868,997	31,010,978	28,288,289
Current assets				
Cash and cash equivalents	17	3,605,702	6,837,681	6,434,290
Short-term investments	18	2,881,747	1,426,841	437,227
Loans receivable	12	274,998	-	224,647
Net investment in leased assets	9	187,059	191,199	136,161
Accounts receivable	19	2,189,909	1,519,087	6,408,385
Sundry debtors and prepayments	20	892,547	982,874	695,972
Inventories	21	401,945	307,808	306,356
Contract assets	15	5,516	14,621	856,416
Income taxes receivable		566,788	408,457	378,472
Total current assets		11,006,211	11,688,568	15,877,926
Total assets		40,875,208	42,699,546	44,166,215

Continued...

The National Gas Company of Trinidad and Tobago Limited

Consolidated statement of financial position (continued)

As at 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2019 \$'000	Restated 2018 \$'000	Restated 01-Jan-18 \$'000
SHAREHOLDER'S EQUITY & LIABILITIES				
Shareholder's equity				
Share capital	22	1,855,266	1,855,266	1,855,266
Reserve fund	23	438,192	438,192	438,192
Other reserves	24	5,651,709	6,224,495	6,713,350
Retained earnings		16,908,859	16,704,169	15,437,974
Total equity attributable to owners of the parent		24,854,026	25,222,122	24,444,782
Non-controlling interest	42	2,622,827	2,820,156	2,826,052
Total shareholder's equity		27,476,853	28,042,278	27,270,834
Non-current liabilities				
Deferred tax liability	14	4,705,034	5,329,925	5,064,751
Borrowings	25	2,309,451	2,514,475	2,700,355
Contract liabilities	26	97,505	108,597	135,083
Lease liability	9	132,093	-	-
Provisions	27	2,231,109	2,044,093	1,958,191
Post retirement, medical and group life obligation	28	189,999	153,875	148,334
Pension obligation	29	106,637	55,729	88,268
Total non-current liabilities		9,771,828	10,206,694	10,094,982
Current liabilities				
Trade payables	30	1,781,063	2,488,356	4,203,310
Sundry payables and accruals	31	1,552,959	1,286,021	2,223,578
Borrowings	25	199,424	193,990	188,885
Contract liabilities	26	74,012	59,758	145,281
Lease liability	9	12,397	-	-
Dividends payable		-	4,238	5,072
Income taxes payable		6,672	418,211	34,273
Total current liabilities		3,626,527	4,450,574	6,800,399
Total liabilities		13,398,355	14,657,268	16,895,381
Total equity and liabilities		40,875,208	42,699,546	44,166,215

The accompanying notes on pages 12 to 94 form an integral part of these consolidated financial statements.

The consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited were authorised for issue by the Board of Directors on 31 July 2020.

 : Chairman
  : 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 2019

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2019 \$'000	Restated 2018 \$'000
Sales	32	13,609,390	16,004,936
Cost of sales	32	(12,606,721)	(12,563,642)
		1,002,669	3,441,294
Other income	33	636,823	744,261
Interest and investment income	34	654,842	922,393
Administrative, maintenance & general expenses	35	(899,885)	(1,002,626)
Impairment (expense)/reversal	36	(688,853)	44,182
Finance costs	37	(230,130)	(202,949)
Share of loss from associate	38	(4,513)	(6,007)
Profit before taxation		470,953	3,940,548
Taxation	39	(75,202)	(1,544,662)
Profit for the year		395,751	2,395,886
Other comprehensive income, net of taxes:			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability		(28,957)	(449)
Income tax relating to net defined benefit liability		10,135	157
Net unrealised loss on equity instruments designated at fair value through other comprehensive income		(332,742)	(173,156)
Foreign currency translation differences		234,151	244,887
		(117,413)	71,439
Items that may be reclassified subsequently to profit or loss			
Net unrealised loss on fair value through other comprehensive income		(65,602)	(233,539)
Total other comprehensive loss for the year, net of tax		(183,015)	(162,100)
Total comprehensive income for the year		212,736	2,233,786

The accompanying notes on pages 12 to 94 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 2019

(Amounts expressed in Trinidad and Tobago dollars)

	2019 \$'000	Restated 2018 \$'000
Profit for the year after tax attributable to:		
- Owners of the parent	332,033	2,128,292
- Non-controlling interests	<u>63,718</u>	<u>267,594</u>
	<u>395,751</u>	<u>2,395,886</u>
Total comprehensive income for the year, net of tax attributable to:		
- Owners of the parent	151,891	1,964,064
- Non-controlling interests	<u>60,845</u>	<u>269,722</u>
	<u>212,736</u>	<u>2,233,786</u>

The accompanying notes on pages 12 to 94 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 2019

(Amounts expressed in Trinidad and Tobago dollars)

	Share capital \$'000	Reserve fund \$'000	Investments revaluation reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance as at 1 January 2019	1,855,266	438,192	1,204,298	5,020,197	16,704,169	25,222,122	2,820,156	28,042,278
Profit for the period after taxation	-	-	-	-	332,033	332,033	63,718	395,751
Other comprehensive loss for the year, net of tax	-	-	-	(148,701)	(31,441)	(180,142)	(2,873)	(183,015)
Revaluation reserve	-	-	(327,046)	-	-	(327,046)	(8,899)	(335,945)
Transfer of gain on disposal of equity investments	-	-	-	2,488	(2,488)	-	-	-
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	-	(99,527)	99,527	-	-	-
Dividends (Note 50)	-	-	-	-	(192,941)	(192,941)	(249,275)	(442,216)
Balance as at 31 December 2019	1,855,266	438,192	877,252	4,774,457	16,908,859	24,854,026	2,622,827	27,476,853

Continued...

The accompanying notes on pages 12 to 94 form an integral part of these consolidated financial statements.

The National Gas Company of Trinidad and Tobago Limited

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

	Share capital \$'000	Reserve fund \$'000	Investments Revaluation Reserve \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance as at 1 January 2018 - originally stated	1,855,266	438,192	-	5,382,847	16,550,972	24,227,277	2,786,415	27,013,692
Effect of adoption of new accounting standards (Note 2.4)	-	-	1,333,435	-	57,526	1,390,961	39,637	1,430,598
Change in impairment estimate and recognition of prior period provisions (net of tax)-(Note 2.25)	-	-	-	(2,932)	(1,170,524)	(1,173,456)	-	(1,173,456)
As at 1 January 2018 (restated)	1,855,266	438,192	1,333,435	5,379,915	15,437,974	24,444,782	2,826,052	27,270,834
Profit for the year after taxation (restated)	-	-	-	-	2,128,291	2,128,291	267,594	2,395,885
Other comprehensive income for the year, net of tax	-	-	-	(165,128)	(1,139)	(166,267)	2,129	(164,138)
Revaluation reserve	-	-	(129,137)	-	-	(129,137)	(40,434)	(169,571)
Transfer of gain on disposal of equity investments	-	-	-	(94,752)	94,752	-	-	-
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	-	(99,838)	99,838	-	-	-
Dividends (Note 50)	-	-	-	-	(1,055,547)	(1,055,547)	(235,185)	(1,290,732)
Balance as at 31 December 2018	1,855,266	438,192	1,204,298	5,020,197	16,704,169	25,222,122	2,820,156	28,042,278

The accompanying notes on pages 12 to 94 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 2019

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash generated from operations	40	722,262	4,010,940
Pension and other post-retirement contributions paid		(25,372)	(49,764)
Income taxes paid		(1,567,863)	(1,158,107)
Interest paid		(190,787)	(184,474)
Interest received		102,720	423,194
		<u>(959,040)</u>	<u>3,041,789</u>
Net cash (used in)/generated from operating activities			
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(239,018)	(585,970)
Purchase of capital assets and licences		(74,018)	(87,365)
Purchase of investment property		(9,843)	(2,624)
Proceeds from disposal of property plant and equipment		21	1,735
Increase in short-term investments		(4,499,323)	(1,977,553)
Proceeds from sale/redemption of investments		70,546	28,155
Maturity of short-term deposits		3,042,584	991,470
Repayment of loans receivable		67,546	257,306
Dividends received		62,547	206,160
		<u>(1,578,958)</u>	<u>(1,168,686)</u>
Net cash used in investing activities			
Cash flow from financing activities			
Repayment of borrowings		(193,269)	(188,715)
Lease payments		(28,756)	-
Dividends paid		(446,415)	(1,291,740)
		<u>(668,440)</u>	<u>(1,480,455)</u>
Net cash used in financing activities			
Net (decrease) / increase in cash and cash equivalents			
Net foreign exchange difference on cash balances		(25,541)	10,743
Cash and cash equivalents at beginning of year		<u>6,837,681</u>	<u>6,434,290</u>
Cash and cash equivalents at end of year	17	<u>3,605,702</u>	<u>6,837,681</u>

The accompanying notes on pages 12 to 94 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 2019

(Amounts expressed in Trinidad and Tobago dollars)

1. Corporate information

The National Gas Company of Trinidad and Tobago Limited (the 'Company or 'NGC') and subsidiaries (together the 'Group') is involved in all stages of the gas value chain. The Group holds investments in the upstream, midstream and downstream sector and also owns port and industrial estates to support the petrochemical sector and industrial development. The National Gas Company of Trinidad and Tobago Limited is wholly owned by the Government of the Republic of Trinidad and Tobago (the 'GORTT'). The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas, Trinidad.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements 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 offshore plant and equipment, pipelines & related facilities which have been revalued and financial assets which are measured at fair value.

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.

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.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.3 Basis of consolidation

1) *Subsidiaries*

A subsidiary Company is an entity controlled by the Group. Control is achieved when the Group:

- (i) has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) is exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) has the ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses 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 as stated above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, 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 (OCI) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it;

- Derecognises the carrying amount of the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Recognises the fair value of any investment retained;
- Reclassifies to profit or loss or to retained earnings, as appropriate, the amounts recognised in OCI as would be required if the Group had directly disposed of the related assets or liabilities; and
- Recognises any resulting difference as a gain or loss in the profit or loss attributable to the Parent.

Non-controlling interests represents the interests not held by the Group in Phoenix Park Gas Processors Limited ('PPGPL'), NGC NGL Company Limited ('NGC NGL'), Trinidad and Tobago NGL Limited ('TTNGL'), NGC Trinidad and Tobago LNG Company ('NGC LNG') and La Brea Industrial Development Company Limited ('LABIDCO').

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

2) *Transactions eliminated on consolidation*

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.

2.4 Business combinations and goodwill

Business combination are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value of the contingent consideration are recognised in profit and loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net identifiable assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The Group assesses at each reporting date whether there is an indication that goodwill maybe impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the assets recoverable amount. The Group assesses at each reporting date whether there is an indication that goodwill maybe impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the assets recoverable amount.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.4 Business combinations and goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 Investment in associates and joint ventures

An associate is an entity over which the Company 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 'Non-current Assets Held for Sale and Discontinued Operations'. 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 Company'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.

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.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.5 Investment in associates and joint ventures (continued)

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss. 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.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value.

Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee.

2.6 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 an 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 IFRS applicable to the particular assets, liabilities, revenues and expenses.

2.7 Non-current assets held for sale

Non-current assets or 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 and are measured at the lower of carrying amount and fair value less costs to sell. 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.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.7 Non-current assets held for sale (continued)

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 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.

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.

2.8 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 consolidated financial statements are required to be presented in Trinidad & Tobago dollars ('TT\$'), therefore the presentation currency is the 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. The closing rate at the reporting date was TT\$6.7624 to US\$1 (2018: TT\$6.7805 to US\$1) and the average exchange rate was TT\$6.7553 to US\$1 (2018: TT\$6.7567 to US\$1). 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 recognised 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.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.9 Property, plant and equipment

Pipelines & related facilities are stated at their revalued amounts, less any subsequent accumulated depreciation and subsequent accumulated 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.

The last valuation of the pipelines and related facilities was conducted on 31 December 2016.

Any revaluation increase arising on the revaluation of such pipelines and related facilities is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such pipelines and related facilities is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and intended for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation on revalued pipelines & related facilities is recognised in profit or loss. 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. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

All other gas assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives. The estimated useful lives and residual values are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

All property, plant and equipment are depreciated using the straight-line method at the following rates.

Machinery and equipment	- 5%	- 20%
Marine infrastructural assets	- 3%	- 20%
Pipelines and related facilities	- 1.67%	- 20%
Other assets	- 10%	- 50%

The National Gas Company of Trinidad and Tobago Limited

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(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

Gas plant and other related projects are depreciated over the period of the Gas Processing Agreement (GPA).

The expected life of the gas plant and other related projects was re-assessed in 2009 upon renewal of the GPA with the Parent to coincide with the 20 year period of the Agreement. The carrying value of these assets as at that date is being depreciated at 5% per annum.

Development costs are recognised as an asset to the extent that it is expected to generate future economic benefits.

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.

Oil and gas exploration, development and production assets

Property, plant and equipment includes capitalized costs related to exploration and evaluation expenditures, assets under construction and development. The Group capitalizes the initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognized based on exploratory experience and management judgement and charged to profit and loss as exploration expenses. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets are capitalized. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Group carries exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalized and are reviewed periodically for impairment.

Producing oil and gas properties are depreciated on a unit of production basis. Drilling related assets are depreciated based over the proved developed reserves. Common facilities that are built specifically to service production directly attributed to designated oil and gas properties are depreciated over the total proved developed reserves of the respective oil and gas properties. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated.

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(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.10 Intangible assets

a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated 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.

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 when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are 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.

2.11 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 at the end of a reporting period 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.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.11 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, 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.

2.12 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	3.33% - 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.

2.13 Taxation

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

a) Current tax

Current income tax asset and liabilities for the current and prior periods are measured at the amount expected to be recoverable from or paid to the taxation authority. The tax rates and tax laws used in computing the amount are those that are enacted or substantively enacted at the reporting date.

The National Gas Company of Trinidad and Tobago Limited

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(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.13 Taxation (continued)

b) Deferred tax

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled based on the enacted tax rate at the reporting date.

The carrying amount of deferred income tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised to the extent that it has become probable that future taxable profit will allow the deferred tax to be recoverable.

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.

2.14 Leases

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

The Group has applied IFRS 16 Leases, using the modified retrospective transition approach from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. Differences arising from the adoption of IFRS 16 have been recognised directly in retained earnings.

a) The Group as a lessee

For any new contracts entered on or after 1 January 2019, the Group considers whether a contract is, or contains a lease at inception. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group.
- the Group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The National Gas Company of Trinidad and Tobago Limited

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(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.14 Leases (continued)

a) The Group as a lessee (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

b) The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

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.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are defined as an operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to carrying amount of the leased asset. Payments made under an operating lease are charged to the statement of profit or loss on a straight-line basis over the period of the lease term.

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(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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.

a) Financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified and subsequently measured based on the following categories:

- 1) Financial assets at amortised cost
- 2) Financial assets at fair value through profit or loss (FVTPL)
- 3) Financial assets at fair value through other comprehensive income (FVTOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented under impairment.

The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. At initial recognition of a financial assets, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business model each reporting period to determine whether the business models has changed since the preceding period.

1) Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

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2. Significant accounting policies (continued)

2.15 Financial instruments (continued)

a) Financial assets (continued)

2) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVPTL are:

- financial assets whose contractual cash flows are not SPPI;
- financial assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; and
- financial assets designated at FVPTL using the fair value option

This category includes derivative instruments.

These assets are measured at fair value with gains or losses, including any interest or dividend income recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3) Financial assets at fair value through other comprehensive income (FVTOCI)

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective is both to hold and collect the associated cash flows and to sell the financial assets; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI)

Reclassification

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets.

b) Financial liabilities

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.

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 as the proceeds received, net of direct issue costs.

Repurchase of the Group'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 Group's own equity instruments.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.15 Financial instruments (continued)

b) Financial liabilities (continued)

Other financial liabilities

Other financial liabilities including long term debt, dividends payable, trade and sundry payables and accruals are subsequently measured at amortised cost using the effective interest method or at FVTPL. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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.

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.

c) Impairment of financial assets

The Group applies the forward-looking expected credit loss (ECL) approach to assess whether a financial asset or group of financial assets may be impaired.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') for which a 12-month ECL is recognised
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2') for which 'lifetime expected credit losses' are recognised.
- 'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets.

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Notes to the consolidated financial statements for the year ended 31 December 2019

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2. Significant accounting policies (continued)

2.15 Financial instruments (continued)

c) Impairment of financial assets

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade receivables as well as contract assets. Therefore, the Group does not track changes in credit risk, but records the loss allowance based on lifetime expected credit losses at each reporting date. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Financial assets at fair value through other comprehensive income (FVTOCI)

For debt instruments at FVTOCI, the Group applies the low credit risk simplification and recognises a 12 month expected credit losses, as most of these instruments have an investment grade credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Group assesses whether it still qualifies for the low credit risk classification. For any that no longer qualify the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime ECL.

d) Derecognition of financial assets

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 entity or when there has been a substantial decrease in valuation due to modification.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but 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 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.16 Take-or-pay

The Group has take-or-pay contracts with various upstream producers. A contract liability is recognised in the year in which the Group has to pay for volumes contractually committed to but not yet taken. The expenditure is recognised 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 recognised as an expense within cost of sales.

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

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less estimated costs of completion and selling expenses. A provision is made for all slow moving and obsolete items.

a) Liquefied natural gas ('LNG')

The valuation of inventory includes cost of gas, processing fee and transportation cost.

b) Natural gas liquids ('NGLs')

The value of NGLs includes a proportion of plant overheads. This is determined by using the first-in-first-out principle.

c) Spares

Plant spares is determined using the weighted average cost of items held in inventory.

d) Crude oil

Inventories are measured using the weighted average cost basis (the Group's monthly entitlement expenses divided by the barrels of oil allocated to the Group).

2.18 Cash and cash equivalents

Cash on hand, in banks and short-term deposits that are held to maturity are carried at amortised cost and are subject to insignificant risk and change in value.

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.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present values are determined 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 expense.

The Group has recorded provisions for decommissioning of offshore plants, equipment, claims and purchase of right of way lands. 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. However, the ultimate amount and timing of the cost may vary from the original estimate. The unwinding of the discount on the provision is included in finance costs in the consolidated statement of profit or loss.

2.20 Pension and other post-employment benefits

a) Pension benefits

The employees of The National Gas Company of Trinidad and Tobago Limited (NGC), National Energy Corporation of Trinidad and Tobago Limited (National Energy) and NGC CNG Company Limited (NGC CNG) had a final salary defined benefit pension plan which was wound up effective 31 December, 2018 and a new Career Average Defined Benefit plan with an effective date of 1 January, 2019 is being established.

In the new Career Average Defined Benefit plan, the pension will be calculated based on the employees' average salary from the effective date of 1 January, 2019 until retirement date. The employee's pension at retirement will be the sum of the pension accrued under the final salary Defined Benefit Plan at 31 December, 2018 and the pension accrued under the Career Average Define Benefit plan from 1 January, 2019 to retirement.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method the costs of providing pensions is calculated based on the advice of independent actuaries who also carry out a full calculation of the plan every three years. The pension obligation is measured at the present value of the estimated future cash flows using interest rates of long-term government securities.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.20 Pension and other post-employment benefits

a) Pension benefits

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. 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 Company 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. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The Group also provides post-retirement life and medical benefits to their retirees. The expected costs of these benefits are measured in a manner similar to that for the defined benefit plan. Valuation of these obligations are carried out by independent professional actuaries using an accounting methodology similar to that of the defined benefit pension plans.

b) Defined contribution plan

The employees of Phoenix Park Gas Processors Limited (PPGPL), are under a defined contribution plan which came in effect from 1 January 2003. 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.

The plan covers all full-time employees of PPGPL and is funded by payments from employees and employer taking into account the recommendations of independent qualified actuaries. PPGPL'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 2019, there was no liability outstanding.

2.21 Non-refundable capital contribution

The Group recognises 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 contract liabilities in the statement of financial position with income recognised and the liabilities reduced on a straight-line basis over the life of the customers' sales contract.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.22 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.

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

2.23 Government grants

Government grants are recognised only when there is reasonable assurance that the Group will comply with any terms and conditions attached to the grants and 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.

2.24 Revenue and other income recognition

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

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. Revenue is measured at the fair value of the consideration received or receivable.

The Group considers whether there are other conditions in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from contracts with customers

- Revenues associated with the sale of gas, oil, natural gas liquids and condensate are recognised when title and the related rights pass to the customer being at the point of delivery.
- Revenue associated with services and marine infrastructure income is recognised upon performance of the services over time.
- Lease rental and service charge from operating leases on investment properties are recognised as revenue over time in the period in which they are earned. Premiums on leases are recognised as revenue at the point of execution of the lease in the initial year.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.24 Revenue and other income recognition (continued)

Other operating income

- Dividend income from investments is recognised when the shareholder's right to receive payment has been established.
- 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 and is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable,
- Management fees earned on government funded projects are recognised over time as the management service is provided.
- Lease rental and service at the point of initial year of execution of the lease.

2.25 Restatement

The Group has restated its consolidated financial statements as at 1 January 2018 and 31 December 2018 to account for the following:

- Understatement of impairment of capital assets and licenses
- Unrecorded liabilities associated with claims made by customers and purchase of right of way lands

Set out below are the impact on the consolidated financial statements as follows:

	Balance before restatement	Adjustments	Restated balance
	\$'000	\$'000	\$'000
As at 31 December 2018			
Property, plant and equipment	17,010,093	275,792	17,285,885
Capital assets and licenses	2,641,710	(947,163)	1,694,547
Deferred tax liability	(5,906,628)	576,703	(5,329,925)
Provisions	(1,031,963)	(1,012,130)	(2,044,093)
Other reserves	(6,229,465)	4,970	(6,224,495)
Retained earnings	(17,805,997)	1,101,828	(16,704,169)
As at 1 January 2018			
Property, plant and equipment	17,458,611	275,072	17,733,683
Capital assets and licenses	2,301,979	(975,646)	1,326,333
Deferred tax liability	(5,601,356)	536,605	(5,064,751)
Provisions	(948,704)	(1,009,487)	(1,958,191)
Other reserves	(5,382,847)	(1,330,503)	(6,713,350)
Retained earnings	(16,550,972)	1,112,998	(15,437,974)

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

2.25 Restatement (continued)

The table below summarizes the effect of the restatement to the statement of profit or loss and other comprehensive income for the year ended 31 December 2018:

	Balance before restatement	Adjustments	Restated balance
	\$'000	\$'000	\$'000
Year ended 31 December 2018			
Cost of sales (Depreciation)	(12,665,030)	101,388	(12,563,642)
Impairment reversal/(expense)	116,830	(72,648)	44,182
Profit for the year before taxation	3,911,808	28,740	3,940,548
Taxation	(1,584,619)	39,957	(1,544,662)
Profit for the year after taxation	2,327,189	68,697	2,395,886

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

3.1 New IFRS and amendments to IFRS that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRS and new Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

IFRS 16 Leases

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective transitional approach, with adjustment reflected in statement of changes in equity.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

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

3.1 New IFRS and amendments to IFRS that are mandatorily effective for the current year (continued)

IFRS 16 Leases (continued)

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those contracts entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applied the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. The Group has carried out an implementation project for the first-time application of IFRS 16. The project has shown that the new definition in IFRS 16 did not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on Lessee Accounting

(i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Group:

- (a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- (c) Separates the total amount of cash paid into a principal portion and interest (presented within financing activities) in the statement of cash flows.

(ii) Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's financial statements as there was no lease classified as a finance lease under IAS 17.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

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

3.1 New IFRS and amendments to IFRS that are mandatorily effective for the current year (continued)

(b) Impact on Lessee Accounting

IFRS 16 Leases (continued)

(ii) (Former finance leases (continued))

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

This change did not have a material effect on the Group's financial statements.

(c) Financial impact of the initial application of IFRS 16

As at 1 January 2019, a right-of-use asset and a corresponding lease liability of TT\$152.9 million was recognised for leases in existence as at 31 December 2018.

Impact on profit and loss for the year ended 31 December 2019

	\$'000
Increase in depreciation of right-of-use assets	24,455
Increase in finance costs	10,028
Decrease in profit for the year	34,483

Impact on assets, liabilities and equity for the year ended 31 December 2019

	\$'000
Right-of-use asset	141,641
Net impact on total assets	141,641
Lease liabilities	144,490
Net impact on total liabilities	144,490
Retained earnings	(2,849)

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

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

3.1 New IFRS and amendments to IFRS that are mandatorily effective for the current year (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It specifically addresses the following:

Whether an entity considers uncertain tax treatments separately.

- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine and follow the approach that best predicts the resolution of the uncertainty by the Tax authorities.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, and determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Management made a provision for expected value of tax treatments by the Tax Appeal Board.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

This amendment had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendment clarifies that the past service costs (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling. Any change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is recognised in other comprehensive income.

The amendment requires that updated assumptions be used to remeasure current service cost and net interest for the remainder of the reporting period after the change to the plan. Net interest post plan amendments is calculated by multiplying the net defined benefit liability (asset) with the discount rate used in the remeasurement. These amendments apply to any future plan amendments, curtailments, or settlements of the Group.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

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

3.1 New IFRS and amendments to IFRS that are mandatorily effective for the current year (continued)

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (continued)

The management of the Group has evaluated that the application of these amendments did not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture. This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests (e.g. loans and preference shares).

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

This amendment had no significant impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

– **IFRS 3 Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

– **IFRS 11 Joint Arrangements**

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

– **IAS 12 Income Taxes**

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit and loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

– **IAS 23 Borrowing Costs**

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

The management of the Company has evaluated that the application of these amendments did not have a significant impact on the Company's financial statements.

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

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

3.2 New and revised IFRS and Interpretations in issue but not yet effective and not early adopted by the Group

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

- IFRS 17 Insurance Contracts²
- Conceptual Framework Amendments to References to the Conceptual Framework in IFRS Standards¹
- IFRS 10 Consolidated Financial Statement and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures³
- Amendments to IFRS 3 Definition of a business¹
- Amendments to IAS 1 and IAS 8 Definition of material¹

¹ Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.

³ Effective date of the amendments has yet to be set by the IASB; however earlier application of the amendments is permitted.

- IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts and supersedes IFRS 4 Insurance. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers.

The core of IFRS 17 is the general model, supplemented by:

1. A specific adaptation for contracts with direct participation features (the variable fee approach)
2. A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

IFRS 17 apply retrospectively to annual reporting periods beginning on or after 1 January 2023.

The management of the Group has evaluated that the application of IFRS 17 amendments will not have a significant impact on the its consolidated financial statements.

The National Gas Company of Trinidad and Tobago Limited

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

3.2 New and revised IFRS and Interpretations in issue but not yet effective and not early adopted by the Group (continued)

- Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the consolidated financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2020, with early application permitted, once further guidance is issue.

- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The National Gas Company of Trinidad and Tobago Limited

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(Amounts expressed in Trinidad and Tobago dollars)

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

3.2 New and revised IFRS and Interpretations in issue but not yet effective and not early adopted by the Group (continued)

- IFRS 3 Business Combinations

The amendments to IFRS 3 aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

An optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business was introduced. Under this test, the acquired set of activities and assets is not a business, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The amendments to IFRS 3 will have no impact on the Group's financial statements.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates

The International Accounting Standards Board (IASB) has issued 'Definition of Material (Amendments to IAS 1 and IAS 8) intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards.

Information is material if omitting, misstating or obscuring it *could reasonably be expected to influence* decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, 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 2019

(Amounts expressed in Trinidad and Tobago dollars)

4. Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgements in applying accounting policies

In the application of the Group's accounting policies, which are described in note 2, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

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

4.2 Key sources of estimation uncertainty

The following are 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.

- *Impairment of non-financial assets*
(Refer to note 5 - Property, plant and equipment and note 7 – Investment properties)
- *Tax assessments*
(Refer to note 43 (a) – Contingent liabilities: Taxes)
- *Provisions*
(Refer to note 27 (a & b) – Provisions)
- *Revaluation*
(Refer to note 5 (b) – Property, plant and equipment: Revaluation of pipelines and related facilities)
- *Carrying value of exploration and production assets*
(Refer to note 5 – Property, plant and equipment: Carrying value of exploration and production assets)
- *Useful lives of investment property*
(Refer to note 7 – Investment properties)
- *Impairment of goodwill*
(Refer to note 8 – Goodwill)
- *Pension and other post-employment benefits*
(Refer to note 29 – Pension obligation)
- *Expected credit losses*
(Refer to note 2.15 (c) – Impairment of financial assets)
- *Fair value measurement of financial instruments*
(Refer to note 49 (g) - Fair Value)
- *Lease accounting*
(Refer to note 9 – Right of use assets)

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

5. Property, plant and equipment

	Freehold land \$'000	Leasehold property \$'000	Development costs \$'000	Machinery & equipment \$'000	Pipeline & related facilities \$'000	Exploration & production assets \$'000	Gas plant & other related assets \$'000	Offshore plant & equipment \$'000	Marine infra- structural assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
Year ended 31 December 2019												
Opening net book value (as restated)	351,081	190,920	340	26,343	11,468,179	524,199	3,612,213	4,851	689,590	33,463	384,706	17,285,885
Additions	1,105	-	-	6,101	5,929	38,769	1,135	-	13,916	5,977	158,975	231,907
Transfers	-	-	-	5,484	-	-	2,996	-	945	5,822	(27,340)	(12,093)
Disposals	-	-	-	(22)	-	-	-	-	(2,033)	(104)	-	(2,159)
Decommissioning	-	-	-	-	-	7,682	-	15,573	-	-	-	23,255
Depreciation for period	-	(3,656)	(80)	(9,133)	(283,777)	(111,233)	(352,340)	(2,938)	(46,262)	(13,311)	-	(822,730)
Adjustment	-	-	-	-	-	(4)	-	-	-	-	(40,330)	(40,334)
Impairment	-	-	-	(22,087)	-	(132,391)	7,559	(15,573)	-	-	(39,158)	(201,650)
Foreign exchange difference	(3,586)	(492)	-	(25)	(31,065)	(1,448)	6,758	1,022	-	52	(20,581)	(49,365)
Closing net book value	348,600	186,772	260	6,661	11,159,266	325,574	3,278,321	2,935	656,156	31,899	416,272	16,412,716
At 31 December 2019												
Cost	348,600	274,655	2,562	200,471	12,049,478	1,454,170	5,521,988	531,666	1,297,700	223,103	1,674,434	23,578,827
Accumulated depreciation/impairment	-	(87,883)	(2,302)	(193,810)	(890,212)	(1,128,596)	(2,243,667)	(528,731)	(641,544)	(191,204)	(1,258,162)	(7,166,111)
Net book value	348,600	186,772	260	6,661	11,159,266	325,574	3,278,321	2,935	656,156	31,899	416,272	16,412,716

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

5. Property, plant and equipment (continued)

	(Restated) Freehold land \$'000	Leasehold property \$'000	Develop- ment costs \$'000	Machinery & equipment \$'000	Pipeline & related facilities \$'000	Exploration & production assets \$'000	Gas plant & other related assets \$'000	Offshore plant & equipment \$'000	Marine infra- structural assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
Year ended 31 December 2018												
Opening net book value (as restated)	373,492	191,830	420	31,046	11,667,696	152,275	3,930,171	-	724,109	44,776	617,868	17,733,683
Additions	2,352	350	-	3,462	49,157	189,221	-	-	9,446	3,844	325,562	583,394
Transfers	-	1,937	-	1,862	3,660	166,877	38,696	22,556	-	2,577	(234,494)	3,671
Disposals	-	-	-	(50)	-	-	(1,485)	-	(188)	(1,951)	-	(3,674)
Decommissioning provision	-	-	-	-	-	38,860	-	-	-	-	-	38,860
Depreciation for period	-	(3,667)	(80)	(9,997)	(281,597)	(17,360)	(351,511)	-	(43,777)	(15,840)	-	(723,829)
Adjustment	(25,940)	-	-	-	-	(15,391)	-	-	-	-	(82,644)	(123,975)
Impairment	-	-	-	-	(24)	8,330	(7,561)	(16,688)	-	-	(249,570)	(265,513)
Foreign exchange difference	1,177	470	-	20	29,287	1,387	3,903	(1,017)	-	57	7,984	43,268
Closing net book value (as restated)	351,081	190,920	340	26,343	11,468,179	524,199	3,612,213	4,851	689,590	33,463	384,706	17,285,885
At 31 December 2018												
Cost	351,081	275,147	2,562	188,933	12,074,614	1,409,171	5,511,102	515,071	1,284,872	211,356	1,603,710	23,427,619
Accumulated depreciation/impairment	-	(84,227)	(2,222)	(162,590)	(606,435)	(884,972)	(1,898,889)	(510,220)	(595,282)	(177,893)	(1,219,004)	(6,141,734)
Net book value (as restated)	351,081	190,920	340	26,343	11,468,179	524,199	3,612,213	4,851	689,590	33,463	384,706	17,285,885

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

5. Property, plant and equipment (continued)

	Freehold land \$'000	Leasehold property \$'000	Development costs \$'000	Machinery & equipment \$'000	Pipeline & related facilities \$'000	Exploration & production assets \$'000	Gas plant & other related assets \$'000	Offshore plant & equipment \$'000	Marine infrastructural assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
Year ended 31 December 2017												
Opening net book value	93,874	195,116	500	27,003	11,455,045	168,470	4,242,320	-	417,963	44,007	1,139,127	17,783,425
Additions	279,553	-	-	2,763	5,505	6,220	1,513	-	54,329	3,246	295,125	648,254
Transfers	-	-	-	12,831	486,861	-	30,899	-	294,552	16,515	(841,988)	(330)
Disposals	-	-	-	-	-	-	-	-	-	(777)	-	(777)
Depreciation for year	-	(3,747)	(80)	(11,569)	(274,900)	(25,956)	(348,905)	-	(42,735)	(18,316)	-	(726,208)
Impairment	-	-	-	-	-	3,179	-	-	-	-	(716)	2,463
Foreign exchange difference	65	461	-	18	(4,815)	362	4,344	-	-	101	26,320	26,856
Closing net book value	373,492	191,830	420	31,046	11,667,696	152,275	3,930,171	-	724,109	44,776	617,868	17,733,683
At 31 December 2017												
Cost	373,492	272,390	2,562	183,639	11,992,510	1,028,217	5,469,988	493,532	1,275,614	206,828	1,587,303	22,886,075
Accumulated depreciation/impairment	-	(80,560)	(2,142)	(152,593)	(324,814)	(875,942)	(1,539,817)	(493,532)	(551,505)	(162,052)	(969,435)	(5,152,392)
Net book value	373,492	191,830	420	31,046	11,667,696	152,275	3,930,171	-	724,109	44,776	617,868	17,733,683

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

5. Property, plant and equipment (continued)

a) Revaluation of pipelines and related facilities

The Group's pipelines and related facilities are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The pipelines and related facilities are revalued by an independent accredited valuator every five to seven years, on the depreciated replacement costs basis. The last valuation was completed as at 31 December 2016.

Details of the Group's pipeline and related facilities which are measured at fair value and information about the fair value hierarchy are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2019	-	11,159,266	-	11,159,266
At 31 December 2018	-	11,468,179	-	11,468,179

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

The net carrying amount of the pipelines, if they were carried at cost rather than at the revalued amount, would have been \$6,237.7 million as at 31 December 2019 (2018: \$6,534.0 million).

b) Pipelines and related facilities

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 full legal title to the asset because all Rights of Way associated with the pipeline system have not yet been acquired.

c) Assets under construction

Included in asset under construction as at 31 December 2019 are major costs relating to Beachfield Condensate Facility and fire water pumps TT\$136.3 million, Liquids Contingency Handling at Phoenix Park Valve Station TT\$36.3 million, Charlieville diversion TT\$40.8 million, Longdenville replacement line TT\$6.0 million and odorization of facilities TT\$16.7 million.

In 2019 and 2018 cost not capital in nature was included in property, plant and equipment and subsequently expensed.

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

6. Capital assets and licenses

	Block 2c \$'000	Block 3a \$'000	Total \$'000
Year ended 31 December 2019			
Opening net book value	1,654,751	39,796	1,694,547
Additions	13,564	60,454	74,018
Depreciation, depletion and amortisation expense	(292,022)	-	(292,022)
Impairment expense	(573,177)	-	(573,177)
Decommissioning provision	148,198	-	148,198
Foreign exchange gain	(5,145)	(43)	(5,188)
Closing net book value	946,169	100,207	1,046,376
At 31 December 2019			
Cost	4,304,516	141,880	4,446,396
Accumulated depreciation, impairment, depletion and amortisation expense	(3,358,347)	(41,673)	(3,400,020)
Net book value	946,169	100,207	1,046,376
	Block 2c \$'000	Block 3a \$'000	Total \$'000
At 1 January 2018 (Restated, see note 2.25)			
Cost	4,079,912	55,240	4,135,152
Accumulated depreciation, impairment, depletion and amortisation expense	(2,767,146)	(41,673)	(2,808,819)
Net book value	1,312,766	13,567	1,326,333
Year ended 31 December 2018			
Opening net book value	1,312,766	13,567	1,326,333
Additions	61,263	26,102	87,365
Depreciation, depletion and amortisation expense	(265,059)	-	(265,059)
Impairment reversal	539,058	-	539,058
Foreign exchange gain	6,723	127	6,850
Closing net book value	1,654,751	39,796	1,694,547
At 31 December 2018 (Restated, see note 2.25)			
Cost	4,147,899	81,469	4,229,368
Accumulated depreciation, impairment, depletion and amortisation expense	(2,493,148)	(41,673)	(2,534,821)
Net book value	1,654,751	39,796	1,694,547

In 2013 the Group acquired NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. which together held a 30% and 8.5% (subsequently changed to 11.41%) participating interest in Block 2c and Block 3a respectively. These investments were treated as an asset acquisition, since the Group does not have joint control in the operations of the respective blocks and the arrangement also does not meet the definition of 'business combination' under IFRS 3 'Business Combinations'.

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

7. Investment properties

	Buildings \$'000	Freehold land \$'000	Development costs \$'000	Fabrication Yard \$'000	Assets under construction \$'000	Total \$'000
Year ended 31 December 2019						
Opening net book value	102,779	46,465	375,437	24,209	1,740	550,630
Additions	-	-	3,805	-	6,038	9,843
Transfers	-	-	1,740	-	(1,740)	-
Depreciation for year	(4,046)	-	(25,884)	(1,538)	-	(31,468)
Closing net book value At 31 December 2019	98,733	46,465	355,098	22,671	6,038	529,005
Cost	600,539	46,465	651,625	45,174	6,038	1,349,841
Accumulated depreciation/impairment	(501,806)	-	(296,527)	(22,503)	-	(820,836)
Net book value	98,733	46,465	355,098	22,671	6,038	529,005
Year ended 31 December 2018						
Opening net book value	106,825	46,465	397,789	25,747	2,014	578,840
Additions	-	-	324	-	2,300	2,624
Transfers	-	-	2,574	-	(2,574)	-
Depreciation for year	(4,046)	-	(25,250)	(1,538)	-	(30,834)
Closing net book value At 31 December 2018	102,779	46,465	375,437	24,209	1,740	550,630
Cost	600,539	46,465	646,080	45,174	1,740	1,339,998
Accumulated depreciation/impairment	(497,760)	-	(270,643)	(20,965)	-	(789,368)
Net book value	102,779	46,465	375,437	24,209	1,740	550,630

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

7. Investment properties (continued)

	2019 \$'000	2018 \$'000
Amount recognised in the statement of profit or loss		
Rental income from investment properties	<u>33,398</u>	<u>36,001</u>
Direct operating expenses	<u>2,812</u>	<u>3,667</u>

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

The fair value is based on the investment property value in use. The recoverable amount of the Company's major assets 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 5.602%. As a result of this analysis, no impairment was recognised by Management for income year 2019 and 2018 on its investment properties.

The fair value of the land on which the fabrication yard at La Brea Industrial Estate was also 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 2020 financial budgets prepared by Management and approved by the Board of Directors and extrapolated for a four-year period, at a discount rate of 4.83%. As a result of this analysis, no impairment was recognised by Management for 2019 (2018: nil).

	2019 \$'000	2018 \$'000
Union Industrial Estate	530,357	465,017
Brighton Materials Storage and Handling Warehouse Facility	79,008	75,870
Land situated at fabrication yard	<u>139,655</u>	<u>161,675</u>
	<u>749,020</u>	<u>702,562</u>

8. Other intangible assets

	2019 \$'000	2018 \$'000
Opening net book value	16,953	949
Additions at cost	7,111	2,576
Transfers	-	22,636
Depreciation expense	(2,318)	(9,266)
Foreign exchange difference	(44)	58
Closing net book value	<u>21,702</u>	<u>16,953</u>
Cost	165,505	158,438
Accumulated depreciation	<u>(143,803)</u>	<u>(141,485)</u>
Net book value	<u>21,702</u>	<u>16,953</u>

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

9. Leases

The Group as a lessee

The Group has lease contracts for land, machinery, equipment and motor vehicles. Set out below are the terms:

- (a) Land – with lease term ranging between 30-99 years
- (b) Machinery and equipment which consist of:
 - photo copiers with a lease term of three years. There is no option to purchase the copiers.
 - cell tower with lease terms of four years
- (c) Motor vehicles have a lease term of four years.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right of use assets

	Land Leases \$'000	Machinery & Equipment \$'000	Motor Vehicle \$'000	Total \$'000
Year ended 31 December 2019				
As at 1 January 2019	109,360	4,610	38,931	152,901
Additions	-	13,429	-	13,429
Transfers	-	-	-	-
Depreciation for year	(6,992)	(4,356)	(13,107)	(24,455)
Foreign exchange difference	(228)	1	(7)	(234)
As at 31 December 2019	102,140	13,684	25,817	141,641
At 31 December 2019				
Cost	109,132	18,040	38,924	166,096
Accumulated depreciation/impairment	(6,992)	(4,356)	(13,107)	(24,455)
Net book value	102,140	13,684	25,817	141,641

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

9. Leases (continued)

(b) Lease liability amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to lease liability:

Lease liabilities

	31-Dec-19
	\$'000
Analysed as:	
Current	12,397
Non-current	<u>132,093</u>
	<u>144,490</u>
Maturity analysis:	
Year 1	12,398
Year 2	21,155
Year 3	4,444
Year 4	1,957
More than 4 years	<u>104,536</u>
	<u>144,490</u>

(c) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	31-Dec-19
	\$'000
(i) Depreciation charge of right-of-use assets	<u>24,455</u>
(ii) Interest expense	<u>10,028</u>
Total	<u>34,483</u>

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

9. Leases (continued)

(c) Amounts recognised in the statement of profit or loss (continued)

The Group as a lessor

In December 2010 the Company entered into a lease agreement for seventeen (17) years with an upstream supplier, for the use of 85% of the 58.8-mile 24-inch diameter offshore subsea pipeline and related facilities. The lessee is responsible for maintaining the pipeline over the lease term.

	2019	2018
	\$'000	\$'000
Finance lease - gross investment	631,205	659,891
Less: unearned finance charges	<u>(219,511)</u>	<u>(259,571)</u>
	<u>411,694</u>	<u>400,320</u>
Gross investment in leased assets has the following maturity profile:		
Within 1 year	257,670	280,630
1 to 5 years	317,230	284,462
Over 5 years	<u>56,305</u>	<u>94,799</u>
	<u>631,205</u>	<u>659,891</u>
Net investment in leased assets has the following maturity profile:		
Within 1 year	187,059	191,199
1 to 5 years	180,955	141,011
Over 5 years	<u>43,680</u>	<u>68,110</u>
	<u>411,694</u>	<u>400,320</u>
Current	187,059	191,199
Non-current	<u>224,635</u>	<u>209,121</u>
	<u>411,694</u>	<u>400,320</u>

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

10. Goodwill

	2019 \$'000	2018 \$'000
Balance at beginning of the period	2,420,247	2,413,929
Effects of movement in foreign exchange rates	<u>(6,461)</u>	<u>6,318</u>
Balance at end of the period	<u>2,413,786</u>	<u>2,420,247</u>

The goodwill arose upon the step acquisition of the additional interest in Phoenix Park Gas Processors Limited ('PPGPL').

The goodwill was tested for impairment as at 31 December 2019.

The key assumptions used in the value in use calculations are as follows:

- Discount rate of 10.94%
- Long range price and production projections for propane, butane and natural gasoline
- NGL Content in natural gas stream.

Based on review conducted, there was no impairment of the goodwill recorded on the investment in Phoenix Park Gas Processors Limited ('PPGPL') as the recoverable amount exceeded the carrying value of the investment.

Holding all other assumptions constant, an increase or decrease in the discount rate by +/-1%, would result in a surplus and no goodwill impairment.

11. Investment in associate

	2019 \$'000	2018 \$'000
Caribbean Gas Chemical Limited		
Balance as at 1 January	314,897	298,527
Purchase of shares – equity cash call	29,753	21,036
Share of loss from associate	(4,513)	(5,547)
Effects of movement in foreign exchange rates	<u>(844)</u>	<u>881</u>
Balance at end of the year	<u>339,293</u>	<u>314,897</u>

NGC through NGC Petrochemicals Limited (NPL) holds a 20% equity interest in Caribbean Gas Chemical Limited (CGCL). This company is involved in the development of a petrochemical plant for the production of Methanol and Dimethyl Ether (DME).

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

12. Loans receivable

	2019 \$'000	2018 \$'000
Trinidad and Tobago Electricity Commission (T&TEC) (a)	3,759,297	3,552,979
Atlantic LNG 4 Group of Trinidad and Tobago Limited (b)	227,642	296,052
	3,986,939	3,849,031
Less: expected credit loss	(19,934)	(204,614)
	3,967,005	3,644,417
Current portion	(274,998)	-
Long-term portion	3,692,007	3,644,417

a) Trinidad and Tobago Electricity Commission ('T&TEC')

On 31 December 2018, the Group converted trade receivables of TT\$3.5 billion (US\$524 million) for unpaid gas sales to a ten (10) year loan facility issued in two (2) tranches at 6% per annum.

Tranche A - Principal amount of TT\$1,776.5 million (US\$262 million) at interest rate of 6 percent with a one (1) year moratorium on the repayment of principal and interest, with semi-annual interest capitalised over the first (1st) year and thereafter, eighteen (18) equal semi-annual instalments of principal and interest commencing from June 2020 to December 2028.

Tranche B - Principal amount of TT\$1,776.5 million (US\$262 million) at interest rate of 6 percent with a five (5) year moratorium on the repayment of principal and interest, with semi-annual interest capitalised over the five (5) years and thereafter, ten (10) equal semi-annual payments of principal and interest payments commencing from June 2024 until December 2028.

b) Atlantic LNG 4 Company of Trinidad and Tobago Limited (ALNG Train 4)

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.

Trinidad and Tobago LNG Limited (TTLNG) loaned the sum of US\$112.0 million to ALNG Train 4 with interest payable quarterly at a rate of LIBOR plus a margin which ranges from 1.125% to 2.125% per annum with a maturity date of 15 December 2020. The effective interest rate at the reporting date was 4.6818% (2018: 4.609%).

The loan balance as at 31 December 2019 is US\$33.7 million (TT \$227.6 million), (2018: US\$43.7 million (TT \$296.1 million)).

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

13. Other financial assets	2019 \$'000	2018 \$'000
Financial assets at fair value through other comprehensive income (FVTOCI):		
(i) Equity instruments designated at fair value through OCI:		
Listed equity investments		
Local shares	618,537	831,505
Foreign shares	905,893	622,071
Non-listed equity investment		
Atlantic 1 Holdings LLC	59,492	83,178
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	1,057,068	1,370,002
Local shares	967	969
Equity instruments at FVTOCI	2,641,957	2,907,725
(ii) Debt instruments at fair value through OCI:		
Quoted debt instruments		
Local bonds	-	185,243
Foreign bonds	214,938	142,613
Unquoted debt instruments		
Local bonds	211,144	211,710
Debt instrument at FVTOCI	426,082	539,566
(iii) Financial assets at fair value through profit or loss		
Credit linked notes	723,577	515,318
Total other financial assets	3,791,616	3,962,609

(i) **Equity instruments designated at fair value through OCI**

Listed equity investments

The Group sold some of its investments in equity shares during 2019. The consideration received for the sale of these shares was TT\$154.2 million (US\$22.8 million). There was an accumulated loss of TT\$2.5 million (US\$0.4 million) from the sale of these shares which was transferred to retained earnings.

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

13. Other financial assets (continued)

(i) Equity instruments designated at fair value through OCI (continued)

Non - Listed equity investments

This category includes non-listed equity investments that were fully impaired.

	2019 \$'000	2018 \$'000
National Helicopter Services Limited	6,658	6,675
Trinidad and Tobago Marine Petroleum Company (Trintomar)	150,627	151,018
Eastern Caribbean Pipeline Company	<u>3,792</u>	<u>3,802</u>
	161,077	161,495
Less: Impairment	<u>(161,077)</u>	<u>(161,495)</u>
Balance as at 31 December	<u>-</u>	<u>-</u>

In 2018, the Group implemented IFRS 9 and reclassified its equity investment in Atlantic LNG Company of Trinidad and Tobago and Atlantic LNG 4 Company of Trinidad and Tobago Unlimited as FVTOCI as the Group intends to hold them for the long term for strategic purposes.

	2019 \$'000	2018 \$'000
Atlantic LNG Company of Trinidad and Tobago Limited		
Balance as at 1 January	83,178	63,469
Fair value adjustment IFRS 9	<u>-</u>	<u>126,399</u>
Restated as at 1 January	83,178	189,868
Movement in fair value assessment - OCI	(23,464)	(107,187)
Effect of changes in foreign exchange rate	<u>(222)</u>	<u>497</u>
Balance as at 31 December	<u>59,492</u>	<u>83,178</u>
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited		
Balance as at 1 January	1,370,002	189,339
Fair value adjustment IFRS 9	<u>-</u>	<u>1,242,884</u>
Restated as at 1 January	1,370,002	1,432,223
Movement in fair value assessment	(309,278)	(65,969)
Effect of changes in foreign exchange rate	<u>(3,656)</u>	<u>3,748</u>
Balance as at 31 December	<u>1,057,068</u>	<u>1,370,002</u>

The National Gas Company of Trinidad and Tobago Limited

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(Amounts expressed in Trinidad and Tobago dollars)

13. Other financial assets (continued)

(ii) Debt instruments at fair value through OCI

This includes investments in quoted and unquoted government and corporate bonds. Fair values of the quoted debt instruments were determined by reference to published price quotations in an active market as at 31 December 2019.

The unquoted bond was determined using a valuation technique. The expected credit loss of TT\$0.01 million was recorded for 2019 (2018: TT\$1.2 million). The amount was recorded in other reserves within equity. The amount was recorded in other reserves within equity.

(iii) Financial assets at fair value through profit or loss - Investment in Credit Linked Notes.

In 2008 the Group issued two (2) single tranche Credit linked notes at a cost of TT\$240.1 million (US\$35.5 million) to meet 50% of the Group's bond liability that matures in 2036. The notes have a maturity value of TT\$1,352.5.1 million (US\$200 million) and is subject to the credit risk of the issuer.

14. Deferred tax

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

	2019 \$'000	(Restated) 2018 \$'000	(Restated) 1-Jan-18 \$'000
Deferred tax asset:			
Asset retirement obligation	547,378	450,425	509,526
Post-retirement medical and group life and pension obligation	103,823	72,336	82,810
Tax losses	226,727	14,582	25,011
Accrued interest expense	27,803	33,874	32,856
Expected credit losses	214,291	204,054	-
Other	15,814	17,921	21,580
	<u>1,135,836</u>	<u>793,192</u>	<u>671,783</u>
Deferred tax liability:			
Property, plant and equipment	<u>4,705,034</u>	<u>5,329,925</u>	<u>5,064,751</u>

15. Contract assets

	2019 \$'000	2018 \$'000
Capacity rights	-	2,856
Other	5,516	11,982
	<u>5,516</u>	<u>14,838</u>
Current	5,516	14,621
Non-current	-	217
	<u>5,516</u>	<u>14,838</u>

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16. Debt reserve funds

In accordance with a security agreement, one of the subsidiary companies is required to maintain a debt reserve fund. The debt reserve fund is held in an interest-bearing account.

17. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at banks	3,159,859	6,837,681
Short-term investments (under 3 months)	445,843	-
	<u>3,605,702</u>	<u>6,837,681</u>

a) Cash at banks earns interest at floating rates based on daily deposit rates. The fair value of cash is \$3.6 billion (2018: \$6.8 billion).

18. Short-term investments

	2019 \$'000	2018 \$'000
Gross short-term investments	3,418,374	1,964,884
Less: Expected credit losses	(536,627)	(538,043)
Short-term investments	<u>2,881,747</u>	<u>1,426,841</u>

a) Short-term investments are made for varying periods of between 30 days and 12 months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates.

b) The Group has an outstanding balance of TT\$536.6 million as at 31 December 2019 from the insolvency of a financial institution which has been fully impaired in the consolidated financial statements.

19. Accounts receivable

	2019 \$'000	2018 \$'000
Gross accounts receivable	2,785,112	1,985,423
Less: expected credit losses	(595,203)	(466,336)
Net accounts receivable	<u>2,189,909</u>	<u>1,519,087</u>

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. In 2019 the Group further refined its provision matrix methodology to separately assess certain receivable balances and consequently the loss rate amounts applied to the various buckets.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

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Note to the consolidated financial statements for the year ended 31 December 2019

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19. Accounts receivable (continued)

The Group estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience as well as current and future economic conditions. Set out below is the information about the credit risk exposure on the Group's accounts receivables using a provision matrix:

	Within 30 days \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	More than 180 days past due \$'000	Over 365 days past due \$'000	Total \$'000
As at 31 December 2019							
Trade receivables individually assessed (i)							
Expected loss rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Gross receivables	4	3,438	(13)	1,198	5,949	506,766	517,342
Loss allowance	(4)	(3,438)	13	(1,198)	(5,949)	(506,766)	(517,342)
	-	-	-	-	-	-	-
Trade receivables individually assessed (ii)							
Expected loss rate	5.7%	5.7%	5.7%	5.7%	5.7%		
Gross receivables	161,006	171,299	85,691	259,110	309,177	-	986,283
Loss allowance	(9,169)	(9,755)	(4,880)	(14,755)	(17,607)	-	(56,166)
	151,837	161,544	80,811	244,355	291,570	-	930,117
Trade receivables collectively assessed							
Average expected loss rate	1.1%	1.4%	3.8%	16.9%	9.2%	9.5%	
Gross receivables	1,125,957	46,189	35,442	5,536	37,130	31,233	1,281,487
Loss allowance	(12,394)	(636)	(1,350)	(933)	(3,400)	(2,982)	(21,695)
	1,113,563	45,553	34,092	4,603	33,730	28,251	1,259,792
Net carrying amount	1,265,400	207,097	114,903	248,958	325,300	28,251	2,189,909

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements

for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

19. Accounts receivable (continued)

	Within 30 days \$'000	More than 30 days past due \$'000	More than 60 days past due \$'000	More than 90 days past due \$'000	More than 180 days past due \$'000	Over 365 days past due \$'000	Total \$'000
As at 31 December 2018							
Trade receivables individually assessed							
Expected loss rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Gross receivables	42,674	32,777	217	34,597	207	192,275	302,749
Loss allowance	(42,674)	(32,777)	(217)	(34,597)	(207)	(192,275)	(302,749)
	-	-	-	-	-	-	-
Trade receivables collectively assessed							
Average expected loss rate	4.5%	3.5%	10.1%	53.1%	32.0%	99.6%	
Gross receivables	1,440,496	44,993	38,530	63,454	51,522	43,677	1,682,672
Loss allowance	(64,455)	(1,566)	(3,897)	(33,674)	(16,478)	(43,516)	(163,586)
	1,376,041	43,427	34,633	29,780	35,044	161	1,519,086
Net carrying amount	1,376,041	43,427	34,633	29,780	35,044	161	1,519,086

The closing loss allowances for trade receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	Individually \$'000	Collectively \$'000	Total \$'000
Opening loss allowance as at 1 January 2019	302,749	163,587	466,336
Increase in loss allowance recognised in profit and loss during the year	270,759	(141,072)	129,687
Amounts recovered	-	(349)	(349)
Foreign exchange adjustment	-	(471)	(471)
Closing balance as at 31 December 2019	573,508	21,695	595,203

The loss allowance on trade receivables are presented as impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The National Gas Company of Trinidad and Tobago Limited

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(Amounts expressed in Trinidad and Tobago dollars)

20. Sundry debtors and prepayments

	2019 \$'000	2018 \$'000
Sundry debtors and prepayments comprise the following:		
Due from the GORTT - billed	379,631	412,971
Due from the GORTT - not yet billed	-	6,816
Impairment charge-Liquid Fuel Pipeline (a)	<u>(379,631)</u>	<u>(398,665)</u>
	-	21,122
Prepayments	237,173	208,289
Staff related balances	1,896	2,153
Related party balances	4,089	4,610
Value Added Tax	331,588	269,581
Interest receivable	47,519	55,380
Sundry receivables	217,860	365,367
Accrued income	35,836	24,221
Other	<u>16,586</u>	<u>32,151</u>
	<u>892,547</u>	<u>982,874</u>

a) Impairment charge – Liquid Fuel Pipeline

The Liquid Fuel Pipeline Project was funded under the Government Public Sector Investment Programme (PSIP). The Group invested funds in excess of the approved PSIP allocation. This additional investment remains outstanding from the Ministry of Energy and Energy Industries and due to uncertainty of repayment a full provision was made for the outstanding balance.

21. Inventories

	2019 \$'000	2018 \$'000
Liquefied natural gas	94,718	9,521
Consumable spares	194,866	182,037
Natural gas liquids	112,824	113,980
Stock of crude oil	21,444	28,134
Other	4,860	975
Allowance for slow moving and obsolete stock	<u>(26,767)</u>	<u>(26,839)</u>
	<u>401,945</u>	<u>307,808</u>

22. Shared capital

Authorised

An unlimited number of ordinary shares of no-par value

Issued and fully paid

	2019 \$'000	2018 \$'000
1,855,266,340 ordinary shares of no par value	<u>1,855,266</u>	<u>1,855,266</u>

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

23. Reserve fund

A reserve fund has been set up by the Board of Directors with the objective of minimising 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 NGC.

24. Other reserves

	2019 \$'000	Restated 2018 \$'000	Restated 1-Jan-18 \$'000
Other reserves comprise the following:			
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax	3,049,323	3,148,849	3,248,687
Expected credit loss on debt securities	(10)	(1,233)	(1,233)
Unrealised gain on financial assets at fair value through other comprehensive income	1,141,449	1,403,695	1,990,260
Foreign currency translation	1,460,947	1,673,184	1,475,636
	5,651,709	6,224,495	6,713,350

25. Borrowings

	2019 \$'000	2018 \$'000
US \$400M 30-year bond (a)	2,263,974	2,268,920
CALYON Bank Limited (b)	108,469	211,551
First Citizens Bank Limited (c)	136,432	227,994
	<u>2,508,875</u>	<u>2,708,465</u>
Current portion	<u>(199,424)</u>	<u>(193,990)</u>
Non-current portion	<u>2,309,451</u>	<u>2,514,475</u>

a) This loan relates to a US\$400 million bond issued on 20 January 2006 to finance the construction/ acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund 11.11% of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited. Following the repurchase of bond amounting to TT\$408.9 million (US\$60.3 million) as at 31 December 2019 (2018: TT\$408.9 (US\$60.3 million)) the net amount outstanding is TT\$2.3 billion (US\$339.7 million).

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% which commenced in 2006. The fair value of the bond was \$2,404.9 million (US\$355.6 million) as at 31 December 2019 (2018: TT\$2,596.2 million (US\$382.9 million)).

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

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25. Borrowings (continued)

- b) The Group secured financing amounted to US\$200 million (TT\$1.3 billion) from a group of lenders for the construction of the Cross Island Pipeline (CIP).

The principal is repayable in thirty consecutive semi-annual instalments which commenced on 1 June 2006 and matures on 1 December 2020. 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 summarised below:

	Euro dollar rate advances	Base rate advances
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.

As at 31 December 2019, all drawdowns are Eurodollar rate advances. The Group has entered into an interest rate hedge with Crédit Agricole Bank 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 2019 was a decrease in interest expense in the amount of TT\$2.0 million (2018:TT\$3.9 million). The fair value of the loan at 31 December 2019 is TT\$108.47(2018: TT\$209.36 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 NGC
 - Guarantees by NGC
- c) The Group has a long-term loan with First Citizens Bank Limited which was issued on 26 March 2016 at a fixed interest rate of 2.04% with a maturity date in March 2021. Semi-annual payments of principal and interest for the loan commenced in September 2016. The loan facility is unsecured and was used to repay the outstanding balances on two long-term senior bonds due April 2017 and April 2020.

	2019	2018
	\$'000	\$'000
Maturity profile of borrowings		
In one year or less	199,424	193,990
In more than one year but not more than two years	45,477	199,957
In more than two years but not more than three years	-	45,598
In more than five years	2,263,974	2,268,920
	<u>2,508,875</u>	<u>2,708,465</u>

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26. Contract liabilities

	2019 \$'000	2018 \$'000
Non-refundable capital contribution (a)	3,252	9,530
Capital grant (b)	77,929	74,588
Transportation tariff (c)	13,372	44,186
Pier user charges (d)	17,330	4,172
Other	59,634	35,879
	<u>171,517</u>	<u>168,355</u>
Current	74,012	59,758
Non-current	97,505	108,597
	<u>171,517</u>	<u>168,355</u>

Notes

- a) Non-refundable capital contributions received from industrial users are amortised to profit or loss over the period of the industrial users' sales contracts.
- b) This amount relates to capital grants expended on depreciable assets and are to be amortised to profit or loss over the useful lives of the related asset.
- c) This amount comprises shippers reserve capacity, which is billed one month in advance.
- d) This amount comprises pier user charges, which are billed in advance.

27. Provisions

	2019 \$'000	Restated 2018 \$'000	Restated 2017 \$'000
Asset retirement obligation: (Note (a))			
Balance as at 1 January	987,834	908,826	954,962
Increase/(decrease) in provision	192,903	76,629	(48,530)
Foreign currency translation	(2,637)	2,379	2,395
Balance as at 31 December	<u>1,178,100</u>	<u>987,834</u>	<u>908,827</u>
Claims / Land purchase: (Note (b))			
Balance as at 1 January	1,056,259	1,049,364	-
Increase in provision	-	-	1,049,364
Foreign currency translation	(3,250)	6,895	-
Balance as at 31 December	<u>1,053,009</u>	<u>1,056,259</u>	<u>1,049,364</u>
Total provision as at 31 December	<u>2,231,109</u>	<u>2,044,093</u>	<u>1,958,191</u>

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27. Provisions (continued)

(a) Asset retirement obligation

The Group has recorded provisions for the present value of the estimated cost of decommissioning based on studies conducted for the offshore plant and equipment, Block 2c asset located in the Greater Angostura field and Block 1a asset located offshore the West Coast of Trinidad.

A letter of credit for \$151.0 million (US\$22.3 million) was established for the Group'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.

(b) Claims / Land purchase

The Group has recorded a provision for legal claims against the Group by several Downstream customers and purchase of right of way lands.

28. Post-retirement medical and group life obligation

Funding

The Parent provides both medical and life benefits to its retirees, the benefits are determined using actuarial valuations which involves making assumptions about discount rates, future salary increases and medical cost inflation. Due to the long-term nature of these plans such estimates are subject to significant uncertainty. The Plan has no assets. The Parent expects to pay \$0.41 million and \$2.94 million in Post retirement life and medical respectively in 2020.

The principal assumptions used for the purposes of the actuarial valuations for medical and group life were as follows:

	2019 %	2018 %
Medical cost inflation	5.75	5.75
Discount rate	5.50	5.50
General salary increases	4.00	4.00

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 2019 and 2018 are as follows:

Life expectancy at age 60 for current pensioner in years:

Male	21.7	21.0
Female	26.0	25.1

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

Male	22.6	21.4
Female	26.9	25.4

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28. Post-retirement medical and group life obligation (continued)

	2019 \$'000	2018 \$'000
Expense recognised in the consolidated statement of profit or loss is as follows:		
Current service cost	9,053	8,074
Net interest on net defined benefit liability	8,376	8,078
Net benefit cost	<u>17,429</u>	<u>16,152</u>
Re-measurement recognised in other comprehensive income		
Experience losses	(21,330)	(8,142)
Total amount recognised in other comprehensive income	<u>(21,330)</u>	<u>(8,142)</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:		
Net defined benefit liability	<u>189,999</u>	<u>153,875</u>
Reconciliation of opening and closing statement of financial position:		
Opening defined benefit liability	153,875	148,334
Net pension cost	17,429	16,152
Re-measurements:		
Experience adjustments	21,330	(8,142)
Group's premiums paid	(2,635)	(2,469)
Defined benefit obligation at end of year	<u>189,999</u>	<u>153,875</u>

29. Pension obligation

The Parent and its subsidiaries' employees excluding PPGPL are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. The final salary defined benefit plan which was effective from 1 May 1977 and covered all permanent employees has been wound up effective 31 December 2018 and a new Career Average Defined Plan with an effective date of 1 January 2019 is being implemented. The plan's financial funding position is assessed by means of triennial actuarial valuations which was completed as at 31 December 2017 and carried out by an independent actuary.

The employees of PPGPL, are under a defined contribution plan which came in effect from 1 January 2003. This 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 covering all full-time employees and is funded by payments from employees and employer taking into account the recommendations of independent qualified actuaries.

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29. Pension obligation (continued)

Funding

The Group meets the balance of the cost of funding the defined benefit pension plan and 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 \$18.3 million to pensions during 2020.

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

	2019	2018
	%	%
Discount rate	5.5	5.5
General salary increases	4.0	4.0
Salary increases due to age, merit and promotion	2.0	2.0

Life expectancy at age 60 for current pensioner in years:

Male	21.7	21.0
Female	26.0	25.1

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

Male	22.6	21.4
Female	26.9	25.4

Expenses recognised in the statement of profit or loss is as follows:

	2019	2018
	\$'000	\$'000
Current service cost	39,520	25,015
Net interest on net defined benefit liability	3,082	2,649
Administration expenses	1,095	1,031
Net benefit cost	43,697	28,695

Re-measurement recognised in other comprehensive income:

Experience gain	7,627	8,591
Total amount recognised in other comprehensive income	7,627	8,591

The 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	1,038,731	977,247
Fair value of plan assets	(932,094)	(921,518)
Net defined benefit liability	106,637	55,729

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29. Pension obligation (continued)		
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit liability	55,729	88,268
Net pension cost	43,697	28,695
Re-measurement recognised in other comprehensive income	7,627	8,591
Group contributions paid	(416)	(69,825)
Closing defined benefit obligation	106,637	55,729
Movement in present value of defined benefit obligation:		
Defined benefit obligation at start of year	977,247	935,621
Current service cost	39,520	25,015
Interest cost	52,608	50,302
Members contribution	74	12,506
Re-measurements:		
Experience adjustments	(671)	(3,554)
Actuarial (gain) / losses from changes in assumptions	12,001	-
Benefits paid	(42,048)	(42,643)
Defined benefit obligation at end of year	1,038,731	977,247
Movement in fair value of plan assets/asset allocation:		
	2019	2018
	\$'000	\$'000
Fair value of plan assets at start of year	921,518	847,353
Interest income	49,526	47,653
Return on plan assets excluding interest income	3,703	(12,145)
Group contributions	416	69,825
Members' contributions	74	12,506
Benefits paid	(42,048)	(42,643)
Expenses	(1,095)	(1,031)
Fair value of plan assets at end of year	932,094	921,518
Asset allocation:		
Locally listed equities	218,543	231,082
Overseas equities	169,146	139,788
Government issued bonds	312,439	297,585
Corporate bonds	148,188	170,308
Mutual funds	29,411	12,902
Cash and cash equivalents	50,915	66,369
Annuities	3,452	3,484
Fair value of plan assets at end of year	932,094	921,518
Re-measurement recognised in Other Comprehensive Income:		
Experience losses/(gains)		
Pension	7,627	8,591
Post retirement medical	23,547	(7,333)
Post group life (see note 28)	(2,217)	(809)
Fair value of plan assets at end of year	28,957	449

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30.	Trade payables	2019 \$'000	2018 \$'000
	Trade payables are settled on 30 day terms	<u>1,781,063</u>	<u>2,488,356</u>
	Terms and conditions of the above financial liabilities:		
	Interest payable is normally settled in accordance with the terms and conditions of the respective loan (note 25).		
31.	Sundry payables and accruals	2019 \$'000	2018 \$'000
	Interest	78,397	99,974
	Material/service amounts	1,204,143	906,546
	Contract provisions	184,095	199,172
	Employee related	<u>86,324</u>	<u>80,329</u>
		<u>1,552,959</u>	<u>1,286,021</u>
32.	Revenue from contracts with customers	2019 \$'000	2018 \$'000
	Sales		
	Natural gas	9,349,767	11,368,626
	Natural gasoline	1,221,324	1,205,686
	Natural gas liquids	768,078	1,405,414
	Condensate	10,135	13,529
	Transportation tariffs	256,170	319,183
	Crude oil	871,056	310,694
	Rental	18,303	36,001
	Liquefied natural gas	746,388	1,004,769
	Marine facilities and services	<u>368,169</u>	<u>341,034</u>
		<u>13,609,390</u>	<u>16,004,936</u>

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

32. Revenue from contracts with customers (continued)	2019 \$'000	(Restated) 2018 \$'000
Cost of sales		
Gas purchases	9,423,697	9,281,704
Feedstock purchases	730,542	907,715
Depreciation	1,111,231	981,440
Production taxes/Supplemental petroleum taxes	115,745	67,873
Maintenance cost	60,645	76,877
Dredging	10,049	2,291
Staff cost	74,948	77,324
Royalties	32,444	47,430
Royalty tax	445,237	534,999
Exploration and production costs	222,066	244,322
Other operating cost	380,117	341,667
	<u>12,606,721</u>	<u>12,563,642</u>
33. Other income	2019 \$'000	2018 \$'000
Lease income	356,839	153,762
Operating and maintenance fees	16,394	5,925
Management fees	178	789
Amortisation of non-refundable capital contribution	6,423	9,743
Net settlement claim	-	351,348
Liquefied natural gas production payments	227,640	186,794
Other income	29,349	35,900
	<u>636,823</u>	<u>744,261</u>
34. Interest and investment income	2019 \$'000	2018 \$'000
Interest and investment income	164,214	187,610
Capitalised interest	215,572	-
Net gain/(loss) on credit link notes	209,414	(86,486)
Gain on disposal of investments	3,095	9,661
Recovery of short-term investments	-	605,578
Dividend income	62,547	206,030
	<u>654,842</u>	<u>922,393</u>

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

35. Administrative, maintenance and general expenses

	2019 \$'000	2018 \$'000
Staff costs	353,003	372,839
Pension and post-retirement medical and group life	73,026	49,590
Depreciation, depletion and amortisation	61,689	47,548
Material, service and contract labor	61,391	82,768
Consulting and professional fees	51,368	104,738
Other	299,408	345,143
	<u>899,885</u>	<u>1,002,626</u>
Staff costs:		
Wages and salaries	417,279	439,103
National insurance	10,672	11,060
Pension and post-retirement medical and group life	73,026	49,590
	<u>500,977</u>	<u>499,753</u>
Staff costs included within:		
Cost of sales (Note 32)	74,948	77,324
Administrative and general expenses *	353,003	372,839
Pension and post-retirement medical and group life	73,026	49,590
	<u>500,977</u>	<u>499,753</u>

36. Impairment

	2019 \$'000	(Restated) 2018 \$'000
Trade receivable	114,865	235,138
Loan receivable	(183,601)	-
Impairment of capital spares	-	16,688
Property, plant and equipment – other assets	191,526	(745)
Beachfield compressor (Note 36 (a))	10,126	217,130
Capital assets and licences (Note 36 (b))	573,177	(541,213)
Other	(17,240)	28,820
Charge/(reversal)	<u>688,853</u>	<u>(44,182)</u>

In accordance with IAS 36: "Impairment of assets", management performed impairment tests on all assets for which there were indicators of impairment and where impairment provisions were previously recorded.

a) Beachfield compressor

The Group's Management completed a full operational and commercial review of the Beachfield Compressor Project and concluded that mitigating measures have now been implemented to reduce operational risks. As a result, further investment in the project has been discontinued. The costs incurred in the project is TT\$227.3 million (of which TT\$10.1 million relates to 2019) has been impaired as at 31 December 2019.

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

36. Impairment expense (continued)

b) Capital assets and licences

The Group Management carried out an impairment review of its 100% owned capital assets and licences in NGC E&P Investment (Netherlands) B.V. and NGC E&P (Netherlands) B.V., which resulted in an impairment expense of TT\$573.2 million (US\$84.8 million).

The key assumptions used in the value in use calculations are as follows:

- Discount rate of 10.58%.
- The Group's entitlement of gas assets was estimated between a range of 16.8% to 19.7% of total gas revenue and oil entitlement was estimated between a range of 13.9% to 16.4%, over the seven-year period.
- Crude oil and gas forecasted prices and production projections for the year 2020 to 2026.

Based on the cashflows computed, sensitivity analyses were conducted on the discount rate used. The scenarios considered were as follows:

- a) Discount rate was reduced by 100 basis points to 9.58%
- b) Discount rate was increased by 100 basis points to 11.58%

From the scenarios above, while holding all other variables will increase/(decrease) the impairment charge by the following:

- Scenario (a), where discount rate was reduced by 100 basis points, while holding all other variables constant will decrease the impairment charge by \$31.1 million.
- Scenario (b), where discount rate was increased by 100 basis points, while holding all other variables constant will increase the impairment charge by \$29.7 million.

37. Finance costs

	2019	2018
	\$'000	\$'000
Interest on loans and bonds	174,319	184,989
Royalty tax interest	24,534	4,239
Decommissioning obligation	21,249	37,638
Leases	10,028	-
Take or pay liability	-	(23,917)
	<u>230,130</u>	<u>202,949</u>

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(Amounts expressed in Trinidad and Tobago dollars)

38. Share of loss from associate

Name of Group	Place of incorporation and operation	Proportion of ownership interest and voting powers held by the Group	
		2019	2018
Caribbean Gas Chemical Limited (CGCL)	Trinidad and Tobago	20%	20%

CGCL is a limited liability company in which the Parent owns a 20% ownership interest through NGC Petrochemicals Limited.

	2019 \$'000	2018 \$'000
Share of loss from associate	<u>4,513</u>	<u>6,007</u>

39. Taxation

	2019 \$'000	(Restated) 2018 \$'000
Corporation tax	434,109	1,266,321
Petroleum profit tax	422,422	79,719
Business levy	63,653	299
Green fund levy	47,738	63,704
	<u>967,922</u>	<u>1,410,043</u>
Deferred tax (credit)/expense	(892,720)	134,619
	<u>75,202</u>	<u>1,544,662</u>
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate:		
Profit for the year before taxation	470,953	3,940,548
Tax at the rate of 35%	164,834	1,379,192
Tax exempt income	(204,607)	(96,917)
Non-deductible expenses	140,256	290,745
Permanent differences	(57,351)	8,311
Other differences	(25,021)	(53,970)
Prior years' tax	26,054	(90,630)
Business levy	63,653	299
Green fund	47,738	63,704
Increase in valuation allowance	(71,338)	129,385
Tax effect of subsidiaries at different rate	(30,171)	(61,071)
Tax losses un-utilized	(33,045)	8,230
Tax losses utilized	(6,347)	8,551
Effect of oil and gas assets taxed at a different rate	(18,879)	25,732
Foreign exchange translation	79,426	(66,899)
Current year taxation expense	<u>75,202</u>	<u>1,544,662</u>

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Note to the consolidated financial statements for the year ended 31 December 2019

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40. Cash generated from operations	2019 \$'000	2018 \$'000
Profit for the year before taxation	470,953	3,940,548
Adjustments to reconcile profit for the year before taxation with net cash from operating activities:		
Depreciation	1,172,992	1,028,988
Impairment charge of property, plant and equipment	201,651	261,919
Impairment charge/(reversal) of capital assets and licences	573,177	(541,213)
Impairment charge of other receivables	(85,975)	235,277
(Reversal)/impairment of other financial assets	-	(164)
Decommissioning provision	22,117	-
Gain on disposal of property, plant and equipment	1,976	7,426
Share of loss in associate	4,513	6,007
Post-retirement costs	44,634	38,492
Penalty	487	-
Dividend income	(62,547)	(206,030)
Gain on disposal of other financial assets	(3,097)	(9,661)
Amortisation of deferred income	(5,268)	(5,268)
Finance costs	230,130	202,949
Interest income on finance lease	(86,749)	(142,164)
Interest and investment income	(562,073)	(87,905)
Operating profit before working capital changes	1,916,921	4,729,201
Working capital changes:		
(Increase)/decrease in accounts receivable and sundry debtors	(673,191)	1,176,534
Decrease in contract assets	9,034	849,708
(Increase)/decrease in inventories	(94,901)	135
Increase/(decrease) in contract liabilities	8,874	(106,829)
Increase in trade creditors, sundry creditors and accruals	(444,475)	(2,637,809)
Cash flows from operating activities	722,262	4,010,940

The National Gas Company of Trinidad and Tobago Limited

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41. Subsidiaries

a) The subsidiaries are as follows:

Entities	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held	
			2019	2018
Subsidiaries				
National Energy Corporation of Trinidad and Tobago Limited	Management of marine infrastructural facilities and Industrial Estate	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, operate and maintain a 56 inch cross island pipeline ('CIP')	Trinidad and Tobago	100%	100%
Trinidad and Tobago LNG Limited	11.11% ownership at Atlantic Train 4 which sells liquified natural gas ('LNG') and natural gas liquids ('NGLs')	Trinidad and Tobago	100%	100%
NGC Trinidad and Tobago LNG Limited	10% ownership in Atlantic Train 1 which sells liquified natural gas ('LNG') and natural gas liquids ('NGLs')	Trinidad and Tobago	62.16%	62.16%
La Brea Industrial Development Company Limited	Management of industrial estate and marine infrastructure facilities	Trinidad and Tobago	91.55%	81%
Trinidad and Tobago NGL Limited	39% equity interest in Phoenix Park Gas Processors Limited which processes natural gas, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	25%	25%
NGC NGL Company Limited	51% equity interest in Phoenix Park Gas Processors Limited which processes natural gas, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	80%	80%

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

41. Subsidiaries (continued)

a) The subsidiaries are as follows (continued):

Entities	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held	
			2019	2018
Subsidiaries				
NGC CNG Company Limited	Construct, operate and maintain compressed Natural Gas Service Stations	Trinidad and Tobago	100%	100%
NGC Petrochemicals Limited	20% equity interest in Caribbean Gas Chemical Limited which produces, markets and sells DME and Methanol	Trinidad and Tobago	100%	100%
NGC E&P (Barbados) Limited	0.01% membership in NGC E&P Netherlands Coöperatief U.A. which holds a 30% interest in Block 2c and 11.41% interest in Block 3a	Barbados	100%	100%
NGC E&P Investments (Barbados) Limited	99.99% membership in NGC E&P Netherlands Coöperatief U.A. which holds a 30% interest in Block 2c and 11.41% interest in Block 3a	Barbados	100%	100%
Downstream Petrochemicals Research and Development Limited	Management of DME and Downstream Promotion Fund	Trinidad and Tobago	100%	100%
NGC E&P Investments Limited	20% equity interest in exploration, development and production of gas of Block 1 (a)	Trinidad and Tobago	100%	100%
NGC Group Captive Insurance (Barbados) Limited	Insurer of various risk of its Parent (NGC) and subsidiaries assets	Barbados	100%	100%

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

41. Subsidiaries (continued)

a) The subsidiaries are as follows (continued):

Entities	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held	
			2019	2018
Subsidiaries (continued)				
Sub-Subsidiaries				
Phoenix Park Gas Processors Limited	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	50.55%	50.55%
NGC E&P Netherlands Coöperatief U.A	100% equity interest in NGC E&P Investments (Netherlands) B.V. which holds a 30% interest in Block 2c and NGC E&P (Netherlands) B.V. which holds a 11.41% interest in Block 3a	<u>Incorporation – Netherlands</u> <u>Operation - Trinidad and Tobago</u>	100%	100%
NGC E&P (Netherlands) B.V.	11.41% equity in exploration, development and production of oil and gas of Block 3 (a)	<u>Incorporation – Netherlands</u> <u>Operation - Trinidad and Tobago</u>	100%	100%
NGC E&P Investments (Netherlands) B.V.	30% equity interest in the exploration, development and production of oil and gas of Block 2 (c)	<u>Incorporation – Netherlands</u> <u>Operation - Trinidad and Tobago</u>	100%	100%

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41. Subsidiaries (continued)

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

Entities	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	
		2019	2018	2019	2018	2019	2018
				\$'000	\$'000	\$'000	\$'000
Phoenix Park Gas Processors Limited	Trinidad and Tobago	10%*	10%*	23,143	62,216	179,494	178,704
Trinidad and Tobago NGL Limited	Trinidad and Tobago	75%*	75%*	67,693	181,983	1,926,886	2,034,703
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	37.84%	37.84%	15,332	24,240	102,229	96,017
NGC NGL Company Limited	Trinidad and Tobago	20%	20%	24,517	64,272	255,671	285,218
Fair value adjustment to non-controlling interest in PPGPL				(65,514)	(65,690)	125,186	190,700
Individually immaterial subsidiaries with non-controlling interests						33,361	34,814
Total						2,622,827	2,820,156

* In 2017, NGC sold an additional 26% of its investment in Trinidad and Tobago NGL Limited (TTNGL). Following the disposal of the additional shares in TTNGL in 2017, the Parent's interest in Phoenix Park Gas Processors Limited is now 50.55%.

The National Gas Company of Trinidad and Tobago Limited

Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

41. Subsidiaries (continued)

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

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

Phoenix Park Gas Processors Limited ('PPGPL')	2019	2018
	\$'000	\$'000
Summary statement of financial position		
Current Assets	1,195,619	1,203,986
Non-current assets	1,581,752	1,634,501
Current Liabilities	(469,622)	(439,200)
Non-current Liabilities	(512,813)	(612,245)
Equity attributable to owners of the PPGPL	1,615,443	1,608,337
Non-controlling interest of PPGPL	179,494	178,704
Summary statement of Profit and Loss and other Comprehensive Income	2019	2018
	\$'000	\$'000
Revenue	2,075,721	2,745,862
Expenses	(1,844,291)	(2,123,698)
Profit For The Year	231,430	622,164
Profit Attributable To Owners Of PPGPL	208,287	559,947
Profit Attributable To The Non-controlling Interest	23,143	62,216
Profit For The Year	231,430	622,163
Other Comprehensive Income Attributable To The Owner of PPGPL	-	-
Other Comprehensive Income Attributable To The Non-controlling Interest	-	-
Other Comprehensive Income For The Year	-	-
Total Comprehensive Income Attributed To The Owners Of PPGPL	208,287	559,947
Total Comprehensive Income Attributed To The Non-controlling Interest	23,143	62,216
Total Comprehensive Income For The Year	231,430	622,163

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Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

41. Subsidiaries (continued)

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

Trinidad and Tobago NGL Limited ('TTNGL')	2019 \$'000	2018 \$'000
Summary statement of financial position		
Current Assets	147,388	295,728
Non-current assets	3,134,488	3,097,751
Current Liabilities	(736)	(262)
Equity attributable to owners of TTNGL	1,354,254	1,358,514
Non-controlling interest	1,926,886	2,034,703
Summary statement of profit or loss and other comprehensive income		
Revenue	91,569	244,722
Other expenses	37,939	8,253
Profit for the year	<u>129,508</u>	<u>252,975</u>
Profit attributable to owners of TTNGL	61,815	70,992
Profit attributable to the non-controlling interest	67,693	181,983
Profit for the year	<u>129,508</u>	<u>252,975</u>
Other comprehensive income attributable to owners of TTNGL	(2,311)	2,054
Other comprehensive income attributable to the non-controlling interest	(6,934)	6,162
Other comprehensive income for the year	<u>(9,245)</u>	<u>8,216</u>
Total comprehensive income attributable to owners of TTNGL	59,504	138,566
Total comprehensive income attributable to the non-controlling interest	60,759	122,625
Total comprehensive income for the year	<u>120,263</u>	<u>261,191</u>
Dividends paid to non-controlling interest	<u>174,150</u>	<u>174,150</u>
Summary statement of cash flows		
Net cash generated from operating activities	100,904	199,387
Net cash generated from investing activities	388	493
Net cash used in financing activities	(232,200)	(232,200)
Net cash outflow	<u>(130,908)</u>	<u>(32,320)</u>

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Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

41. Subsidiaries (continued)

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

NGC NGL Company Limited ('NGC NGL')	2019	2018
	\$'000	\$'000
Summary statement of financial position		
Current Assets	352,394	504,330
Non-current assets	915,418	911,391
Current Liabilities	(96)	(270)
Equity attributable to owners of NGC NGL	1,012,045	1,130,233
Non-controlling interest	255,671	285,218
Summary statement of profit or loss and other comprehensive income		
Revenue	127,148	326,011
Other expenses	(4,565)	(4,650)
Profit for the year	<u>122,583</u>	<u>321,361</u>
Profit attributable to owners of NGC NGL	98,066	257,089
Profit attributable to the non-controlling interest	24,517	64,272
Profit for the year	<u>122,583</u>	<u>321,361</u>
Other comprehensive income attributable to owners of NGC NGL	(3,069)	3,113
Other comprehensive income attributable to the non-controlling interest	(767)	778
Other comprehensive income for the year	<u>(3,836)</u>	<u>2,627</u>
Total comprehensive income attributable to owners of NGC NGL	94,998	260,202
Total comprehensive income attributable to the non-controlling interest	23,749	65,050
Total comprehensive income for the year	<u>118,747</u>	<u>325,252</u>
Dividends paid to non-controlling interest	<u>53,260</u>	<u>9,455</u>
Summary statement of cash flows		
Net cash used in operating activities	(25,029)	(4,690)
Net cash generated from investing activities	332,050	107,100
Net cash used in financing activities	(266,299)	(47,275)
Net cash inflow	<u>40,722</u>	<u>55,135</u>

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Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

41. Subsidiaries (continued)

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

NGC Trinidad and Tobago LNG Limited ('NGC LNG')	2019	2018
	\$'000	\$'000
Summary statement of financial position		
Current Assets	264,915	170,672
Non-current assets	59,492	83,178
Current Liabilities	(54,245)	(105)
Equity attributable to owners of NGC LNG	167,933	157,727
Non-controlling interest	102,229	96,017
Summary statement of profit or loss and other comprehensive income		
Revenue	226,279	66,407
Expenses	(185,761)	(2,349)
Profit for the year	40,518	64,058
Profit attributable to owners of NGC LNG	25,186	39,818
Profit attributable to the non-controlling interest	15,332	24,240
Profit for the year	40,518	64,058
Other comprehensive income attributable to owners of NGC LNG	(14,948)	(66,215)
Other comprehensive income attributable to the non-controlling interest	(9,099)	(40,309)
Other comprehensive income for the year	(24,047)	(106,524)
Total comprehensive income attributable to owners of NGC LNG	10,238	(26,397)
Total comprehensive income attributable to the non-controlling interest	6,233	(16,069)
Total comprehensive income for the year	16,471	(42,466)
Dividends paid to non-controlling interest	-	(726)
Summary statement of cash flows		
Net cash generated from operating activities	38,568	61,892
Net cash generated from investing activities	30,891	(129,895)
Net cash used in financing activities	-	(1,918)
Net cash inflow/(outflow)	69,459	(69,921)

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.

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Note to the consolidated financial statements for the year ended 31 December 2019

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42. Associates

Company	Place of incorporation and operation	Proportion of ownership interest and voting powers	
		2019	2018
Caribbean Gas Chemical Limited	Trinidad and Tobago	20%	20%
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	Trinidad and Tobago	20%	20%

The investment in Trintomar was fully impaired in a prior year.

43. Contingent liabilities

a) Taxes

Claims made on NGC

The Board of Inland Revenue (BIR) issued additional assessments for years of income 1993 to 1994 in respect of re-translation gains and resultant additional taxes totalling TT\$20.1 million. The Parent has objected to the assessments by the Board of Inland Revenue. Management is currently awaiting judgement on this matter. Management has assessed the impact of the application of IFRIC 23, however the expected value is immaterial, and no provision has been made in the financial statements for any additional tax liabilities.

Claims made on PPGPL

The Board of Inland Revenue (BIR) has issued additional assessments for years of income 1997, 1999 - 2010 in respect of claims for capital allowances and resultant additional taxes totaling TT\$268.6M (US\$39.6M). PPGPL also made payments to the BIR for years of income 2013, 2016-2018 in respect to claims for capital allowances although we were not issued with additional assessments for these years; the amount paid totaled TT\$ 24.6 M (US\$3.6M).

PPGPL has raised objections to these assessments and these matters have been submitted to the Tax Appeal Board for its ruling. A trial date has not yet been determined and therefore it is not practical to determine the outcome of the ruling. However, Management has applied IFRIC 23 and made a provision for expected value of the amounts in the sum of US\$9.0M (TT\$61.0M). In February 2011, the Board of Directors instructed PPGPL to take advantage of the then amnesty granted by the Minister of Finance for interest and penalties for the late payment of certain taxes by making a deposit with the BIR in the sum of TT\$115.2M (US\$18.0M) before 31 May 2011 (years assessed at that time 1997 – 2005). In March 2016, PPGPL took advantage of the amnesty granted by the Minister of Finance by making a deposit with the BIR in the sum of TT\$ 10.07M (US\$1.6M) before 31 March 2016 (years assessed 2006 -2008).

In September 2019, PPGPL took advantage of the amnesty granted by the Minister of Finance by making a deposit with the BIR in the sum of TT\$ 30.9M (US\$ 4.6M) for years assessed 2009 -2010 and years not assessed 2013,2016,2017,2018, on the basis that:

- PPGPL's legal position be preserved;
- Should PPGPL be successful in this matter then such sum would be off-set against future corporation tax liabilities;
- Should PPGPL be unsuccessful, then management would have avoided paying the consequential interest and penalties on the disputed sum.

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Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

43. Contingent liabilities (continued)

The amount PPGPL expects to recover is currently classified as "other accounts receivable and prepayments in the statement of financial position.

b) Customs bonds

The Group has contingent liabilities in respect of customs bonds amounting to \$0.4 million (2018: \$1.2 million).

44. Guarantees

The Group has provided the following guarantees as at 31 December 2019 and 2018:

NGC 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 Company. The loan balance is \$108.5 million (US\$16.0 million) at 31 December 2018, \$211.6 million (US\$31.2 million) at 31 December 2018.

45. Capital commitments

	2019 \$'000	2018 \$'000
Approved and contracted capital expenditure	<u>253,575</u>	<u>235,346</u>

46. Commitment contracts

Purchases

The Group purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers. 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. For 2019, the Group had no take-or-pay liability.

Sales

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 generally capped. The contracts include floor prices that escalate annually, which represents the minimum prices for which natural gas can be sold to the respective customers.

One of the Group's subsidiaries is committed to sell natural gas liquids to various companies under the terms of negotiated sales contracts.

47. Related party transactions

The NGC is wholly-owned by the Government of Trinidad & Tobago (GORTT). In the ordinary course of its business, the NGC 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.

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. 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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48. Compensation of key management personnel

	2019 \$'000	2018 \$'000
Short-term employee benefits	70,824	64,232
Post-employment benefit	5,141	7,529
	<u>75,965</u>	<u>71,761</u>

49. Financial risk management

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including the effects of credit risks, liquidity risk, interest rates, foreign currency exchange rates and market price risk. Accordingly, the Group's financial performance and position are subject to changes in the financial markets. Overall risk management measures are focused on minimising the potential adverse effects on the financial performance of the Group. Set out below are the Group's financial assets and liabilities.

Categories of financial instruments

	2019 \$'000	2018 \$'000
<u>Assets:</u>		
Financial assets:		
Other financial assets	3,791,616	3,962,609
Accounts receivable	2,189,909	1,519,087
Loans receivable	3,967,005	3,644,417
	<u>9,948,530</u>	<u>9,126,113</u>
Other receivables		
Debt reserve funds	120,384	118,263
Cash and cash equivalents	3,605,702	6,837,681
Short-term investments	2,881,747	1,426,841
Sundry debtors	323,774	505,004
Net investment in leased assets	411,694	400,320
	<u>7,343,301</u>	<u>9,288,109</u>
Total financial assets	<u>17,291,831</u>	<u>18,414,222</u>
Non-financial assets	<u>23,583,377</u>	<u>24,285,324</u>
Total assets	<u>40,875,208</u>	<u>42,699,546</u>

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(Amounts expressed in Trinidad and Tobago dollars)

49. Financial risk management (continued)

Categories of financial instruments (continued)

	2019 \$'000	2018 \$'000
<u>Shareholder's equity and liabilities:</u>		
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	2,508,875	2,708,465
Trade payables	1,781,063	2,488,356
Sundry payables and accruals	1,552,959	1,286,021
Dividends payable	-	4,238
Total financial liabilities	<u>5,842,897</u>	<u>6,487,080</u>
Non-financial liabilities	<u>7,555,458</u>	<u>8,170,188</u>
Shareholder's equity	<u>27,476,853</u>	<u>28,042,278</u>
Total liabilities	<u>40,875,208</u>	<u>42,699,546</u>

Risk Management Structure

The Board of Directors are responsible for the overall risk management approach and for approving the risk strategies principles, policies and procedures. Day to day adherence to risk principles are carried out by the Executive Management of the Group in compliance with the policies approved by the Board of Directors.

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 summarised below:

a) Credit risk

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financial activities including deposits with banks and financial institution, foreign exchange transactions and other financial instruments.

Significant changes in the Group's trade receivable balances could result in losses that are different from those provided at year end. Management carefully monitors its exposure to credit risk.

Exposure to credit risk is further managed through regular analysis of the ability of debtors and financial institutions to settle outstanding balances. The Group does not generally hold collateral as security.

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49. Financial risk management (continued)

a) Credit risk (continued)

(i) Debt investments

The Group's loan receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The closing loss allowance as at 31 December 2019 as follows:

	ALNG IV Loan Receivables TT\$'000	T&TEC Loan Receivables TT\$'000	Total TT\$'000
Opening expected credit loss as at 31 December 2018 - calculated under IFRS 9	1,480	203,134	204,614
Expected credit loss in the current year	(338)	(184,338)	(184,676)
Foreign exchange	(4)	-	(4)
Closing expected credit loss allowance as at 31 December 2019	1,138	18,796	19,934

(ii) Quoted debt investments

	Total TT\$'000
As at 31 December 2018	1,233
Expected credit loss in the current year	(1,220)
Foreign exchange	(3)
As at 31 December 2019	10

(iii) Credit risk relating to cash at bank

Credit risks from balances with banks and financial instruments are managed in accordance with the Group's policy. Investments or surplus funds are made only with approved counterparties and within limits assigned to each counterparty. Counterparty limits are reviewed by the Group's Board of Directors on an annual basis. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

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Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

49. Financial risk management (continued)

b) Liquidity risk

The Group monitors its risk to a shortage of funds by considering planned and probable expenditures against projected cash inflows from operations and from the settlement of financial assets such as account receivables and levels of cash sales.

The table below summarises the maturity profile of the Group's financial liabilities and commitments based on contractual (earliest date on which the Group can be required to pay) undiscounted payments at the statement of financial position date. The table includes both interest and principal cash flows.

As at 31 December 2019	On demand \$'000	≤ 3 months \$'000	3-12 months \$'000	1-5 years \$'000	≥ 5 years \$'000	Total \$'000
Assets						
<u>Financial assets at FVTPL</u>						
Financial assets at fair value through profit or loss	-	-	-	-	723,577	723,577
<u>Financial assets at FVTOCI</u>						
Other financial assets	-	-	1,121,723	496,034	-	1,617,757
<u>Financial assets at amortised cost</u>						
Loans receivable	-	-	274,864	1,886,047	3,325,990	5,486,901
Net investment in leased assets	-	64,066	193,605	184,425	56,305	498,401
Debt reserve funds	-	120,384	-	-	-	120,384
Cash and cash equivalents	3,159,859	445,843	-	-	-	3,605,702
Short-term investments	-	2,092,360	804,130	-	-	2,896,490
Accounts receivable	-	2,189,909	-	-	-	2,189,909
Sundry debtors	-	323,774	-	-	-	323,774
	3,159,859	5,236,336	2,394,322	2,566,506	4,105,872	17,462,895
Liabilities						
Borrowings	-	69,416	260,183	595,665	3,860,540	4,785,804
Trade and other payables	-	3,307,074	13,424	13,525	-	3,334,023
	-	3,376,490	273,607	609,190	3,860,540	8,119,827
Net position	3,159,859	1,859,846	2,120,715	1,957,316	245,332	9,343,068

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49. Financial risk management (continued)

b) Liquidity risk (continued)

As at 31 December 2018	On demand \$'000	≤ 3 months \$'000	3-12 months \$'000	1-5 years \$'000	≥ 5 years \$'000	Total \$'000
Assets						
<u>Financial assets at FVTPL</u>						
Financial assets at fair value through profit or loss	-	-	-	-	515,318	515,318
<u>Financial assets at FVTOCI</u>						
Other financial assets	-	896,750	1,467,056	44,831	233,438	2,642,075
<u>Financial assets at amortised cost</u>						
Loans receivable	-	-	2,274	1,108,739	4,129,398	5,240,411
Accounts receivable	-	1,519,087	-	-	-	1,519,087
Net investment in leased assets	-	68,195	212,435	284,462	94,799	659,891
Debt reserve funds	-	118,263	-	-	-	118,263
Cash and cash equivalents	6,837,681	-	-	-	-	6,837,681
Short-term investments	130,549	633,381	662,911	-	-	1,426,841
Sundry debtors	-	505,004	-	-	-	505,004
	6,968,230	3,740,680	2,344,676	1,438,032	4,972,953	19,464,571
Liabilities						
Borrowings	-	123,185	235,390	891,250	4,312,822	5,562,647
Trade and other payables	-	3,742,058	32,319	-	-	3,774,377
Dividends payable	-	4,238	-	-	-	4,238
	-	3,869,481	267,709	891,250	4,312,822	9,341,262
Net position	6,968,230	(128,801)	2,076,967	546,782	660,131	10,123,309

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49. Financial risk management (continued)

c) Interest rate risk

Interest rate risk for the Group's centres primarily on the risk relating to the Group's long-term debt obligations and loan receivables which carries varying interest rates.

	Increase/ (decrease) in basis points	Effect on profit before tax \$'000
Borrowings		
2019	+50	<u>647</u>
	-50	<u>(647)</u>
2018	+50	<u>1,057</u>
	-50	<u>(1,057)</u>
	Increase/ (decrease) in basis points	Effect on profit before tax \$'000
Loan receivables		
2019	+50	<u>1,400</u>
	-50	<u>(1,400)</u>
2018	+50	<u>1,550</u>
	-50	<u>(1,550)</u>

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Note to the consolidated financial statements for the year ended 31 December 2019

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49. Financial risk management (continued)

d) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Such exposures arises from sales and purchases denominated in currencies other than the Group's functional currency. As highlighted in the table below the Group's exposure to Foreign currency changes is immaterial.

As at 31 December 2019	Amounts denominated in TT currency TT\$'000	Amounts denominated in US currency TT\$'000	Amounts denominated in Other currency TT\$'000	Total TT\$'000
Assets				
<u>Financial assets at FVTPL</u>				
Financial assets at fair value through profit or loss	-	723,577	-	723,577
<u>Financial assets at FVTOCI</u>				
Other financial assets	830,648	2,237,391	-	3,068,039
<u>Financial assets at amortised cost</u>				
Loans receivable	-	3,967,005	-	3,967,005
Net investment in leased assets	-	411,694	-	411,694
Debt reserve funds	-	120,384	-	120,384
Cash and cash equivalents	150,217	3,437,807	17,678	3,605,702
Short-term investments	55,294	2,826,453	-	2,881,747
Accounts receivable	1,317	2,188,592	-	2,189,909
Sundry debtors	174,656	149,118	-	323,774
	1,212,132	16,062,021	17,678	17,291,831
Liabilities				
Borrowings	-	2,508,875	-	2,508,875
Trade and other payables	1,144,355	2,188,240	1,427	3,334,022
	1,144,355	4,697,115	1,427	5,842,897
Net position	67,777	11,364,906	16,251	11,448,934

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Note to the consolidated financial statements for the year ended 31 December 2019

(Amounts expressed in Trinidad and Tobago dollars)

49. Financial risk management (continued)

d) Foreign currency risk (continued)

As at 31 December 2018	Amounts denominated in TT currency TT\$'000	Amounts denominated in US currency TT\$'000	Amounts denominated in Other currency TT\$'000	Total TT\$'000
Assets				
<u>Financial assets at FVTPL</u>				
Financial assets at fair value through profit or loss	-	515,318	-	515,318
<u>Financial assets at FVTOCI</u>				
Other financial assets	1,044,184	2,403,107	-	3,447,291
<u>Financial assets at amortised cost</u>				
Loans receivable	-	3,644,417	-	3,644,417
Accounts receivable	265	1,517,448	1,374	1,519,087
Net investment in leased assets	-	400,320	-	400,320
Debt reserve funds	-	118,263	-	118,263
Cash and cash equivalents	231,759	6,605,922	-	6,837,681
Short-term investments	30,711	1,396,130	-	1,426,841
Sundry debtors	61,413	443,591	-	505,004
	1,368,332	17,044,516	1,374	18,414,222
Liabilities				
Borrowings	-	2,708,465	-	2,708,465
Trade and other payables	1,596,967	2,175,990	1,420	3,774,377
Dividends payable	-	4,238	-	4,238
	1,596,967	4,888,693	1,420	6,487,080
Net position	(228,635)	12,155,823	(46)	11,927,142

i) Equity price risk

The Group is exposed to equity price risk arising from its investments in local and foreign institutions.

The following 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 Company's profit before tax as changes are recorded in Other Comprehensive Income (OCI).

	Increase/ (decrease) in equity price	Effect on equity \$'000
2019	10%	152,540
	(10%)	(152,540)
2018	10%	145,455
	(10%)	(145,455)

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Note to the consolidated financial statements for the year ended 31 December 2019

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49. Financial risk management (continued)

e) Market price risk (continued)

ii) Commodity price risk

The Group is exposed to commodity price risk for natural gas, liquified natural gas and natural gas liquids sold. The Group's management of commodity price exposure includes securing contracts with suppliers that are linked to the final product price (i.e. ammonia and methanol prices). These provisions reduce, but do not eliminate, the effect of commodity price volatility.

f) Capital management

The primary objective of the Group's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise 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 2018.

The Group monitors capital using a gearing ratio which is debt divided by equity plus debt. The Group's policy is to keep the gearing ratio no higher than 30%. Set out below are details of the Group's capital structure.

	2019 \$'000	2018 \$'000
Debt	2,508,875	2,708,465
Equity	<u>24,854,026</u>	<u>25,222,122</u>
Total Capital	<u>27,362,901</u>	<u>27,930,587</u>
Gearing ratio	9.2%	9.7%

g) Fair values

i) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities recorded at fair value in the consolidated financial statements based upon the level of judgement associated with the inputs used to measure their fair value. The hierarchical levels, from lowest to highest based on the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

Level 1

Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price

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Note to the consolidated financial statements for the year ended 31 December 2019

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49. Financial risk management (continued)

g) Fair values (continued)

i) Fair value hierarchy (continued)

Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived principally from or corroborated by observable market data by correlation or other means at the measurement date and for the duration of the instruments' anticipated life.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Level 3

Inputs that are unobservable for the asset or liability for which there are no active markets to determine a price. These financial instruments are held at cost being the fair value of the consideration paid for the acquisition of the investments and are regularly assessed for impairment.

Set out below are the financial instruments of the Group categorised in accordance with Level 1, Level 2 and Level 3 as set out in Note 2.15:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2019				
Financial assets at FVTPL and FVTOCI				
Quoted equities	1,739,368	-	-	1,739,368
Unquoted debt	-	211,144	-	211,144
Unquoted equities	-	-	1,117,527	1,117,527
Credit linked note	-	723,577	-	723,577
	1,739,368	934,721	1,117,527	3,791,616

As at 31 December 2018

Financial assets at FVTPL and FVTOCI

Quoted equities	1,781,432	-	-	1,781,432
Unquoted debt	-	211,710	-	211,710
Unquoted equities	-	-	1,454,149	1,454,149
Credit linked note	-	515,318	-	515,318
	1,781,432	727,028	1,454,149	3,962,609

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Note to the consolidated financial statements for the year ended 31 December 2019

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49. Financial risk management (continued)

g) Fair values (continued)

ii) Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost are as follows:

	2019		2018	
	Fair value \$'000	Carrying value \$'000	Fair value \$'000	Carrying value \$'000
Loan receivables:				
Trinidad and Tobago Electricity Commission	3,740,500	3,740,500	3,349,849	3,349,849
Atlantic LNG 4 Company of Trinidad and Tobago Limited	226,506	226,506	294,572	294,572
	3,967,006	3,967,006	3,644,421	3,644,421
Borrowings:				
US\$400M 30year bond	2,404,959	2,263,974	2,596,199	2,268,920
Crédit Agricole Bank	108,469	108,469	209,360	211,551
First Citizens Bank Limited	122,636	136,431	207,151	227,994
	2,636,064	2,508,874	3,012,710	2,708,465
Net receivables/ borrowings	1,330,942	1,458,132	631,711	935,956
Fair value hierarchy				
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
At 31 December 2019				
Loans receivable	-	-	3,967,006	3,967,006
Borrowings	(2,404,959)	(231,105)	-	(2,636,064)
	(2,404,959)	(231,105)	3,567,413	1,330,942
At 31 December 2018				
Loans receivable	-	-	3,644,421	3,644,421
Borrowings	(2,596,199)	(416,511)	-	(3,012,710)
	(2,596,199)	(416,511)	3,644,421	631,711

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49. Financial risk management (continued)

g) Fair values (continued)

iii) Fair values of financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required (continued)

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.

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.

iv) 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 recognised 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.

50. Dividends

	2019 \$'000	2018 \$'000
Dividends paid to shareholder	<u>192,941</u>	<u>1,055,547</u>

Dividend per share for 2019 was TT\$0.10 (2018:TT\$0.56).

51. Events after the reporting

Management is currently evaluating the potential impact of the coronavirus disease 2019 (COVID-19) that occurred subsequent to year end, particularly on the valuation of its investment in the Joint Venture. This disease was declared a pandemic by the World Health Organisation on March 11, 2020. The extent of the impact on the financial position and performance of the Group depends on future developments, including but not limited to:

- (i) the duration and spread of the outbreak,
- (ii) the extent of restrictions and advisories, and
- (iii) the effects on the local and global financial and economic markets, all of which are highly uncertain and cannot be predicted.

The continuation of these circumstances could have a negative impact on the Group's financial condition and results.