

**TRINIDAD NITROGEN CO. LIMITED**

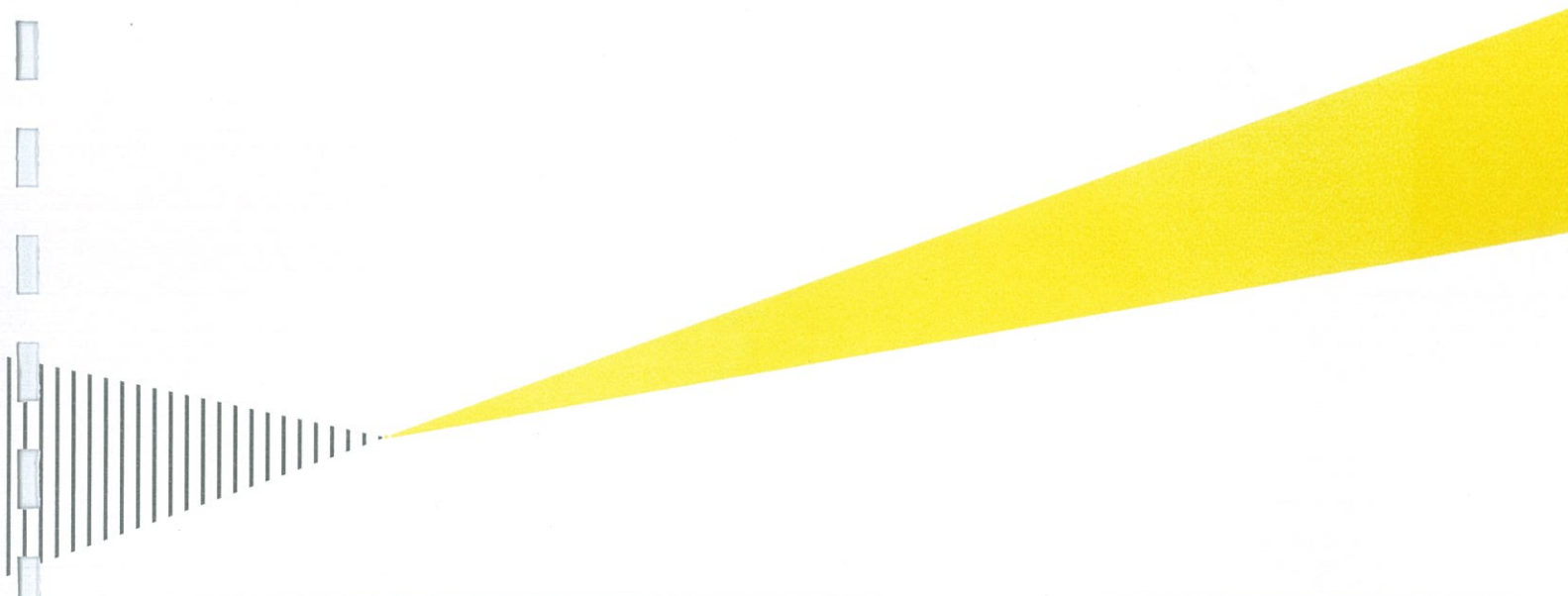
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

(Expressed in Trinidad and Tobago Dollars)

Ernst & Young



Building a better  
working world

TRINIDAD NITROGEN CO. LIMITED  
(Expressed in Trinidad and Tobago Dollars)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
TRINIDAD NITROGEN CO. LTD.

We have audited the accompanying financial statements of Trinidad Nitrogen Co. Limited which comprise the statement of financial position as at 31 December 2015, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

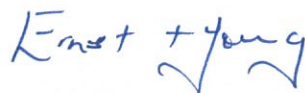
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain  
TRINIDAD  
3 March 2016

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)

	Notes	2015 \$'000	2014 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	1,044,740	1,195,937
Deferred tax asset	12 (a)	<u>74,962</u>	<u>83,142</u>
		<u>1,119,702</u>	<u>1,279,079</u>
<b>Current assets</b>			
Inventories	7	211,697	131,776
Trade receivables and prepayments		51,668	107,189
Amounts due from related companies	8 (a)		
Trade		58,080	89,733
Other		2,057	5,084
Income tax recoverable		154,527	139,945
Cash and cash equivalents	10	<u>3,569</u>	<u>31,298</u>
		<u>481,598</u>	<u>505,025</u>
<b>Total assets</b>		<u>1,601,300</u>	<u>1,784,104</u>

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

	Notes	2015 \$'000	2014 \$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	156,150	156,150
Retained earnings		515,759	548,913
Translation difference reserve	11	<u>14,300</u>	<u>7,912</u>
		<u>686,209</u>	<u>712,975</u>
<b>Non-current liabilities</b>			
Pension liability	6 (a)	138,555	185,543
Post retirement healthcare liability	6 (a)	47,592	24,685
Deferred tax liability	12 (a)	<u>168,052</u>	<u>160,325</u>
		<u>354,199</u>	<u>370,553</u>
<b>Current liabilities</b>			
Trade and other payables	9 (a)	35,791	219,507
Short term Loan	9 (a)	159,748	-
Amounts due to related companies	8 (a) & (b)		
Trade		195,804	158,444
Other		<u>169,549</u>	<u>322,625</u>
		<u>560,892</u>	<u>700,576</u>
<b>Total liabilities</b>		<u>915,091</u>	<u>1,071,129</u>
<b>Total equity and liabilities</b>		<u>1,601,300</u>	<u>1,784,104</u>

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

On 3 March 2016, the Company's Board of Directors authorised these financial statements for issue.

: Director

Director:

TRINIDAD NITROGEN CO. LIMITED

INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)

	Notes	2015 \$'000	2014 \$'000
<b>Sale of goods</b>			
To affiliated company	8 (a)	2,034,003	2,225,176
To third parties		<u>1,034</u>	<u>10,783</u>
		2,035,037	2,235,959
Direct selling costs		<u>(82,531)</u>	<u>(90,679)</u>
Net sales revenue		1,952,506	2,145,280
Cost of products sold and operating expenses	13	<u>(1,504,921)</u>	<u>(1,642,124)</u>
<b>Operating profit</b>		<u>447,585</u>	<u>503,156</u>
Finance income	14	77	68
Finance cost	15	<u>(14,408)</u>	<u>(14,585)</u>
Finance cost-net		<u>(14,331)</u>	<u>(14,517)</u>
<b>Profit before tax</b>		433,254	488,639
Income tax expense	12 (b) & (c)	<u>(159,529)</u>	<u>(181,513)</u>
<b>Profit for the year</b>		<u><u>273,725</u></u>	<u><u>307,126</u></u>

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2015  
 (Expressed in Trinidad and Tobago Dollars)

	Notes	2015 \$'000	2014 \$'000
<b>Profit for the year</b>		<u>273,725</u>	<u>307,126</u>
<b>Other comprehensive income/(loss)</b>			
Translation difference		6,388	(9,866)
Actuarial loss	6 (a)	19,410	(5,173)
Deferred tax effect	12 (a)	<u>(6,794)</u>	<u>1,810</u>
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>19,004</u>	<u>(13,229)</u>
<b>Total comprehensive income for the year, net of tax</b>		<u>292,729</u>	<u>293,897</u>

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)

	Share capital \$'000	Retained earnings \$'000	Translation difference reserve \$'000	Total \$'000
<b>At 1 January 2014</b>	156,150	434,879	17,778	608,807
Profit for the year	—	307,126	—	307,126
Other comprehensive loss for the year	—	(3,363)	(9,866)	(13,229)
Net comprehensive income for the year	—	303,763	(9,866)	293,897
Dividends (\$316.22 per share) (note 8(c))	—	(189,729)	—	(189,729)
<b>At 31 December 2014</b>	<u>156,150</u>	<u>548,913</u>	<u>7,912</u>	<u>712,975</u>
<b>At 1 January 2015</b>	156,150	548,913	7,912	712,975
Profit for the year	—	273,725	—	273,725
Other comprehensive income for the year	—	12,616	6,388	19,004
Net comprehensive income for the year	—	286,341	6,388	292,729
Dividends (\$532.49 per share) (note 8(c))	—	(319,495)	—	(319,495)
<b>At 31 December 2015</b>	<u>156,150</u>	<u>515,759</u>	<u>14,300</u>	<u>686,209</u>

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



TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)

	Notes	2015 \$'000	2014 \$'000
<b>Operating activities</b>			
Profit before tax		433,254	488,639
<b>Non-cash adjustments to reconcile profit before tax to net cash flows:</b>			
Movement in pension and post retirement benefit		(4,778)	(4,716)
Depreciation	5	176,937	95,228
Loss on disposal of property, plant and equipment		<u>211</u>	<u>2,328</u>
		605,624	581,479
<b>Working capital adjustments:</b>			
(Increase)/decrease in inventory		(77,734)	76,591
Decrease/(increase) in trade receivables and prepayments		56,037	(44,775)
Decrease in amounts due from related companies		35,291	127,352
(Decrease)/increase in trade and other payables		(162,366)	125,610
(Decrease)/increase in amounts due to related companies		<u>(119,814)</u>	<u>226,863</u>
<b>Net cash flows from operations</b>		337,038	1,093,120
Income tax paid		<u>(168,846)</u>	<u>(137,603)</u>
<b>Net cash flows from operating activities</b>		<u>168,192</u>	<u>955,517</u>
<b>Investing activity</b>			
Purchase of property, plant and equipment	5	<u>(35,438)</u>	<u>(643,682)</u>
<b>Net cash flows used in investing activity</b>		<u>(35,438)</u>	<u>(643,682)</u>
<b>Financing activity</b>			
Dividends paid	8 (c)	(319,495)	(282,696)
Proceeds from short term loan	9 (d)	<u>159,748</u>	<u>—</u>
<b>Net cash flows used in financing activity</b>		<u>(159,747)</u>	<u>(282,696)</u>
<b>(Decrease)/increase in cash and cash equivalents</b>		(26,993)	29,139
<b>Net foreign exchange difference</b>		(736)	(3,167)
<b>Cash and cash equivalents at 1 January</b>		<u>31,298</u>	<u>5,326</u>
<b>Cash and cash equivalents at 31 December</b>	10	<u>3,569</u>	<u>31,298</u>

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

## TRINIDAD NITROGEN CO. LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (Expressed in Trinidad and Tobago Dollars)

#### **1. Incorporation and principal activity**

Trinidad Nitrogen Co. Limited (the Company) is a limited liability company domiciled and incorporated in the Republic of Trinidad and Tobago on 28 June 1974. The registered office is located at Savonetta, Trinidad.

The Company was continued under the provisions of The Companies Act, 1995 on 9 October 1998. It is owned by National Enterprises Limited (51%) and Yara Caribbean (2002) Ltd (49%) which are incorporated in the Republic of Trinidad and Tobago. Yara Caribbean (2002) Ltd's ultimate parent company is Yara International ASA (incorporated in Oslo), which was established as a result of the demerger of the Agri Division of Norsk Hydro ASA in 2004.

The Company manufactures anhydrous ammonia in two independent production plants known as Tringen I and Tringen II. All production from Tringen I and II are sold through Sales Agency Agreements, with a related party, on the open market.

The Company is managed and operated by Yara Trinidad Ltd., a wholly owned subsidiary of Yara Caribbean (2002) Ltd under the terms of a Management and Operating Agreement dated 6 May 1976, as amended. The Agreement was renewed for a further period and will expire on 31 December 2019. Under the terms of the Agreement, the Company reimburses Yara Trinidad Ltd. for all direct costs and 66.67% of the total indirect costs incurred in carrying out its obligations. This Agreement also allows Yara Trinidad Ltd. to provide the services of its employees as it deems necessary for the management and operations of the Company. The net reimbursements amounted to approximately \$184,321,000 in 2015 (2014: \$169,236,000) (Note 8(a)).

The Company has also entered into agreements with various agencies of the Government of the Republic of Trinidad and Tobago for the supply of natural gas, electricity and water.

#### **2. Summary of significant accounting policies**

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

##### **2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

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

**2.1 Basis of preparation (continued)**

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

**2.2 Foreign currency translation**

**(a) Functional and presentation currency**

The Company's functional currency is the United States dollar, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company. The financial statements prepared in the Company's functional currency have been authorised for issue on 5 March 2016.

These financial statements are presented in Trinidad and Tobago dollars (the presentation currency) on the following basis:

- (i) Assets and liabilities have been translated at the rate prevailing at the end of the reporting period of US\$1.00 = TT\$6.3899 (2014 = TT\$6.3243).
- (ii) Income and expense items have been translated at US\$1.00 = TT\$6.3232 (2014 = TT\$6.3593). This rate approximates the actual exchange rates at the dates of the transactions.
- (iii) Exchange differences arising from translation have been recognized in other comprehensive income and are shown as a separate component of equity.

The amounts in the financial statements have been rounded off to the nearest thousand (\$'000) except when otherwise indicated

**(b) Transactions and balances**

Transactions in foreign currencies are initially translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising on the settlement of such transactions and on translating monetary assets and liabilities denominated in foreign currencies at the rates prevailing at the end of the reporting period are recognised in the income statement.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

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

**2.3 Property, plant and equipment**

**(a) Property, plant and equipment in service**

All property, plant and equipment are stated at historical cost less accumulated depreciation, with the exception of land. Historical cost includes expenditure that is directly attributable to the acquisition of the items of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight-line basis at rates estimated to write-off the cost of the assets over their useful lives.

Turnaround costs comprise costs incurred on planned major maintenance projects. These are currently performed every seven years in Tringen I and every five years in Tringen II. These costs are capitalised when incurred and are amortised over the anticipated period until the next scheduled turnaround.

The estimated useful lives of the assets are as follows:

Buildings	-	20 years
Plant and machinery	-	5 to 15 years
Catalysts	-	2 to 9 years
Turnaround costs	-	5 years

Land is measured at cost and not depreciated as it is deemed to have an indefinite useful life.

The assets' residual value, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to be gained from its continued use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

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

**2.3 Property, plant and equipment (continued)**

**(b) Projects under construction**

Property, plant and equipment under construction are recorded as projects under construction (PUC) until they are ready for their intended use. Thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. The cost of PUC includes allocation of labour and overhead which are directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management in accordance with IAS 16 - *Property, Plant and Equipment*. The total costs recorded as PUC for the year amounted to \$29,457,000 (2014: \$40,444,000) (Note 5).

**2.4 Inventories**

**(a) Finished goods**

Finished goods are stated at the lower of cost and net realisable value. Cost of finished goods comprises direct production costs and a proportion of attributable production overheads. Cost is determined using the first in, first out (FIFO) method.

**(b) Consumable spares and supplies**

Consumable spares and supplies are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

**(c) Catalysts**

Catalysts not yet installed are valued at the lower of cost and net realisable value.

**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments, with original maturities of three months or less.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

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

**2.6 Trade receivables**

Trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of sale. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in the income statement. When an account receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

**2.7 Trade and other payables**

Liabilities for trade and other amounts which are normally settled on 30 - 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

**2.8 Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

**2.9 Taxation**

*Current tax*

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Trinidad and Tobago Dollars)

(Continued)

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

**2.9 Taxation (continued)**

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The principal temporary differences arise from depreciation on property, plant and equipment and other provisions including those for pension and other post retirement benefits.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period 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 tax asset to be utilized.

Deferred tax relating to items in other comprehensive income is recognized directly in other comprehensive income.

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

**2.10 Employee benefits**

The Company shares with Yara Trinidad Ltd. the costs associated with operating a defined benefit pension plan (The Hydro Agri Trinidad Ltd. Pension Plan), and a post retirement healthcare plan (Yara Trinidad Ltd. Post Retirement Healthcare Plan).

The allocation of costs, liabilities and benefits between the Company and Yara Trinidad Ltd. is based on the following:

1. Retirees and deferred pensioners before 31 December 2000: Amounts were allocated equally between the companies.
2. After 31 December 2000: Actual costs are allocated for individual active members, retirees and deferred pensioners

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

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

**2.10 Employee benefits (continued)**

Contributions to the plan were allocated in the ratio of salaries between the Company and Yara Trinidad Limited.

The pension plan is administered by independent Trustees and the post retirement healthcare plan by an independent insurance company.

A defined benefit pension plan is a plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation upon retirement.

The pension plan is funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries. The post retirement healthcare plan is unfunded.

The costs of providing benefits under the plans are determined separately for each plan using the projected unit credit actuarial valuation method. Under this method, the cost of providing benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of the plans every three years. Roll forward valuations, which are less detailed than full valuations, are performed annually. The benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses for both defined benefit plans are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Vested past service cost is recognized immediately in the income statement.

**2.11 Revenue recognition**

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. With the sale of ammonia, revenue is recognised on a Free On Board (FOB) basis, as evidenced by the bill of lading.

Interest income is recognised as it accrues unless collectability is in doubt.



TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

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

**2.12 Dividends**

Dividends are recorded in the Company's financial statements in the period in which they are declared by the Board of Directors.

**2.13 Financial instruments**

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, amounts due from/to related companies, trade payables and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

**2.14 Share capital**

Ordinary shares with discretionary dividends are classified as equity.

**2.15 Impairment of property, plant and equipment**

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

**2.16 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC effective for the Company as at 1 January 2015:

**Amendments to IAS 19 Defined Benefit Plans: Employee Contributions - Effective for annual periods beginning after 1 July 2014**

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment had no material impact to the Company's financial statements.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
(Expressed in Trinidad and Tobago Dollars)  
(Continued)

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

**2.16 Changes in accounting policies (continued)**

**Annual Improvements to IFRSs 2010-2012 Cycle - Published December 2013 - effective for annual periods beginning on or after 1 July 2014**

Certain limited amendments, which primarily consist of clarifications to existing guidance, were made to the following standards:

- IFRS 2, 'Share-based Payment'
- IFRS 3, 'Business Combinations'
- IFRS 8, 'Operating Segments'
- IFRS 13, 'Fair Value Measurement'
- IAS 16, 'Property, Plant and Equipment'
- IAS 24, 'Related Party Disclosures'
- IAS 38, 'Intangible Assets'

These improvements did not have an impact to the Company's financial statements

**2.17 Standards issued but not yet effective**

The following is a list of standards and interpretations issued that are not yet effective up to the date of issuance of the Company's financial statements. The Company reasonably expects these standards and interpretations to be applicable at a future date and intends to adopt those standards and interpretations when they become effective.

The Company is currently assessing the impact of adopting these standards and interpretations since the impact of adoption depends on the assets held by the Company at the date of adoption. It is not practical to quantify the effect at this time.

**IFRS 9 Financial Instruments: Classification and Measurement - Effective for annual periods beginning on or after 1 January 2018**

*Classification and measurement of financial assets*

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL). Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
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(Continued)

2. Summary of significant accounting policies (continued)

2.17 Standards issued but not yet effective (continued)

**IFRS 9 Financial Instruments: Classification and Measurement - Effective for annual periods beginning on or after 1 January 2018 (continued)**

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

*Classification and measurement of financial liabilities*

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

*Impairment*

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases.

The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

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2. Summary of significant accounting policies (continued)

2.17 Standards issued but not yet effective (continued)

**IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28. Effective for annual periods beginning on or after 1 January 2016**

The amendments to IFRS 10 clarify that the exemption (in IFRS 10.4) from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not applicable to the Company.

**IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint venture - Amendments to IFRS 10 and IAS 28. Effective for annual periods beginning on or after 1 January 2016**

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3 Business Combinations, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The Company is not involved in a joint venture, as such; these amendments do not have any impact on the Company's financial position or performance.

**IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11. Effective for annual periods beginning on or after 1 January 2016**

The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share all of the principles of IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11.

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

**2.17 Standards issued but not yet effective (continued)**

**IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11. Effective for annual periods beginning on or after 1 January 2016 (continued)**

The amendments increase the scope of transactions that would need to be assessed to determine whether they represent the acquisition of a business or an asset, which would be highly judgemental. The Company is not involved in a joint operation, as such; these amendments do not have any impact on the Company's financial position or performance.

**IFRS 14 Regulatory Deferral Accounts. Effective for annual periods beginning on or after 1 January 2016**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Company is an existing IFRS preparer, this standard would not apply.

**IFRS 15 Revenue from Contracts with Customers. Effective for annual periods beginning on or after 1 January 2017**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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

**2.17 Standards issued but not yet effective (continued)**

**IAS 1 Disclosure Initiative - Amendments to IAS 1. Effective for annual periods beginning on or after 1 January 2016**

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

The Company is currently assessing the impact of IAS 1 and plans to adopt the new standard on the required effective date.

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation Effective for annual periods beginning on or after 1 January 2016**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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

**2.17 Standards issued but not yet effective (continued)**

**IAS 16 and IAS 41 Agriculture: Bearer Plants - Amendments to IAS 16 and IAS 41.  
Effective for annual periods beginning on or after 1 January 2016**

The amendments to IAS 16 and IAS 41 Agriculture change the scope of IAS 16 to include biological assets that meet the definition of bearer plants (e.g., fruit trees). Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. As a result of the amendments, bearer plants will be subject to all the recognition and measurement requirements in IAS 16 including the choice between the cost model and revaluation model for subsequent measurement. In addition, government grants relating to bearer plants will be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of IAS 41. The Company is not involved in agriculture; therefore these amendments are not applicable.

**IAS 27 Equity Method in Separate Financial Statements - Amendments to IAS 27.  
Effective for annual periods beginning on or after 1 January 2016**

The amendments to IAS 27 Separate Financial Statements allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either at cost, in accordance with IFRS 9 (IAS 39) or using the equity method. The entity must apply the same accounting for each category of investments. These amendments do not have any impact on the Company's financial position or performance.

**Annual improvements 2012-2014 Cycle**

These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Company. They include:

- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

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**3. Financial risk management policies and objectives**

**3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potentially adverse effects on the Company's financial performance while maintaining the liquidity needs of the Company.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

**(a) Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, commodity price risk and interest rate risk. Financial instruments affected by market risk include trade and other receivables, amounts due from/to related parties, trade and other payables and accruals.

*(i) Foreign exchange risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company's exposure to foreign exchange risk arises primarily from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. The Company believes that this risk has no material impact to the financial performance or position of the Company as most of the transactions are denominated in US dollars.

*(ii) Commodity price risk*

The Company manufactures and sells ammonia and is therefore exposed to the volatility of ammonia prices as it is traded on the international market.



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

**3.1 Financial risk factors (continued)**

**(a) Market risk (continued)**

*(iii) Interest rate risk*

The interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company does not have a significant exposure to the risk of changes in market interest rates.

**(b) Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Company's credit risk arises from trade receivables and cash and cash equivalents.

The majority the Company's sales are made to a related party. The related party settles its obligation to the Company on a timely basis. At year end, the Company's trade receivables are current.

Cash and cash equivalents are placed with reputable financial institutions. Credit risk from balances with banks and financial institutions is managed in accordance with the Company's investment policy. Investment of surplus funds is made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on a semi-annual basis. The limits are set to minimise the concentrations of risks and therefore mitigate the financial loss through potential counterparty's failure.

The maximum exposure on these financial instruments is equivalent to their carrying amounts at year end.

**(c) Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and short term investment and/or the availability of funding from an adequate amount of credit facilities in order to meet operational needs.

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(Continued)

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

**3.2 Capital risk management**

Capital includes equity attributable to the owners of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

**4. Significant accounting estimates, judgements and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. These estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The accounting policies applied by the Company in which judgements, estimates and assumptions may significantly differ from actual results are discussed below:

**(a) Income taxes**

Some judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

**(b) Site restoration and other environmental expenditure**

The Company's future cost for environmental cleanup depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. Such future costs are not determinable due to the unknown timing and extent of corrective actions that may be required. The company's operations are subject to environmental laws and regulations. These laws and regulations are subject to change, and such changes may require that the Company makes investments and/or incur costs to meet more stringent emissions standards or to take remedial actions.

No provision is made in the financial statements for these costs, due to the factors stated above and management's view that no present legal or constructive obligation exists with regard to such liabilities.

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**4. Significant accounting estimates, judgements and assumptions (continued)**

**(c) Provision for spares inventory obsolescence (continued)**

Some judgement is required in determining the Company's provision for obsolescence on its spares inventories. A combination of factors are considered such as the ageing and movement of the underlying inventories, the results of technical reviews conducted by in-house personnel, the expected replacement of items based on planned maintenance programmes and industry/market conditions.

**(d) Employee benefits**

The cost of the defined benefit pension plan and post retirement healthcare benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at the end of each reporting period.

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5.	Property, plant and equipment	Land and buildings \$'000	Plant and machinery \$'000	Catalysts \$'000	Turnaround costs \$'000	Projects under construction \$'000	Total \$'000
	<b>Net book value</b>						
	At 1 January 2015	8,101	852,300	63,319	203,933	68,284	1,195,937
	Exchange loss on translation of opening balances	84	8,841	657	2,115	708	12,405
	Additions	—	5,981	—	—	29,457	35,438
	Adjustments	(45)	(13,483)	(658)	(7,706)	—	(21,892)
	Transfers	—	19,457	—	—	(19,457)	—
	Cost of disposed assets	(537)	(2,013)	—	—	—	(2,550)
	Depreciation	(933)	(104,379)	(14,678)	(56,947)	—	(176,937)
	Accumulated depreciation of disposed assets	537	1,802	—	—	—	2,339
	At 31 December 2015	<u>7,207</u>	<u>768,506</u>	<u>48,640</u>	<u>141,395</u>	<u>78,992</u>	<u>1,044,740</u>
	<b>At 31 December 2015</b>						
	Cost	76,027	3,139,677	86,411	228,982	78,992	3,610,089
	Accumulated depreciation	(68,820)	(2,371,171)	(37,771)	(87,587)	—	(2,565,349)
	Net book value	<u>7,207</u>	<u>768,506</u>	<u>48,640</u>	<u>141,395</u>	<u>78,992</u>	<u>1,044,740</u>
	<b>Net book value</b>						
	At 1 January 2014	3,460	283,215	48,782	86,364	236,847	658,668
	Exchange loss on translation of opening balances	(46)	(3,811)	(654)	(1,158)	(3,188)	(8,857)
	Additions	4,503	423,425	29,054	146,256	40,444	643,682
	Transfers	955	203,586	—	1,278	(205,819)	—
	Cost of disposed assets	(304)	(42,519)	(8,481)	(44,763)	—	(96,067)
	Depreciation	(771)	(53,950)	(12,440)	(28,067)	—	(95,228)
	Accumulated depreciation of disposed assets	304	42,354	7,058	44,023	—	93,739
	At 31 December 2014	<u>8,101</u>	<u>852,300</u>	<u>63,319</u>	<u>203,933</u>	<u>68,284</u>	<u>1,195,937</u>
	<b>At 31 December 2014</b>						
	Cost	75,822	3,097,598	86,181	234,258	68,284	3,562,143
	Accumulated depreciation	(67,721)	(2,245,298)	(22,862)	(30,325)	—	(2,366,206)
	Net book value	<u>8,101</u>	<u>852,300</u>	<u>63,319</u>	<u>203,933</u>	<u>68,284</u>	<u>1,195,937</u>

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**6. Employee benefits**

As discussed in Note 2.10, the Company accounts for its share of the assets, liabilities, benefits and expenses of the Hydro Agri Trinidad Ltd. Pension Plan and Yara Trinidad Ltd. Post Retirement Healthcare Plan. The Company's involvement in these plans is described in Note 6a and the results of the entire plans are shown in Note 6b. This arrangement is considered a related party transaction.

An independent actuarial valuation of this plan as at 31 December 2014 revealed an ongoing deficit of \$55.2 million in respect of the Company and Yara Trinidad Ltd. at the valuation date. It was recommended that the employer's contributions be at the rate of 20% until the next valuation date.

**(a) Pension plan/post retirement healthcare plan**

	2015		2014	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
<b>Amounts recognised in the statement of financial position</b>				
Present value of defined benefit obligation	477,881	–	503,579	–
Fair value of plan assets	(339,326)	–	(318,036)	–
Present value of unfunded obligation	–	<u>47,592</u>	–	<u>24,685</u>
<b>Benefit liability in the statement of financial position</b>	<u>138,555</u>	<u>47,592</u>	<u>185,543</u>	<u>24,685</u>

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6. Employee benefits (continued)

(a) Pension plan/post retirement healthcare plan (continued)

	2015		2014	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
<b>Movement in the present value of the defined benefit obligation during the year</b>				
Defined benefit obligation at 1 January	503,579	24,685	486,326	24,567
Interest cost	20,276	978	19,573	976
Current service cost – employer	9,059	1,014	8,581	520
Current service cost – employee	3,328	–	3,291	–
Benefit payments	(18,127)	(1,486)	(17,768)	(811)
Actuarial losses/(gains) on obligation:				
- financial assumption changes	(52,727)	–	–	–
- demographic assumption changes	–	–	–	–
- obligation experience	12,493	22,401	3,576	(567)
<b>Defined benefit obligation at 31 December</b>	<u>477,881</u>	<u>47,592</u>	<u>503,579</u>	<u>24,685</u>
<b>Movements in the fair value of plan assets during the year</b>				
Fair value of plan assets at 1 January	318,036	–	301,122	–
Expected return on plan assets	12,855	–	12,183	–
Actuarial (losses)/gains on assets	1,577	–	(2,164)	–
Employer contributions	21,474	–	21,372	–
Employee contributions	3,328	–	3,291	–
Benefit payments	(17,944)	–	(17,768)	–
<b>Fair value of plan assets at 31 December</b>	<u>339,326</u>	<u>–</u>	<u>318,036</u>	<u>–</u>

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(Continued)

6. Employee benefits (continued)

(a) Pension plan/post retirement healthcare plan (continued)

	2015		2014	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
<b>Amounts recognised in the income statement</b>				
Current service cost	9,059	1,014	8,581	520
Interest cost on benefit obligation (Note 15)	<u>7,421</u>	<u>978</u>	<u>7,390</u>	<u>976</u>
<b>Net benefit expense</b>	<u>16,480</u>	<u>1,992</u>	<u>15,971</u>	<u>1,496</u>
Actual return on plan assets	<u>14,432</u>	<u>—</u>	<u>10,019</u>	<u>—</u>

Of the total benefit expense charged to the income statement of \$18,472,000 (2014: \$17,467,000), \$10,072,000 (2014: \$9,101,000) was charged to cost of goods sold, \$8,399,000 (2014: \$8,366,000) was included in net finance cost (Note 15).

As mentioned in Note 2.10, actuarial gains or losses are recognized in full in the period in which they occur through the statement of other comprehensive income. They are recognized immediately in retained earnings as they are not permitted to be reclassified to profit or loss in a subsequent period. The cumulative actuarial losses recognized in retained earnings as at 31 December 2015 amounted to \$123,484,000 (2014: \$136,010,000).

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6. Employee benefits (continued)

(a) Pension plan/post retirement healthcare plan (continued)

The principal actuarial assumptions used in determining the pension and post retirement healthcare benefit obligations for the Company's plans were:

	2015	2014
Discount rate – pension plan	4.90%	4.00%
Future salary increases	6.00%	5.50%
Discount rate – post retirement healthcare plan	4.90%	4.00%
Healthcare cost increases	4.90%	4.00%

The major categories of plan assets, as a percentage of the fair value of the total plan assets are as follows:

	2015		2014	
	\$'000	%	\$'000	%
Bank deposits	35,426	10	36,379	11
Equity instruments	98,277	29	91,940	29
Debt instruments	199,239	59	166,281	52
Other assets	<u>6,384</u>	<u>2</u>	<u>23,436</u>	<u>8</u>
	<u>339,326</u>	<u>100</u>	<u>318,036</u>	<u>100</u>

The plan assets do not include any of the Company's financial instruments, nor any property controlled, or other assets used by the Company.

The overall expected rate of return on the plan assets is determined based on the market expectations prevailing, applicable to the period over which the obligation is to be settled. This is reflected on the assumptions above.



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6. Employee benefits (continued)

(a) Pension plan/post retirement healthcare plan (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 is as shown below:

Assumptions	Sensitivity Level	Impact on	
		Pension plan \$'000	Post retirement healthcare plan \$'000
Discount rate	+0.5%/-0.5%	(35,409)/25,816	(3,741)/4,250
Future salary rate	+0.5%/-0.5%	2,952/(15,742)	—
Healthcare costs	+1%/-1%	—	9,280/(7,305)
Pension rate	+0.5%/-0.5%	14,098/-	—

The best estimate of expected pension plan contributions and post retirement healthcare premiums to be paid by the Company for the period 1 January 2016 to 31 December 2016 amounts to approximately \$23,683,000 and \$1,634,000, respectively.

Experience history for the current and previous four annual periods are as follows:

	Pension plan				
	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Defined benefit obligation	477,881	503,579	486,326	421,678	320,655
Plan assets	(339,326)	(318,036)	(301,122)	(265,188)	(246,349)
Deficit	138,555	185,543	185,204	156,490	74,306
Experience adjustments - (gains)/losses:					
- Plan liabilities	12,493	3,576	18,847	11,695	16,796
- Plan assets	1,577	(2,164)	(14,264)	(1,085)	2,492

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6. Employee benefits (continued)

(a) Pension plan/post retirement healthcare plan (continued)

	Post retirement healthcare plan				
	2015	2014	2013	2012	2011
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation	47,592	24,685	24,567	23,491	23,586
Experience adjustments on plan liabilities – loss/(gain)	22,477	(567)	258	(1,213)	(869)

(b) Pension plan/post retirement healthcare plan-combined plan

	2015		2014	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
<b>Amounts recognised in the statement of financial position</b>				
Present value of defined benefit obligation	753,167	–	792,148	–
Fair value of plan assets	(534,508)	–	(500,283)	–
Present value of unfunded obligation	–	75,816	–	39,490
<b>Benefit liability in the statement of financial position</b>	<u>218,659</u>	<u>75,816</u>	<u>291,865</u>	<u>39,490</u>

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(Continued)

6. Employee benefits (continued)

(b) Pension plan/post retirement healthcare plan-combined plan (continued)

	2015		2014	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
<b>Movement in the present value defined benefit obligation during the year</b>				
Defined benefit obligation at				
1 January	792,148	39,490	769,538	39,631
Interest cost	31,895	1,563	30,990	1,574
Current service cost – employer	14,028	1,593	14,004	802
Current service cost – employee	5,267	–	5,159	–
Benefit payments	(28,117)	(2,421)	(27,903)	(1,341)
Actuarial loss/(gain) on obligation:				
- financial assumption changes	(82,472)	–	–	–
- obligation experience	<u>20,418</u>	<u>35,591</u>	<u>360</u>	<u>(1,176)</u>
<b>Defined benefit obligation at 31 December</b>	<u>753,167</u>	<u>75,816</u>	<u>792,148</u>	<u>39,490</u>
<b>Movements in the fair value of plan assets during the year</b>				
Fair value of plan assets				
at 1 January	500,283	–	476,577	–
Expected return on plan assets	20,234	–	19,278	–
Actuarial gain on assets	2,856	–	(6,328)	–
Employer contributions	33,985	–	33,501	–
Employee contributions	5,267	–	5,159	–
Benefit payments	<u>(28,117)</u>	<u>–</u>	<u>(27,904)</u>	<u>–</u>
<b>Fair value of plan assets at 31 December</b>	<u>534,508</u>	<u>–</u>	<u>500,283</u>	<u>–</u>

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015

(Expressed in Trinidad and Tobago Dollars)

(Continued)

6. Employee benefits (continued)

(b) Pension plan/post retirement healthcare plan-combined plan (continued)

	2015		2014	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
<b>Amounts recognised in the income statement</b>				
Current service cost	14,028	1,593	14,004	802
Net interest cost on benefit obligation	<u>11,661</u>	<u>1,563</u>	<u>11,712</u>	<u>1,574</u>
<b>Net benefit expense</b>	<u>25,689</u>	<u>3,156</u>	<u>25,716</u>	<u>2,376</u>
<b>Actual return on plan assets</b>	<u>23,090</u>	<u>—</u>	<u>12,950</u>	<u>—</u>

The major categories of plan assets, as a percentage of the fair value of the total plan assets are as follows:

	2015		2014	
	\$'000	%	\$'000	%
Bank deposits	55,833	10	57,226	11
Equity instruments	154,889	29	144,625	29
Debt instruments	314,012	59	261,566	52
Other assets	<u>9,774</u>	<u>2</u>	<u>36,866</u>	<u>8</u>
	<u>534,508</u>	<u>100</u>	<u>500,283</u>	<u>100</u>

The plan assets do not include any of the financial instruments of the Company and Yara Trinidad Ltd., nor any property controlled, or other assets used by the Company and Yara Trinidad Ltd.

The overall expected rate of return on the plan assets is determined based on the market expectations prevailing, applicable to the period over which the obligation is to be settled. This is reflected on the assumptions above.

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NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Trinidad and Tobago Dollars)

(Continued)

6. Employee benefits (continued)

(b) Pension plan/post retirement healthcare plan-combined plan (continued)

The effects of a 1% change in the assumed rate of increase in healthcare cost in the post retirement healthcare plan are as follows:

Assumptions	Sensitivity level	Impact on	
		Pension plan US'000	Post retirement healthcare plan US'000
Discount rate	+0.5%/-0.5%	(51,695)/44,281	(5,696)/6,696
Future salary rate	+0.5%/-0.5%	8,418/(20,893)	-
Healthcare costs increases	+1%/-1%	-	14,625/(11,522)
Pension rate	+0.5%/-0.5%	25,836/-	-

The best estimate of expected pension plan contributions and post retirement healthcare premiums to be paid by the Company and Yara Trinidad Ltd. for the period 1 January 2016 to 31 December 2016 amount to approximately \$36,559,000 and \$2,663,000, respectively.

Experience history for the current and previous four annual periods are as follows:

	Pension plan				
	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Defined benefit obligation	753,167	792,148	769,538	665,436	504,907
Plan assets	(534,508)	(500,283)	(476,577)	(418,523)	(387,946)
Deficit	218,659	291,865	292,961	246,913	116,961
Experience adjustments - losses/(gains)					
- Plan liabilities	20,418	360	31,782	20,430	25,997
- Plan assets	2,856	(6,328)	(24,098)	(3,352)	3,584

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NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Trinidad and Tobago Dollars)

(Continued)

6. Employee benefits (continued)

(b) Pension plan/post retirement healthcare plan-combined plan (continued)

	Post retirement healthcare plan				
	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000
Defined benefit obligation	75,816	39,490	39,631	37,747	37,037
Experience adjustments on plan liabilities – loss/(gain)	35,591	(1,176)	604	(1,043)	(1,669)
<b>7. Inventories</b>			<b>2015 \$'000</b>	<b>2014 \$'000</b>	
Finished products			83,394	23,611	
Spare parts and supplies			150,482	130,117	
Less: provision for obsolescence on spare parts			<u>(22,179)</u>	<u>(21,952)</u>	
			<u>211,697</u>	<u>131,776</u>	

8. Related party disclosures

Transactions with related parties are conducted at terms equivalent to those that prevail in arm's length transactions.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the Company has not recorded any impairment of receivables relating to amounts owed by related parties nor has a provision been established (2014: nil).

(a) Transactions with entities under Yara International ASA

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
Yara Switzerland Ltd. (Note 1)*				
2015	2,034,003	84,200	58,080	2,596
2014	2,225,176	94,754	90,022	3,792

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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(Expressed in Trinidad and Tobago Dollars)

(Continued)

8. Related party disclosures (continued)

(a) Transactions with entities under Yara International ASA (continued)

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
Yara Trinidad Ltd. (Note 2)				
2015	—	184,321	1,627	24,042
2014	—	169,236	4,369	35,011
Yara International ASA (Note 3)				
2015	—	4,844	—	143,139
2014	—	9,163	—	266,458
Yara Belgium SA				
2015	—	7,841	—	2,079
2014	—	10,779	—	20,556
Yara Belle Plaine				
2015	—	506	—	269
2014	—	3,243	—	363
Other				
2015	—	16,244	430	20
2014	—	18,538	426	237
<b>Total</b>				
2015	<u>2,034,003</u>	<u>297,956</u>	<u>60,137</u>	<u>172,145</u>
2014	<u>2,225,176</u>	<u>305,713</u>	<u>94,817</u>	<u>326,417</u>

\* Represents transactions of a trade nature.

*Note 1*

The amounts due from this related party are due one month after the invoice date and are unsecured, interest free and settlement occurs in cash. The direct selling costs are not offset against revenue because the transactions are treated separate and distinct and the amounts are not offset upon settlement.

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

8. Related party disclosures (continued)

(a) Transactions with entities under Yara International ASA (continued)

*Note 2*

Amounts due to Yara Trinidad Ltd., mainly arose from reimbursable costs paid by Yara Trinidad Ltd. on behalf of the Company and for services provided by Yara Trinidad Ltd.'s employees. Amounts due from Yara Trinidad Ltd. arose from reimbursable costs paid by the Company on behalf of Yara Trinidad Ltd.

*Note 3*

The amount due from a related party represents funds in a treasury system operated by the related company.

The Company has a US\$50,000,000 overdraft facility with a related party that expires on 31 March 2016. It attracts interest at a rate linked to three (3) months US\$ libor. During the year, the Company drew down on the facility. As at 31 December 2015, the Company's liability related to the overdraft facility amounted to \$139,853,000 (2014: \$266,411,000).

(b) Transaction with government-owned entities

The National Enterprises Limited (NEL), the majority shareholder of the Company, is owned by the Government of the Republic of Trinidad and Tobago and as such, NEL, and its related subsidiaries, are related to other government-owned entities. The Company has entered into agreements with various agencies of the Government for the supply of natural gas, electricity and water.

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
The National Gas Company of Trinidad and Tobago *				
2015	–	1,128,539	–	187,981
2014	–	1,199,160	–	150,498
The Water and Sewerage Authority*				
2015	–	38,053	–	4,367
2014	–	37,933	–	3,675
Trinidad and Tobago Electricity Commission *				
2015	–	11,420	–	860
2014	–	10,645	–	479



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(Continued)

8. Related party disclosures (continued)

(b) Transaction with government-owned entities (continued)

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
<b>Total</b>				
2015	—	<u>1,178,012</u>	—	<u>193,208</u>
2014	—	<u>1,247,738</u>	—	<u>154,652</u>

\* Represents transactions of a trade nature.

(c) Transactions with owners

There were no transactions with the shareholders of the Company except for the declaration and payment of dividends as follows:

	2015 \$'000	2014 \$'000
Dividends payable to shareholders at 1 January	—	94,234
Exchange difference on beginning balance	—	(1,267)
Dividend proposed and approved:		
In respect of prior year	223,647	126,486
In respect of current year	<u>95,848</u>	<u>63,243</u>
Total dividend declared	319,495	282,696
Dividend paid to shareholders during the year	<u>(319,495)</u>	<u>(282,696)</u>
Dividends payable to shareholders at 31 December	<u>—</u>	<u>—</u>

(d) Key management compensation

Short-term employee benefits	10,781	7,949
Post-employment benefits	<u>1,604</u>	<u>1,145</u>
	<u>12,385</u>	<u>9,094</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

9. **Financial instruments**

(a) **Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets</b>		
Amounts due from related companies		
Trade	58,080	89,733
Other	2,057	5,084
Cash and cash equivalents	<u>3,569</u>	<u>31,298</u>
<b>Total</b>	<b><u>63,706</u></b>	<b><u>126,115</u></b>
<b>Financial liabilities</b>		
Trade payable	26,853	67,253
Short term loan	159,748	-
Accrued liabilities	8,938	152,254
Amounts due to related parties		
Trade	195,804	158,444
Other	<u>169,549</u>	<u>322,625</u>
<b>Total</b>	<b><u>560,892</u></b>	<b><u>700,576</u></b>

(b) **Fair values of financial instruments**

The carrying amounts of the above financial instruments approximate their fair values due to the short-term nature of these instruments.

TRINIDAD NITROGEN CO. LIMITED

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9. **Financial instruments** (continued)

(c) **Credit quality of financial assets**

**Trade and other receivables**

Trade receivables comprise of amounts due from related parties – trade and other trade receivables.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2015, other trade receivables amounting to \$722,000 was past due but not impaired. There has been no history of default from related parties.

The aging analysis of trade receivables is as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Up to 3 months	<u>57,788</u>	<u>89,733</u>

The aging analysis of other receivables is as follows:

Up to 3 months	1,627	5,084
Over three months	<u>722</u>	<u>—</u>
	<u>2,349</u>	<u>5,084</u>

The other receivables are due from related parties Yara Trinidad Limited and other Yara companies (Note 8). There has been no history of default.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash and cash equivalents</b>		
Group 1	1,152	1,136
Group 2	<u>2,417</u>	<u>30,162</u>
Total	<u>3,569</u>	<u>31,298</u>

Group 1 – Trinidad and Tobago based banking institutions. There has been no history of default.

Group 2 – Regional and international banking institutions. There has been no history of default.

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

9. **Financial instruments** (continued)

(d) **Short term loan**

In April 2015, the Company issued a one year US\$25,000,000 (TT\$159,747,500) commercial paper facility which attracts interest at a rate linked to three (3) months US\$ libor.

	2015 \$'000	2014 \$'000
10. <b>Cash and cash equivalents</b>		
Cash on hand and at banks	<u>3,569</u>	<u>31,298</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates.

11. **Share capital and translation difference reserve**

**Share capital** **\$'000**

The authorised, issued and fully paid capital of the Company consists of:

Class "A" shares –no par value held by National Enterprises Limited

At 1 January 2015	306,000 shares	79,636
At 31 December 2015	306,000 shares	79,636

Class "B" shares –no par value held by Yara Caribbean (2002) Ltd.

At 1 January 2015	294,000 shares	76,514
At 31 December 2015	294,000 shares	76,514

**Total**

At 1 January 2015		<u>156,150</u>
At 31 December 2015		<u>156,150</u>

**Translation difference reserve**

This reserve is used to record exchange differences arising from the translation of the functional currency (US\$) financial statements to the presentation currency. (Refer to Note 2.2 a).

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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12. Taxation

(a) Deferred tax

	At 1 January 2015 \$'000	Recognized in other comprehensive income \$'000	(Charge)/ credit to income statement \$'000	At 31 December 2015 \$'000
<b>Deferred tax asset</b>				
Pension liability	64,938	(14,634)	(1,877)	48,427
Provision for vacation	3,327	—	200	3,527
Provision for inventory obsolescence	6,185	—	(12)	6,173
Accrued severance	58	—	1	59
Post retirement healthcare plan	<u>8,634</u>	<u>7,840</u>	<u>302</u>	<u>16,776</u>
	<u>83,142</u>	<u>(6,794)</u>	<u>(1,386)</u>	<u>74,962</u>
<b>Deferred tax liability</b>				
Accelerated tax depreciation	<u>(160,325)</u>	<u>—</u>	<u>(7,727)</u>	<u>(168,052)</u>
Total charge to the income statement	<u>—</u>	<u>—</u>	<u>(9,113)</u>	<u>—</u>

(b) Details of income tax expense are as follows:

	2015 \$'000	2014 \$'000
Current tax charge	150,416	89,736
Deferred tax charge	<u>9,113</u>	<u>91,777</u>
Income tax expense	<u>159,529</u>	<u>181,513</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

	2015 \$'000	2014 \$'000
<b>12. Taxation (continued)</b>		
<b>(c) The effective tax rate varies from the statutory rate as a result of the differences shown below:</b>		
Profit before tax	<u>433,254</u>	<u>488,639</u>
Corporation tax at statutory rate @ 35%	151,639	171,024
Green fund levy	2,076	2,347
Effect of disallowable expenses and tax allowances	182	1,043
Prior year under provision	14,514	157
Other differences	<u>(8,888)</u>	<u>6,942</u>
Income tax expense	<u>159,529</u>	<u>181,513</u>
<b>13. Cost of products sold and operating expenses</b>		
Changes in inventory of finished goods	(58,619)	76,584
Raw materials and consumables used	1,148,145	1,257,240
Repairs and maintenance	52,780	34,753
Labour expenses (excluding storage and shipping and president's office expenses)	125,185	108,776
Depreciation	176,937	95,228
Insurance costs	17,811	20,039
Other operating expenses	<u>30,108</u>	<u>32,352</u>
Cost of sales - ammonia	1,492,347	1,624,972
Storage and shipping expenses	8,617	13,019
President's office expenses	<u>3,957</u>	<u>4,133</u>
Total production costs and operating expenses	<u>1,504,921</u>	<u>1,642,124</u>
<b>14. Finance income</b>		
Interest income	<u>77</u>	<u>68</u>
Total finance income	<u>77</u>	<u>68</u>

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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15. Finance cost	2015 \$'000	2014 \$'000
Net interest cost – pension plan (Note 6a)	7,421	7,390
Net interest cost – post retirement healthcare plan (Note 6a)	<u>978</u>	<u>976</u>
Net interest cost – employee benefit plans	8,399	8,366
Loss on disposals/retirements of PPE	211	2,341
Other	<u>5,798</u>	<u>3,878</u>
Total finance cost	<u>14,408</u>	<u>14,585</u>

16. Commitments and contingencies

(a) Purchasing commitments

The Company has purchase commitments for electricity, water, nitrogen and natural gas, in accordance with contractual obligations, for varying periods ranging up to 15 years.

(b) Capital commitments

Amounts committed relating to projects under construction at 31 December 2015 was approximately \$60,161,000 (2014: \$48,672,000).

(c) Contingent liabilities

(i) Under the terms of the supply contract with the National Gas Company (NGC) of Trinidad and Tobago Limited, there are certain minimum purchase obligations for natural gas. If these quantities are not taken, the Company is obligated to pay NGC for the undrawn quantities at specified prices, which can be utilised in subsequent periods. At the end of the reporting period, there are no circumstances which indicate that minimum quantities will not be consumed in 2016.

(ii) The Board of Inland Revenue has conducted audits in respect of fiscal years 2006, 2007, 2008 and 2009 and has raised additional assessments for corporation tax totalling \$7.2 million and withholding tax totalling \$81.1 million. The Company has filed notices of appeal with the Tax Appeal Board for 2006, 2007 and 2008. The 2009 tax assessments are under objection. Until the matters are determined, the assessments raised are not considered final. No material unrecorded additional liabilities are expected to crystallise.

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