TRINIDAD NITROGEN CO. LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020
(Expressed in United States Dollars)

Ernst & Young Services Limited

Building a better
working world

TRINIDAD NITROGEN CO. LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

TRINIDAD NITROGEN CO. LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trinidad Nitrogen Co. Limited. ("the Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of (loss)/ income, statement of comprehensive (loss)/ income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Material uncertainty relating to Going Concern

We draw attention to note 17 in the financial statements, which indicates that during the 2020 financial year and as at 31 December 2020, the Company was able to secure continuous short-term contracts with The National Gas Company of Trinidad and Tobago Limited ("NGC") for the supply of natural gas. The Company was able to obtain short-term contracts for a one (1) month period ending 1 February 2021 and a subsequent three (3) month period ending 1 May 2021. Accordingly, as at 31 December 2020, the Company has not secured an executed gas supply contract for a period which exceeded at least one year from the Company's year-end.

As discussed in note 17, the Company is currently in negotiations with the NGC, the sole downstream supplier of natural gas in Trinidad and Tobago, to secure a long-term gas supply contract. The Company's operations are heavily dependent on the supply of natural gas. As further explained in this note, these circumstances indicate a material uncertainty exists that may cast significant doubt on the ability of the Company to continue as a going concern. Our opinion is not qualified in relation to this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD NITROGEN CO. LIMITED

Report on the Audit of the Financial Statements
(Continued)

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDERS OF TRINIDAD NITROGEN CO. LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

Port of Spain
TRINIDAD:
7 April 2021

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
(Expressed in United States Dollars)

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	146,229	156,991
Pension asset	6 (a)	83	51
Deferred tax asset	13 (a)	17,643	9,926
		163,955	166,968
Current assets			
Inventories	7	27,197	26,063
Prepayments and other receivables	8	8,225	7,144
Amounts due from related companies	9 (a)		
Trade		–	12,500
Other		13,770	13,567
Income tax recoverable		17,887	18,021
Cash and cash equivalents	11	178	187
		67,257	77,482
Total assets		231,212	244,450

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
(Expressed in United States Dollars)
(Continued)

	Notes	2020 $'000	2019 $'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	25,000	25,000
Retained earnings		67,148	87,742
		92,148	112,742
Non-current liabilities			
Pension liability	6 (a)	14,708	15,658
Post retirement healthcare liability	6 (a)	7,176	7,159
Long term loan	10 (a) & (d)	15,226	16,573
Deferred tax liability	13 (a)	21,707	24,417
		58,817	63,807
Current liabilities			
Trade and other payables	10 (a)	12,739	14,281
Short term loan	10 (a) & (d)	46,556	33,166
Amounts due to related companies			
Trade	9 (b)	16,724	16,179
Other	9 (a)	4,228	4,275
		80,247	67,901
Total liabilities		139,064	131,708
Total equity and liabilities		231,212	244,450

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

On 7 April 2021, the Company's Board of Directors authorised these financial statements for issue.

Director ____________ Director ____________

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF (LOSS)/INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in United States Dollars)

	Notes	2020 $'000	2019 $'000
Revenue from contracts with customers	9 (a)	163,456	168,359
Direct selling costs		(6,878)	(7,053)
Net sales revenue		156,578	161,306
Cost of products sold and operating expenses	14	(184,520)	(154,290)
Operating (loss)/profit		(27,942)	7,016
Finance cost -net	15	(2,209)	(2,644)
(Loss)/profit before tax		(30,151)	4,372
Income tax credit/(expense)	13 (b) & (c)	9,388	(1,759)
(Loss)/profit for the year		(20,763)	2,613

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF COMPREHENSIVE (LOSS)/INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in United States Dollars)

	Notes	2020 $'000	2019 $'000
(Loss)/profit for the year		(20,763)	2,613
Other comprehensive income			
Items that will not be re-classified subsequently to profit or loss			
Remeasurement gains on retirement benefits	6 (a)	259	2,919
Income tax effect	13 (a)	(90)	(1,022)
Other comprehensive income for the year, net of tax		169	1,897
Total comprehensive (loss)/income for the year, net of tax		(20,594)	4,510

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 2020
(Expressed in United States Dollars)

	Notes	Share capital $'000	Retained earnings $'000	Total $'000
At 1 January 2019		25,000	85,232	110,232
Profit for the year		–	2,613	2,613
Other comprehensive income for the year		–	1,897	1,897
Total comprehensive income for the year		–	4,510	4,510
Dividends ($3.33 per share)	9 (c)	–	(2,000)	(2,000)
At 31 December 2019		25,000	87,742	112,742
At 1 January 2020		25,000	87,742	112,742
Loss for the year		–	(20,763)	(20,763)
Other comprehensive income for the year		–	169	169
At 31 December 2020		25,000	67,148	92,148

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 2020
(Expressed in United States Dollars)

	Notes	2020 $'000	2019 $'000
Operating activities			
(Loss)/profit before tax		(30,151)	4,372
Non-cash adjustments to reconcile (loss)/profit before tax to net cash flows:			
Depreciation	5	26,460	27,839
Loss on disposal of property, plant and equipment	5	3	885
Movement in the pension and post retirement liabilities		(706)	(601)
		(4,394)	32,495
Net changes in operating assets and liabilities:			
Increase in inventory		(1,134)	(1,098)
(Increase)/decrease in trade receivables and prepayments		(1,081)	14,061
Decrease in amounts due from related companies		12,297	1,866
(Decrease)/increase in trade and other payables		(1,542)	3,984
Increase/(decrease) in amounts due to related companies		498	(786)
Net cash flows generated from operations		4,644	50,522
Net income tax (paid)/refund		(994)	3,547
Net cash flows generated from operating activities		3,650	54,069
Investing activity			
Purchase of property, plant and equipment	5	(15,701)	(23,964)
Net cash flows used in investing activity		(15,701)	(23,964)
Financing activities			
Dividend paid		–	(6,000)
Proceeds/(payments) from short term loan		12,042	(25,031)
Net cash flows generated from/(used in) from financing activities		12,042	(31,031)
Decrease in cash and cash equivalents		(9)	(926)
Cash and cash equivalents at 1 January		187	1,113
Cash and cash equivalents at 31 December	11	178	187

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

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%), both of 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 expired on 31 December 2018 and renewed for a further five (5) year period beginning on 1 January 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 $24,792,000 in 2020 (2019: $21,149,000) (Note 9 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.

2. Summary of significant accounting policies (continued)

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.

2.2 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement 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 financial statements are presented in United States dollars, which is also the functional currency of the Company and 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 statement of income.

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 statement of (loss)/income 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 costs of the assets over their useful lives.

Turnaround costs comprise costs incurred on planned major maintenance projects. These are currently performed every five 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 statement of (loss)/ income in the year the asset is derecognized.

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 additions to PUC for the year amounted to $12,333,000 (2019: $15,622,000) (Note 5).

2.4 Inventories

i) 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.

ii) 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.

iii) 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.

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 recognised in the statement of (loss)/income. When an account receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the statement of (loss)/income.

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 been 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.

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 is 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 recognized directly 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.

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 Ltd.

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 statement of (loss)/ income 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 statement of income.

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

2.11 Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for goods. The Company has concluded that it is the principal in its revenue arrangement, because it typically controls the goods before transferring to the customer.

All sales are made to a related party. Revenue is recognised on a Free On Board (F.O.B.) basis on all sales upon completion of loading of the shipping vessel as evidenced by the bill of lading, with a subsequent adjustment based on the actual prices realised by the related party on sales to the final customers, in accordance with contractual obligations.

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, prepayments and other receivables, amounts due from/to related companies, trade and other payables and loans. 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. Summary of significant accounting policies (continued)

2.16 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in a normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.17 Loans

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the separate statement of comprehensive (loss)/ income, over the period of the loans using the effective interest method. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2. Summary of significant accounting policies (continued)

2.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cashflows.

2. Summary of significant accounting policies (continued)

2.20 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to note 2.15 for details of the Company's impairment accounting policy.

2. Summary of significant accounting policies (continued)

2.20 Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the remaining lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of all office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 3 Business Combinations
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated 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 output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company, but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material
The amendments provide a new definition of material that states, "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 clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures (continued)

(a) New and amended standards and interpretations (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The Company had no long term leases during 2020, therefore this amendment does not have any impact on the financial statements of the Company.

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures (continued)

(b) Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts – Effective 1 January 2023
- Classification of Liabilities as Current or Non-Current- Amendments to IAS 1 Effective 1 January 2021
- Reference to Conceptual Framework- Amendments to IFRS 3 – Effective 1 January 2022
- Property Plant and Equipment: Proceeds before intended use- Amendments to IAS 16- Effective 1 January 2023
- Onerous Contracts- Costs of Fulfilling a Contract- Amendments to IAS 37- Effective 1 January 2022

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3. Financial risk management policies and objectives

3.1 Financial risk factors

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

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) Provision for spares inventory obsolescence

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 aging 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.

c) Employee benefits

The cost of providing benefits under the defined benefit pension plan and the post-retirement healthcare plan 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.

d) Useful life of property, plant and equipment

Management exercises judgment in determining the useful lives of all categories of property, plant and equipment and the appropriate method of depreciation.

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

e) Impairment of property, plant and equipment

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

f) Determining the lease term of contracts with renewal and termination options - Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

g) Leases - Estimating the incremental borrowing rate

Where the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

5. **Property, plant and equipment**	**Land and buildings $'000**	**Electrical generator $'000**	**Plant and machinery $'000**	**Catalysts $'000**	**Turnaround costs $'000**	**Projects under construction $'000**	**Total $'000**
Net book value							
At 1 January 2020	602	–	100,697	7,159	19,205	29,328	156,991
Additions	–	–	3,368	–	–	12,333	15,701
Transfers	–	–	9,210	91	–	(9,301)	–
Cost of disposed assets	–	–	(1,654)	–	(163)	–	(1,817)
Depreciation (Note 14)	(135)	–	(18,732)	(2,099)	(5,494)	–	(26,460)
Accumulated depreciation of disposed assets	–	–	1,654	–	160	–	1,814
December 2020	467	–	94,543	5,151	13,708	32,360	146,229
At 31 December 2020							
Cost	11,676	10,469	515,172	15,937	46,232	32,360	631,846
Accumulated depreciation	(11,209)	(10,469)	(420,629)	(10,786)	(32,524)	–	(485,617)
Net book value	467	–	94,543	5,151	13,708	32,360	146,229
Net book value							
At 1 January 2019	737	–	113,705	4,895	27,616	14,798	161,751
Additions	–	–	4,157	4,185	–	15,622	23,964
Transfers	–	–	1,092	–	–	(1,092)	–
Cost of disposed assets	(213)	–	(1,777)	(2,428)	(2,715)	–	(7,133)
Depreciation (Note 14)	(135)	–	(18,139)	(1,842)	(7,723)	–	(27,839)
Accumulated depreciation of disposed assets	213	–	1,659	2,349	2,027	–	6,248
December 2019	602	–	100,697	7,159	19,205	29,328	156,991
At 31 December 2019							
Cost	11,676	10,469	504,248	15,846	46,395	29,328	617,962
Accumulated depreciation	(11,074)	(10,469)	(403,551)	(8,687)	(27,190)	–	(460,971)
Net book value	602	–	100,697	7,159	19,205	29,328	156,991

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 disclosed in Note 6 (a) and the results of the entire plans are shown in Note 6 (b). This arrangement is considered a related party transaction.

The Company also recognised in 2018 a Trinidad Nitrogen Co. Limited (Tringen) defined benefit pension plan with plan assets of $51,000. This plan is separate from the Hydro Agri Trinidad Ltd Pension Plan. This pension plan is specific to the six (6) employees, employed directly with Tringen. The Company's involvement in this plan is disclosed in Note 6 (a).

An independent actuarial valuation of this plan as at 31 December 2017 revealed an ongoing deficit of $15,482,000 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% of pensionable salary until the next valuation date.

(a) Pension plan/post-retirement healthcare plan

	2020			2019		
Amounts recognised in the statement of financial position	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**
Present value of defined benefit obligation	72,888	1,350	–	74,632	1,313	–
Fair value of plan assets	(58,180)	(1,433)	–	(58,974)	(1,364)	–
Present value of unfunded obligation	–	–	7,176	–	–	7,159
Benefit (asset)/liability in the statement of financial position	14,708	(83)	7,176	15,658	(51)	7,159

6. Employee benefits (continued)

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

	2020			**2019**		
	Hydro Pension plan $'000	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**
Movement in the present value of the defined benefit obligation during the year						
Defined benefit obligation at 1 January	74,632	1,313	7,159	72,232	1,217	9,127
Exchange gains on opening balances	28	1	3	394	5	50
Interest cost	3,729	68	374	3,627	63	460
Current service cost						
– employer	1,107	43	167	1,033	38	168
– employee	531	11	–	542	10	(271)
Benefit payments	(3,451)	(33)	(253)	(3,319)	(33)	–
Actuarial gains on obligation:						
-financial assumption changes	(2,237)	(16)	(235)	(578)	(26)	–
- Demographic assumption changes	2,616	–	–	–	–	–
-obligation - experience	(4,067)	(37)	(39)	701	39	(2,375)
Defined benefit obligation at 31 December	72,888	1,350	7,176	74,632	1,313	7,159

6. Employee benefits (continued)

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

	2020			2019		
	Hydro Pension plan $'000	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**
Movement in the fair value of plan assets during the year						
Fair value of plan assets at 1 January	58,974	1,364	–	55,026	1,264	–
Exchange losses on opening balances	22	–	–	340	8	–
Expected return on plan assets	2,950	69	–	2,771	64	–
Actuarial (loss)/gain on assets	(3,743)	(13)	–	675	4	–
Employer contributions	2,960	35	–	2,979	47	–
Employee contributions	531	11	–	542	10	–
Benefit payments	(3,451)	(33)	–	(3,319)	(33)	–
Administration Expenses	(63)	–	–	(40)	–	–
Fair value of plan assets at 31 December	58,180	1,433	–	58,974	1,364	–

6. **Employee benefits** (continued)

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

	2020			**2019**		
	Hydro Pension plan $'000	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**
Amounts recognised in the statement of income						
Current service costs	1,107	43	167	1,033	38	168
Net interest cost	779	(1)	374	856	(1)	460
Net benefit expense	1,886	42	541	1,889	37	628
Actual return on plan assets	(793)	56	–	3,446	68	–

The total net charge to the statement of (loss)/income of $2,585,000 (2019: $2,554,000) was included in the cost of products sold and operating expenses as labour cost.

6. **Employee benefits** (continued)

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

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 equity (net of tax) as at 31 December 2020 amounted to $17,564,000 (2019: $17,733,000).

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

	2020	**2019**
Discount rate – pension plan	5.40%	5.00%
Future salary increases	5.40%	4.80%
Discount rate – post-retirement healthcare plan	5.40%	5.20%
Healthcare costs increases	5.00%	5.00%

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.

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

	2020		**2019**	
	$'000	**%**	**$'000**	**%**
Bank deposits	5,410	9	3,645	6
Equity instruments	14,881	26	15,764	27
Debt instruments	37,033	64	38,704	66
Other assets	856	1	861	1
	58,180	100	58,974	100

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 above relates to the Hydro Agri Pension Plan.

6. Employee benefits (continued)

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

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 is as shown below:

		Impact on		
Assumptions	**Sensitivity level**	**Hydro Pension plan US'000**	**Tringen Pension plan US'000**	**Yara Post retirement healthcare plan US'000**
Discount rate	+.5%/-.5%	4,525/(5,063)	109/(126)	(621)/546
Future salary rate	+.5%/-.5%	(1,455)/1,371	(69)/63	–
Healthcare cost	+.5%/-.5%	–	–	(619)/550
Pension rate	+.5%/-.5%	(3,478)/–	(54)/–	–

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The best estimate of expected pension plan contributions and post-retirement healthcare premiums to be paid by the Company for the period 1 January 2021 to 31 December 2021 amounts to approximately $2,825,000 and $266,000 respectively.

The weighted average duration of the pension liability at 31 December 2020 is 15 years (2019: 15 years) and 15 years (2019: 15 years) for other post-retirement healthcare plan.

6. Employee benefits (continued)

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

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 results of the entire plans are shown in Note 6 (b) and the Company's involvement in these plans is disclosed in Note 6 (a).

	2020		2019	
	Hydro Pension plan $'000	Yara Post-retirement healthcare plan $'000	Hydro Pension plan $'000	Yara Post-retirement healthcare plan $'000
Present value of defined benefit obligation	116,480	–	119,544	–
Fair value of plan assets	(92,975)	–	(94,463)	–
Present value of unfunded obligation	–	11,027	–	11,220
	23,505	11,027	25,081	11,220

6. Employee benefits (continued)

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

	2020		**2019**	
	Hydro Pension plan $’000	**Yara Post-retirement healthcare plan $’000**	**Hydro Pension plan $’000**	**Yara Post-retirement healthcare plan $’000**
Movement in the present value of the defined benefit obligation during the year				
Defined benefit obligation at 1 January	119,544	11,220	115,839	14,639
Exchange gains on opening balance	44	(353)	631	124
Interest cost	5,966	585	5,814	739
Current service cost – employer	1,776	252	1,661	266
Current service cost – employee	797	–	812	–
Benefit payments	(5,672)	(379)	(5,327)	(406)
Actuarial loss on obligation:				
-financial assumption changes	(3,589)	–	(912)	–
- demographic Assumption changes	4,046	–	–	–
-obligation experience	(6,432)	(298)	1,026	(4,142)
Defined benefit obligation at 31 December	116,480	11,027	119,544	11,220
Movement in the fair value of plan assets during the year				
Fair value of plan assets at 1 January	94,463	–	88,246	–
Exchange loss on opening balance	35	–	546	–
Expected return on plan assets	4,712	–	4,435	–
Actuarial loss on assets	(5,702)	–	1,346	–
Employer contributions	4,440	–	4,469	–
Employee contributions	797	–	812	–
Benefit payments	(5,672)	–	(5,327)	–
Administration expenses	(98)	–	(64)	–
Fair value of plan assets at 31 December	92,975	–	94,463	–

6. Employee benefits (continued)

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

	2020		2019	
	Hydro Pension plan $'000	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Amounts recognised in the statement of (loss)/income				
Current service costs	1,776	252	1,661	266
Net interest cost on benefit obligation	1,254	585	1,378	739
Net benefit expense	3,030	837	3,039	1,005
Actual return on plan assets	(990)	–	5,781	–

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

	2020		2019	
	$'000	**%**	**$'000**	**%**
Bank deposits	8,645	9	5,841	6
Equity instruments	23,781	26	25,251	27
Debt instruments	59,183	64	61,997	66
Other assets	1,366	1	1,374	1
	92,975	100	94,463	100

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.

6. Employee benefits (continued)

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

A quantitative sensitivity analysis for significant assumptions as at 31 December 2020 is as shown below:

		Impact on	
Assumptions	**Sensitivity level**	**Hydro Pension plan US'000**	**Yara Post-retirement healthcare plan US'000**
Discount rate	+.5%/-.5%	7,237/(8,091)	846/(962)
Future salary rate	+.5%/-.5%	(2,323)/2,189	–
Healthcare costs increases	+.5%/-.5%	–	(959)/852
Pension rate	+.5%/-.5%	(5,564)/–	–

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 2021 to 31 December 2021 amounts to approximately $4,368,00 and $398,000 respectively.

7. Inventories

	2020 $'000	**2019 $'000**
Finished goods	6,788	5,819
Spare parts and supplies	24,763	24,341
Less: provision for obsolescence on spare parts	(4,354)	(4,097)
	27,197	26,063

8. Prepayment and other receivables

VAT recoverable	6,437	5,062
Prepayments	1,782	2,073
Trade and other receivables	6	9
	8,225	7,144

9. 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 2020, the Company has not recorded any impairment of receivables relating to amounts owed by related parties nor has a provision been established (2019: 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 (Note i)*				
2020	163,440	–	–	–
2019	168,342	–	12,500	–
Yara Trinidad Ltd. (Note ii)				
2020	–	–	125	3,492
2019	–	–	145	3,543
Yara Belgium SA				
2020	–	–	–	7
2019	–	–	–	7
Yara International ASA (Note iii)				
2020	–	659	13,640	729
2019	–	750	13,422	725
Yara Caribbean				
2020	16	–	5	–
2019	17	2,940	–	–
Total				
2020	163,456	659	13,770	4,228
2019	168,359	3,690	26,067	4,275

* Represents transactions of a trade nature.

9. Related party disclosures (continued)

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

Note (i)
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. Yara Switzerland paid all outstanding invoices owed to the Company at the end of December 2020.

Note (ii)
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. The net reimbursements amounted to $24,792,000 in 2020 (2019: $21,149,000).

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

The Company does not have an overdraft facility with related party.

(b) Transactions 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 *				
2020	–	119,195	–	16,538
2019	–	85,547	–	15,652

9. Related party disclosures (continued)

(b) Transactions 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
The Water and Sewerage Authority*				
2020	–	2,671	–	122
2019	–	6,066	–	391
Trinidad and Tobago Electricity Commission *				
2020	–	2,040	–	64
2019	–	2,264	–	136
Total				
2020	–	123,906	–	16,724
2019	–	93,877	–	16,179

* Represents transactions of a trade nature.

(c) Transaction with owners

There were no transactions with the shareholders of the Company for the year ended 31 December 2020.

	2020 $'000	2019 $'000
Dividends payable to shareholders at 1 January	–	4,000
Dividend proposed and approved:		
In respect of current year	–	2,000
Total dividend declared	–	6,000
Dividend paid to shareholders during the year	–	(6,000)
Dividends payable to shareholders at 31 December	–	–

9. Related party disclosures (continued)

(d) Key management compensation

Compensation of key management personnel of the Company:

	2020 $'000	2019 $'000
Short-term employee benefits	1,587	1,763
Post-employment benefits	191	200
	1,778	1,963

10. Financial instruments

(a) Financial instruments by category

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

Financial assets	2020 $'000	2019 $'000
Due from related companies		
Trade	–	12,500
Other	13,770	13,567
Cash and cash equivalents	178	187
Total	13,948	26,254
Financial liabilities		
Long term loan	15,226	16,573
Trade payables	8,626	11,932
Accrued liabilities	4,113	2,349
Short term loan	46,556	33,166
Amounts due to related companies		
Trade	16,724	16,179
Other	4,228	4,275
Total	95,473	84,474

10. Financial instruments (continued)

(b) Fair values of financial instruments

The carrying amounts of the aforementioned financial instruments other than the long term loan approximate their fair values due to the short-term nature of the instruments. The carrying value of the long term loan approximates its fair value as it attracts a variable interest rate.

(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 2020, there was Nil trade receivables past due (2019: Nil). There has been no history of default from related parties.

The other receivables are due from related parties Yara Trinidad Ltd and other Yara companies (Note 9). There has been no history of default.

The aging analysis of trade receivables is as follows:	**2020 $'000**	**2019 $'000**
Up to 3 months	–	12,500
The aging analysis of other receivables is as follows:		
Up to 3 months	13,770	13,566
Over 3 months	–	1
	13,770	13,567
Cash and cash equivalents		
Group 1	157	157
Group 2	21	30
Total	178	187

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.

10. Financial instruments (continued)

(d) Borrowings

	2020 $'000	**2019 $'000**
Long term loan		
Scotia Bank of (T&T) (SBTT) Non revolving (i)	20,834	20,834
Less: Short-term portion of Non revolving	(5,556)	(4,166)
	15,278	16,668
Less: Unamortised cost of borrowing	(52)	(95)
Net long term loan	15,226	16,573
Short term loan		
ANSA Merchant Bank Limited (ii)	25,000	25,000
SBTT Non Revolving (i)	5,556	4,166
SBTT Revolving (i)	16,000	4,000
Total	46,556	33,166

i) In November 2016, SBTT made available to the Company US$50,000,000 loan to be apportioned between a non-revolving loan (US$25,000,000) and a revolving loan (US$25,000,000). No collateral is provided for this loan but interest is charged at a rate linked to LIBOR + margin. The non-revolving loan is due to be repaid in six equal semi-annual instalments beginning 30 months after the first draw down. US$16,000,000 was withdrawn from the Revolving Facility as at 31 December 2020.

The Company incurred US$461,012 to secure this loan facility, 50% relating to the revolving portion was written off immediately. However the other 50% is being amortised over the life of the non-revolving portion. The long term loan balance reflects the long term portion of the loan less the unamortised portion of the cost of borrowing.

The loan agreement require the Company to comply with certain financial covenants. Breaches in meeting the financial covenants would permit the bank to immediately call the loans and borrowings or provide a waiver or relaxation of these covenants. The Company received a relaxation/waiver of the covenants as well as a moratorium of the principal repayments of installments of the non revolving loan for the fiscal period ending 31 December 2020 for the duration of the agreement. However the semi-annual instalments has now increased to US$2,778,000.

In April 2015, the Company issued a one year revolving commercial paper facility in the amount of $25,000,000 which attracts interest at a rate linked to three (3) months US$ LIBOR. In 2020 the loan was extended for one year to April 2021.

		2020	2019
11.	**Cash and cash equivalents**	**$'000**	**$'000**
	Cash on hand and at banks	178	187

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

			$'000
12.	**Share capital**		
	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 2019	306,000 shares	12,750
	At 31 December 2019	306,000 shares	12,750
	Class "B" shares –no par value held by Yara Caribbean (2002) Ltd.		
	At 1 January 2019	294,000 shares	12,250
	At 31 December 2019	294,000 shares	12,250
	At 1 January 2020		25,000
	At 31 December 2020		25,000

There were no movements issued and/or fully paid share capital during the year.

13. Taxation

a) Deferred tax

At 31 December 2020

	As at 1 January 2020 $'000	**(Charge)/credit in other comprehensive income $'000**	**(Charge)/ credit to statement (loss)/income $'000**	**As at 31 December 2020 $'000**
Deferred tax liability				
Accelerated tax depreciation	(24,400)	–	2,722	(21,678)
Pension Asset	(17)	(14)	2	(29)
	(24,417)	(14)	2,724	(21,707)
Deferred tax asset				
Pension liability	5,479	19	(350)	5,148
Provision for vacation	499	–	31	530
Provision for inventory obsolescence	1,434	–	90	1,524
Accrued supplemental retirement benefit	9	–	–	9
Post-retirement healthcare plan	2,505	(95)	125	2,535
Taxable losses	–	–	7,897	7,897
	9,926	(76)	7,793	17,643
Total charge	–	(90)	10,517	–

13. Taxation (continued)

a) Deferred tax (continued)

At 31 December 2019

	As at 1 January 2019 $'000	(Charge)/credit in other comprehensive income $'000	(Charge)/ credit to statement (loss)/income $'000	As at 31 December 2019 $'000
Deferred tax liability				
Accelerated tax depreciation	(27,254)	–	2,854	(24,400)
Pension Asset	(16)	2	(3)	(17)
	(27,270)	2	2,851	(24,417)
Deferred tax asset				
Pension liability	6,022	(193)	(350)	5,479
Provision for vacation	516	–	(17)	499
Provision for inventory obsolescence	1,427	–	7	1,434
Accrued supplemental retirement benefit	9	–	–	9
Post-retirement healthcare plan	3,194	(831)	142	2,505
	11,168	(1,024)	(218)	9,926
Total charge	–	(1,022)	2,633	–

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

	2020 $'000	2019 $'000
Current tax charge	1,129	4,392
Deferred tax credit (Note 13 (a))	(10,517)	(2,633)
Income tax (credit)/expense	(9,388)	1,759

13. **Taxation** (continued)

c) The effective tax rate varies from the statutory rate as a result of the differences shown below:	2020 $'000	2019 $'000
(Loss)/profit before tax	(30,151)	4,372
Corporation tax at statutory rate @ 35%	(10,553)	1,530
Business levy	997	–
Effect of disallowable expenses and tax allowances	3	144
Prior years adjustment to corporation tax	131	26
Other differences	34	59
Income tax (credit)/expense	(9,388)	1,759

14. **Cost of products sold and operating expenses**

Changes in inventory of finished goods	(1,090)	(1,911)
Raw materials and consumables used	126,783	93,791
Repairs and maintenance	4,662	4,427
Labour expenses (excluding storage and shipping and president's office expenses)	18,800	18,767
Depreciation (Note 5)	26,459	27,839
Insurance costs	2,551	2,223
Other operating expenses	3,955	6,265
Cost of sales - ammonia	182,120	151,401
Storage and shipping expenses	1,973	2,232
President's office expenses	427	657
Total cost of product sold and operating expenses	184,520	154,290

15. **Finance cost - net**

Interest income	634	685
Interest expense	(2,843)	(3,329)
Total finance cost - net	(2,209)	(2,644)

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 2020 was approximately $ 15.3 million (2019: $8.4 million).

c) Contingent liabilities

The Board of Inland Revenue has conducted audits in respect of fiscal years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013 and 2014 and has raised assessments on withholding tax totalling $27.7 million (TT$186.3 million). The 2013 and 2014 tax assessments are under objection. The years 2006 – 2008 which were before the Tax Appeal Board rendered a positive verdict for the Company which have been subsequently appealed by the Board of Inland Revenue. Until the other matters are determined, the assessments raised are not considered final.

No material unrecorded additional liabilities are expected to crystallise.

In respect of a dispute against NGC for various breaches of the gas supply agreement, Notice of Arbitration was given to NGC on 27th March 2017. Bi lateral discussions are continuing between the parties to resolve the matter amicably.

Yara Trinidad Limited (Managers of Tringen) has various legal matters pending in the Industrial Court of the Republic of Trinidad and Tobago. The Company is not a named defendant in these cases. No provision was recorded in the financial statements as a realistic probable outcome cannot be determined at present.

17. Going concern

Since the expiry of the last 5 year natural gas supply contract ending 31 December 2019, during the 2020 financial year and as at 31 December 2020, the Company has been able to secure continuous short-term contracts with The National Gas Company of Trinidad and Tobago Limited ("NGC") for the supply of natural gas. The Company was able to obtain short-term contracts for a one (1) month period ending 1 February 2021 and a subsequent three (3) month period ending 1 May 2021. The Company is currently in negotiations with NGC to obtain a new long term contract. Natural gas is a key component in the manufacture and production of ammonia. Therefore, the Company's operations are heavily dependent on the supply of natural gas.

The Directors have recognized that the combination of the above circumstances represent a material uncertainty that may impact the ability of the Company to continue as a going concern. Based on current plans and strategies being pursued, the Directors have an expectation that the Company will obtain a long-term contract with the NGC in the near future. Once obtained, the Company will generate adequate cash flows which would allow the Company to continue in operational existence in the foreseeable future. On this basis, the Directors have maintained the going concern assumption in the preparation of these financial statements. This basis of preparation presumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business

18. Events after the reporting period

The Company held separate long-term contracts with NGC for the provision of gas for its Tringen 1 & 2 plants and both contracts commenced on 1 January 2015 and expired on 31 December 2019. Subsequent to year end, the Company was able to obtain short-term contracts for a one (1) month period ending 1 February 2021 and a subsequent three (3) month period ending 1 May 2021, while it negotiates with NGC on the renewal of a long term contract.