



Trinidad and Tobago Electricity Commission

Unconsolidated Financial Statements

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

Trinidad and Tobago Electricity Commission
Unconsolidated Financial Statements
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Trinidad and Tobago Electricity Commission

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying unconsolidated financial statements of the Trinidad and Tobago Electricity Commission (the Commission) which comprise the unconsolidated statement of financial position as at December 31, 2020 and the unconsolidated statements of profit or loss and other comprehensive income, unconsolidated statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Commission keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Commission's assets, detection/prevention of fraud, and the achievement of the Commission's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.


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

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

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



Kelvin Ramsook
General Manager
July 28, 2021



Neil Balgobin
Chief Financial Officer
July 28, 2021



Independent auditor's report

To the Members of Trinidad and Tobago Electricity Commission

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Trinidad and Tobago Electricity Commission (the Commission) 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.

What we have audited

The Commission's financial statements (the financial statements) comprise:

- the unconsolidated statement of financial position as at 31 December 2020;
- the unconsolidated statement of profit or loss and other comprehensive income for the year then ended;
- the unconsolidated statement of changes in equity for the year then ended;
- the unconsolidated statement of cash flows for the year then ended; and
- the notes to the unconsolidated financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Commission'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 Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Commission'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 scepticism 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 Commission'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 Commission'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 Commission to cease to continue as a going concern.
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
30 July 2021

Trinidad and Tobago Electricity Commission

Unconsolidated Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at December 31	
		2020 \$' 000	2019 \$' 000
ASSETS			
Non-current Assets			
Property, plant and equipment	3	5,415,045	5,487,010
Right-of-use assets	4	11,095,946	11,787,186
Investment in subsidiary	5	246,330	246,330
Financial asset at amortised cost	5	151,238	175,254
Retirement benefit asset	6	547,773	707,320
		<u>17,456,332</u>	<u>18,403,100</u>
Current Assets			
Inventories	7	200,225	176,748
Financial asset at amortised cost	5	22,699	21,077
Trade and other receivables	8	981,102	1,118,587
Short term investments	9	552,231	511,023
Cash and cash equivalents	10	388,761	510,745
		<u>2,145,018</u>	<u>2,338,180</u>
Total Assets		<u>19,601,350</u>	<u>20,741,280</u>
EQUITY AND LIABILITIES			
Equity			
Capital funds	11	1,368,114	1,368,114
Accumulated deficit		(11,073,321)	(9,249,522)
		<u>(9,705,207)</u>	<u>(7,881,408)</u>
Non-current Liabilities			
Deferred income	13	1,507,905	1,509,598
Borrowings	14	10,526,577	10,268,171
Lease liabilities	15	12,104,203	12,633,911
Retirement benefit obligations	6	510,143	495,043
Provision for dismantlement of assets	16	12,985	7,881
Customers' service deposits		82,673	81,056
		<u>24,744,486</u>	<u>24,995,660</u>
Current Liabilities			
Deferred income	13	86,957	83,946
Borrowings	14	381,747	386,310
Lease liabilities	15	539,873	506,939
Provision for dismantlement of assets	16	34,996	38,870
Trade and other payables	17	3,518,498	2,610,963
		<u>4,562,071</u>	<u>3,627,028</u>
Total Equity and Liabilities		<u>19,601,350</u>	<u>20,741,280</u>

The notes on pages 9 to 51 are an integral part of these unconsolidated financial statements.

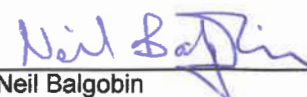
On July 28, 2021 the Board of Commissioners authorised these unconsolidated financial statements for issue.



Mr. Romney Thomas
L.L.B., L.E.C.
Chairman



Kelvin Ramsook
B.Sc. Engineering
General Manager



Neil Balgobin
CPA, CMA
Chief Financial Officer

Trinidad and Tobago Electricity Commission

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended December 31	
		<u>2020</u> \$' 000	<u>2019</u> \$' 000
Revenue			
Sale of electricity		3,098,180	3,084,329
Cost of sales			
Generation	30	(2,031,411)	(2,025,222)
Distribution	30	(792,008)	(754,847)
Transmission	30	(133,004)	(114,631)
		<u>(2,956,423)</u>	<u>(2,894,700)</u>
Gross profit		141,757	189,629
Engineering	30	(52,984)	(52,539)
Administrative	30	(796,294)	(679,811)
Other income	22	173,881	150,567
Operating loss		(533,640)	(392,154)
Finance costs	21	(1,161,200)	(1,188,857)
Dividend from subsidiary	19	58,940	61,830
Loss for the year		<u>(1,635,900)</u>	<u>(1,519,181)</u>
Other comprehensive (loss) / income:			
Items that may never be reclassified to profit or loss			
Remeasurements of post employment benefits - (loss) / gain	6	(187,899)	839,751
Total comprehensive loss for the year		<u><u>(1,823,799)</u></u>	<u><u>(679,430)</u></u>

The notes on pages 9 to 51 are an integral part of these unconsolidated financial statements.

Trinidad and Tobago Electricity Commission

Unconsolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Notes	Capital Funds \$' 000	Reserves \$' 000	Accumulated Deficit \$' 000	Total \$' 000
Year ended December 31, 2019					
Balance at January 1, 2019		1,368,114	10,365	(8,580,457)	(7,201,978)
Adjustment to reserves on re-classification	12	-	(10,365)	10,365	-
Total comprehensive loss for the year					
Loss for the year		-	-	(1,519,181)	(1,519,181)
Other comprehensive income:					
Items that may never be reclassified to profit or loss					
Remeasurement of post employment benefit	6	-	-	839,751	839,751
Balance at December 31, 2019		1,368,114	-	(9,249,522)	(7,881,408)
Year ended December 31, 2020					
Balance at January 1, 2020		1,368,114	-	(9,249,522)	(7,881,408)
Total comprehensive loss for the year					
Loss for the year		-	-	(1,635,900)	(1,635,900)
Other comprehensive loss:					
Items that may never be reclassified to profit or loss					
Remeasurement of post employment benefit	6	-	-	(187,899)	(187,899)
Balance at December 31, 2020		1,368,114	-	(11,073,321)	(9,705,207)

The notes on pages 9 to 51 are an integral part of these unconsolidated financial statements.

Trinidad and Tobago Electricity Commission

Unconsolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year Ended 31 December	
		<u>2020</u> \$' 000	<u>2019</u> \$' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(1,635,900)	(1,519,181)
Adjustments for:			
Finance costs	21	1,161,200	1,188,857
Depreciation	3	334,283	322,151
Depreciation of right-of-use assets	4	702,596	699,988
Amortisation of deferred income	20	(87,039)	(84,024)
Dividend income	19	(58,940)	(61,830)
Revaluation of loans (foreign exchange difference)		57	327
Term deposit income	22	(8,519)	(10,913)
(Decrease) / increase in retirement benefit obligations		(13,252)	69,256
		<u>394,486</u>	<u>604,631</u>
Changes in working capital:			
(Increase) / decrease in inventories		(23,477)	9,866
Decrease / (increase) in trade and other receivables		136,395	(194,846)
Increase in customers' service deposits		1,617	2,606
Increase in provision for dismantlement of assets		1,230	782
Increase in trade and other payables		<u>909,958</u>	<u>1,321,116</u>
Net cash provided by operating activities		<u>1,420,209</u>	<u>1,744,155</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loan by subsidiary		22,394	19,670
Dividends received	19	58,940	61,830
Capital contributions		88,357	86,765
Interest received		9,609	9,520
Acquisition of property, plant and equipment	3	(262,318)	(264,394)
Short term investments		<u>(41,208)</u>	<u>(199,471)</u>
Net cash used in investing activities		<u>(124,226)</u>	<u>(286,080)</u>

The notes on pages 9 to 51 are an integral part of these unconsolidated financial statements.

Trinidad and Tobago Electricity Commission
Unconsolidated Statement of Cash Flows (continued)
(Expressed in Trinidad and Tobago Dollars)

	Note	Year Ended 31 December	
		<u>2020</u> \$' 000	<u>2019</u> \$' 000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments		(508,130)	(477,487)
Repayment of loans		(386,311)	(216,647)
Interest paid		(1,163,623)	(1,191,269)
Loan proceeds		115,094	216,973
Government advances		525,003	252,382
Net cash used in financing activities		<u>(1,417,967)</u>	<u>(1,416,048)</u>
Net (decrease) / increase in cash and cash equivalents		(121,984)	42,027
CASH AND CASH EQUIVALENTS AT START OF YEAR		<u>510,745</u>	<u>468,718</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>388,761</u></u>	<u><u>510,745</u></u>
Cash and cash equivalents represented by			
Cash and cash equivalents	10	<u><u>388,761</u></u>	<u><u>510,745</u></u>

The notes on pages 9 to 51 are an integral part of these unconsolidated financial statements.

Trinidad and Tobago Electricity Commission

Notes to the Unconsolidated Financial Statements

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

1. Reporting Entity

The Trinidad and Tobago Electricity Commission (the "Commission") is incorporated under the Trinidad and Tobago Electricity Commission Act, Chapter 54:70 (as amended). The principal activities of the Commission include the transmission of electricity and its distribution to industrial, commercial and domestic customers throughout the Republic of Trinidad and Tobago. It also operates a 64/67 MW generation plant in Tobago. It is governed by a Board of Commissioners whose members are appointed by the President of the Republic of Trinidad and Tobago. The registered office is situated at 63 Frederick Street, Port of Spain, Trinidad and Tobago. Electricity is purchased from the Commission's subsidiary, The Power Generation Company of Trinidad and Tobago Limited (PowerGen), from Trinity Power Limited and from Trinidad Generation Unlimited.

The Commission's 51% owned subsidiary, PowerGen, was incorporated in Trinidad & Tobago and its principal activity is the operation and maintenance of generation assets for the benefit of the Commission under a Power Purchase Agreement (PPA).

The Commission is subject to regulation by the Regulated Industries Commission.

2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Basis of Preparation

(i) Compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS, issued by the International Accounting Standards Board.

These financial statements are presented solely for statutory purposes, in accordance with the Trinidad and Tobago Electricity Commission Act, Chapter 54:70 (as amended) Part V Section 26(2).

(ii) Historical cost convention

These financial statements are prepared on the historical cost basis except for retirement benefit plan assets which are measured at fair value.

(iii) New and amended standards adopted by the Commission

Certain new standards and amendments to existing standards became effective for reporting periods commencing January 1, 2020.

- Definition of Material - amendments to IAS 1 and IAS 8
- Revised Conceptual Framework for Financial Reporting
- Annual Improvements to IFRS Standards 2018-2020 Cycle

These new standards and amendments have been assessed and it was determined that they are not material to the unconsolidated financial statements.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Commission. These standards are not expected to have a material impact on the Commission in the current or future reporting periods and on the foreseeable future transactions.

(b) Going concern

At December 31, 2020 the Commission's liabilities significantly exceed its assets.

The Government of Trinidad and Tobago has guaranteed certain loans received from third party lenders to the Commission and on an annual basis, the Government of Trinidad and Tobago provides financial support to the Commission by way of making payments to third party lenders on its behalf. These amounts are not required to be repaid by the Commission.

For the year ended December 31, 2020 the Government of Trinidad and Tobago has indicated that it will not call upon the Commission to repay any amounts advanced to them for payment of debts in the current or prior years. The Commission will seek the relevant approvals from the Government so that the amounts can be reflected as Capital Funds of the Commission. The Government has also confirmed that they will continue to make payments on behalf of the Commission as the obligations fall due. Refer to Note 14, which indicates the loans that are paid by the Government on behalf of the Commission.

The Government of Trinidad and Tobago presented its National Budget for the 2021 financial year and reconfirmed its commitment to continue supporting the Commission via payment of the guaranteed loans as noted above.

On the basis of the continued support from the Government of Trinidad and Tobago, management is satisfied with the preparation of these unconsolidated financial statements on the going concern basis.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in these financial statements of the Commission are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These financial statements are presented in Trinidad and Tobago dollars, which is the Commission's functional and presentation currency. All financial information presented in Trinidad and Tobago dollars have been rounded to the nearest thousand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income.

Foreign exchange gains and losses that relate to medium term financing and cash and cash equivalents are presented in the statement of profit or loss and other comprehensive income within 'finance costs'. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income within 'administrative expenses'.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unconsolidated financial statements and the reported amounts of revenues and expenses during the accounting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the unconsolidated financial statements is included in the following accounting policies and notes:

Accounting Policy (k)	Provisions
Accounting Policy (l) and Note 6	Pension benefit assumptions
Accounting Policy (m) and Note 16	Leases
Accounting Policy (e), (r), Note 8 and Note 24b	Trade and other receivables

(e) Financial instruments

(i) Classification

The Commission classifies its financial assets in the following category:

- 1) those to be measured at amortised cost, and
- 2) those to be measured at fair value through other comprehensive income (OCI)

The classification depends on the Commission's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in OCI.

(ii) Recognition and de-recognition

A financial instrument is recognised if the Commission becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Commission's contractual rights to the cash flows from the financial assets expire or if the Commission transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Commission commits itself to purchase or sell the asset.

Financial liabilities are derecognised if the Commission's obligations specified in the contract expire or are discharged or cancelled.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(e) Financial instruments (continued)

(iii) Measurement

At initial recognition, the Commission measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

The measurement of debt instruments is initially at amortised cost. Subsequent measurement of debt instruments depends on the business model for managing the cashflow characteristics of the instruments.

(iv) Impairment

The Commission applies the simplified approach permitted by IFRS 9 for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 8 for further details.

Loans to related parties have been assessed and the loss allowance has been deemed to be nil, based on zero default rate to date.

(f) Investment in subsidiary

The Commission has prepared separate consolidated financial statements as required by IFRS 10 - Consolidated Financial Statements by virtue of its 51% shareholding in the Power Generation Company of Trinidad and Tobago (PowerGen). The investment in subsidiary is stated at cost in the unconsolidated financial statements.

(g) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses (see accounting policy (i) Impairment of non-financial assets). Cost comprises purchase price and directly attributable cost.

Interest on borrowings to finance the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare the qualifying asset for its intended use. Other borrowing costs are expensed.

(ii) Subsequent expenditure

The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Commission. Major renovations are depreciated over the remaining useful life of the related asset. Repairs and maintenance are charged to the unconsolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

(iii) Capital Spares

Major spare parts and stand-by equipment are carried as Property, Plant and Equipment. However, depreciation commences only when the major spare part or stand-by equipment is brought into use.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(g) Property, plant and equipment (continued)

(iv) Depreciation

Property, plant and equipment, other than freehold land, are depreciated on the straight-line basis to write-off the cost of each asset to its residual value over its estimated useful life as follows:

- Underground Mains Network	-	2.50%
- Building & Structures, Overhead Lines Network & Power Station	-	3.33%
- Transformers & Switchgear, Supervisory Equipment Radio Digital Microwave Network, Control Gear & Switchgear	-	4.00%
- Diesel Alternators, Street lighting & Fibre Optic & Stores Equipment and Works of Art	-	5.00%
- Submarine Cables -Transmission, Meters & Test Equipment	-	6.67%
- Protection Equipment, Electronic Equipment, Radio Test Equipment, Fire Protection Equipment	-	10.00%
- Microwave Radio System Unit S/S, Communication Equipment, Computer Software, Furniture & Equipment - Dwelling	-	20.00%
- Motor Vehicles & Metering Equipment	-	25.00%
- Air Conditioning Equipment, Furniture & Fixtures - Offices, Office Machines Large Tools & Misc. Equipment, Security Equipment, Computer Hardware & Equipment	-	33.33%

Plant and machinery assets in the course of construction are classified as works-in-progress and are not depreciated.

(v) Residual values

Residual values and useful lives are reviewed, and adjusted as appropriate, at each financial year-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(vi) Disposal

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the unconsolidated statement of profit or loss and other comprehensive income for the year.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined on the weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Goods-in-transit are stated at invoiced cost.

Trinidad and Tobago Electricity Commission

Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(i) *Impairment of non-financial assets*

The carrying amounts of the Commission's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. Impairment is determined by negative changes in technology, obsolescence or physical damage or where events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the unconsolidated statement of profit or loss and other comprehensive income. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(j) *Offsetting Financial Instruments*

Financial assets and liabilities are offset and the net amount reported in the unconsolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business.

(k) *Provisions*

The Commission recognises a provision when, as a result of a past event, it has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

The Commission provides for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Under IAS 37, a provision has been made for the restoration / rehabilitation of property at the end of the lease period once it is a requirement of the lease agreement. The provision is based on the best estimate of expenditure required to settle the obligation, taking into consideration the time value of money using a discount rate that reflects current market assessment and the risks specific to the liability. This is depreciated over the shorter of the asset life and the lease period. Thereafter, an annual finance cost is applied to the provision to build up the discounted liability to its future value.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(k) Provisions (continued)

Sensitivity Analysis

A discount factor of 7% was used in estimating this provision. Changes in the environment may cause exposure to interest rate risk. If there is an increase or decrease in the discount factor by 1%, the impact on this provision will be as follows:

	1% pa higher \$' 000	1% pa lower \$' 000
Provision for asset dismantlement	<u>(1,129)</u>	<u>4,180</u>

Finance cost to be unwound on asset retirement obligations subsequent to year-end:

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Interest expense within 1 year	<u>909</u>	<u>823</u>
Interest expense between 1 year to 5 years	<u>4,310</u>	<u>3,909</u>
Interest expense due more than 5 years	<u>85,999</u>	<u>87,153</u>

(l) Employee benefits

(i) Pension obligation

All the Commission's full-time employees are members of the Trinidad and Tobago Electricity Commission Pension Plan, a defined benefit pension plan, the assets of which are invested via a Trust administered by an independent Trustee. The pension plan is funded by payments from employees and the Commission, taking account of the recommendations of independent actuaries.

The liability or asset recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

Under this method, the pension cost included in the profit or loss is intended to spread the cost of operating the pension plan over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of the Plan at least every three years. The pension obligation is measured as the present value of benefits payable to members using the discount rate.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(I) Employee benefits (continued)

(i) Pension obligation (continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of medium term Government bonds that are denominated in local currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

(ii) Actuarial gains and losses

Actuarial gains and losses are recognised in other comprehensive income.

(iii) Past service costs

Past service costs are recognised immediately in profit or loss, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

(iv) Other post retirement obligations

The Commission provides retirement healthcare and fixed pension allowance benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for the defined benefit pension plan. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Valuations of these obligations are carried out annually by independent actuaries.

(v) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(m) Leases

The Commission leases various buildings and parcels of land on which its offices, plant operations and substations are located, typically for fixed periods of 6 months to 199 years but which may have extension options as described below.

Contracts may contain both lease and non-lease components. The Commission allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Commission is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Commission.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option if the Commission is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Commission exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the incremental borrowing rate is used. The incremental borrowing rate is the rate that the Commission would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The weighted average incremental borrowing cost applied to the lease liabilities range from 5% to 8.75%.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(m) Leases (continued)

To determine the incremental borrowing rate, the Commission:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Commission which do not have recent third party financing and
- makes adjustments specific to the lease e.g. term

The Commission is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Commission is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Short term leases are leases with a lease term of 12 months or less. Payments associated with short term leases are recognised on a straight-line basis as an expense in profit or loss.

Extension and termination options are included in a number of property and equipment leases across the Commission. These are used to provide flexibility in the management of the Commission's assets. The majority of extension and termination options held are exercisable only by the Commission and not the respective lessor.

Trinidad and Tobago Electricity Commission

Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits with maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) Borrowings

Borrowings are recognised initially as the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the period of the borrowing, using the effective interest rate method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as non-current liabilities when the Commission has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. The portion of the liability that is due for settlement within twelve months after the reporting period is classified as a current liability.

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

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Commission prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Deferred Income

Non-refundable contributions paid by customers for the installation of sub-transmission and distribution facilities are recognised in deferred income. The contributions are amortised over the estimated useful lives of the related assets computed at an average rate of 3.5% per annum. The annual amortisation is reflected in the loss for the year.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(r) Revenue Recognition

Revenue is recognised on the accrual basis. IFRS 15 *Revenue from contracts with customers* deals with revenue recognition and establishes a framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when the customer gains control of the goods and services. Determining the timing of the transfer of control, at a point in time or over time, requires judgement. The adoption of IFRS 15 has not resulted in any change in the timing of revenue recognition. The Commission transfers control of the electricity over time and customers simultaneously receive and consume the benefits.

Revenue from the sale of electricity is recognised in the statement of profit or loss based on consumption recorded by meter readings with due adjustment made for unread consumption at year-end.

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividend income is recognised when the Commission's right to receive payment is established.

(s) Customer Service Deposits

This amount represent liabilities for money paid by customers at the establishment of an account and held as guarantee against delinquency on the account. The sum is held on the account until the account becomes closed and is applied to any outstanding balances or refunded to the customer.

(t) Taxation

In accordance with Section 100 (2) of the Trinidad & Tobago Electricity Commission Act, Chapter 54:70 (as amended), the Commission is exempt from Corporation Tax. The Commission is liable to Green Fund Levy calculated on gross receipts.

(u) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

3. Property, Plant and Equipment

	Freehold Land \$' 000	Structures \$' 000	Equipment and Capital Spares \$' 000	Leased Equipment \$' 000	Work in Progress \$' 000	Total \$' 000
Year ended December 31, 2020						
Opening net book value	13,677	634,031	4,505,374	-	333,928	5,487,010
Additions	-	-	(3,511)	-	265,829	262,318
Transfers	-	36,969	361,377	-	(398,346)	-
Depreciation charge	-	(29,534)	(304,749)	-	-	(334,283)
Closing net book value	13,677	641,466	4,558,491	-	201,411	5,415,045
At December 31, 2020						
Cost	13,677	948,610	8,654,839	-	201,411	9,818,537
Accumulated depreciation	-	(307,144)	(4,096,348)	-	-	(4,403,492)
Net book value	13,677	641,466	4,558,491	-	201,411	5,415,045
Year ended December 31, 2019						
Opening net book value	13,677	579,260	4,440,704	3,498,755	511,126	9,043,522
Adjustment for change in accounting policy - transfer to right-of-use asset	-	-	-	(3,498,755)	-	(3,498,755)
Additions	-	-	(7,163)	-	271,557	264,394
Transfers	-	81,795	366,960	-	(448,755)	-
Depreciation charge	-	(27,024)	(295,127)	-	-	(322,151)
Closing net book value	13,677	634,031	4,505,374	-	333,928	5,487,010
At December 31, 2019						
Cost	13,677	911,641	8,296,973	-	333,928	9,556,219
Accumulated depreciation	-	(277,610)	(3,791,599)	-	-	(4,069,209)
Net book value	13,677	634,031	4,505,374	-	333,928	5,487,010
At December 31, 2018						
Cost	13,677	829,846	7,937,176	9,971,533	511,126	19,263,358
Accumulated depreciation	-	(250,586)	(3,496,472)	(6,472,778)	-	(10,219,836)
Net book value	13,677	579,260	4,440,704	3,498,755	511,126	9,043,522

Interest of approximately \$3.1 million was capitalised in 2020 (2019 : \$8.3 million).

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

4. Right of use Assets

Amount recognised in statement of financial position

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Opening net amount	11,787,186	-
Adjustment for change in accounting policy - transfer from property, plant and equipment	-	3,498,755
Additions	11,356	8,988,419
Depreciation charge	<u>(702,596)</u>	<u>(699,988)</u>
Closing net book amount	<u>11,095,946</u>	<u>11,787,186</u>
Cost	18,971,308	18,959,951
Accumulated depreciation	<u>(7,875,362)</u>	<u>(7,172,765)</u>
Net book amount	<u>11,095,946</u>	<u>11,787,186</u>

5. Subsidiary

Investment in subsidiary

The Commission has made a 51% equity investment in its subsidiary, The Power Generation Company of Trinidad and Tobago Limited (PowerGen).

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
246,330,000 ordinary shares (51%)	<u>246,330</u>	<u>246,330</u>

Financial asset at amortised cost

<i>Non-current</i>	151,238	175,254
<i>Current</i>	<u>22,699</u>	<u>21,077</u>
	<u>173,937</u>	<u>196,331</u>

Financial asset at amortised cost - Debt Security

On December 19, 2005, the Commission signed a Shareholder Loan Agreement with its subsidiary for USD 50.5 million. An aggregate amount of interest was added to the principal. At March 29, 2007, the amount drawn down under the facility was \$314.3 million (USD 50 million). There were no further drawdowns to date. Additionally, interest accrued and capitalised to March 29, 2007 was \$24.4 million (USD 3.9 million) at a rate of 7.50% per annum. Subsequent to this, no more interest was accrued and capitalised.

The loan is repayable in quarterly instalments of principal and interest over a twenty-year period which commenced on June 30, 2007. The effective rate of interest from June 30, 2017 was approximately 4.2991%, consisting of 1.2991% LIBOR and a 3% spread as per clause 2.04 of the Shareholder Loan Agreement (SLA).

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
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6. Retirement Benefit Asset / (Obligations)

The information below was extracted from the independent actuarial valuation reports dated April 6, 2021.

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Summary of the retirement benefit obligations		
<i>Retirement Benefit Asset</i>		
Pension plan	<u>547,773</u>	<u>707,320</u>
<i>Retirement Benefit Obligations</i>		
Fixed pension allowance	(2,522)	(2,987)
Medical benefits	<u>(507,621)</u>	<u>(492,056)</u>
	<u>(510,143)</u>	<u>(495,043)</u>
Net pension cost		
<i>Retirement Benefit Obligations</i>		
Pension plan	(61,622)	(139,481)
Fixed pension allowance	(238)	(217)
Medical benefits	(45,510)	(37,823)
Death benefits	<u>-</u>	<u>5,155</u>
	<u>(107,370)</u>	<u>(172,366)</u>
Re-measurements recognised in other comprehensive income		
<i>Retirement Benefit Obligations</i>		
Pension plan	(208,495)	903,788
Fixed pension allowance	34	(492)
Medical benefits	<u>20,562</u>	<u>(63,545)</u>
	<u>(187,899)</u>	<u>839,751</u>

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

6. Retirement Benefit Asset / (Obligations) (continued)

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
(a) Pension Plan		
(i) Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit asset / (obligation)	707,320	(148,668)
Net pension cost	(61,622)	(139,481)
Re-measurements recognised in other comprehensive income	(208,495)	903,788
Commission's contributions paid	110,570	91,681
	<u>547,773</u>	<u>707,320</u>
Closing defined benefit asset	<u>547,773</u>	<u>707,320</u>
(ii) The amount recognised in the statement of financial position is as follows:		
Defined benefit obligation	(3,871,235)	(3,766,243)
Fair value of plan assets	4,419,008	4,473,563
	<u>547,773</u>	<u>707,320</u>
(a) Change in plan assets		
Plan assets at start of year	4,473,563	4,158,216
Interest income	244,505	226,527
Return on plan assets, excluding interest income	(242,276)	168,966
Commission's contributions	110,570	91,681
Members' contributions	39,048	40,244
Benefits paid	(205,342)	(210,997)
Administrative expenses	(1,060)	(1,074)
	<u>4,419,008</u>	<u>4,473,563</u>
Plan assets at end of year	<u>4,419,008</u>	<u>4,473,563</u>
<i>Plan assets comprise the following:</i>		
Locally listed equities	36%	40%
Overseas equities	7%	5%
Government issued nominal bonds	34%	30%
Corporate bonds	5%	5%
Cash and cash equivalents	14%	17%
Other (housing scheme mortgages)	4%	3%
	<u>100%</u>	<u>100%</u>

All asset values were provided by the Plan's Investment Manager (Republic Bank Limited). Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Investment Manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

6. Retirement Benefit Asset / (Obligations) (continued)

(a) Pension Plan (continued)

(ii) The amount recognised in the statement of financial position is as follows: (continued)

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

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

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
<i>(b) Change in defined benefit obligation</i>		
Defined benefit obligation at start of year	(3,766,243)	(4,306,884)
Current service cost	(103,495)	(133,780)
Interest cost	(201,572)	(231,154)
Members' contribution	(39,048)	(40,244)
Re-measurements:		
-Experience adjustments	33,781	543,796
-Actuarial gain from changes in demographic assumptions	-	17,405
-Actuarial gain from changes in financial assumptions	-	173,621
Benefits paid	<u>205,342</u>	<u>210,997</u>
Defined benefit obligation at end of year	<u>(3,871,235)</u>	<u>(3,766,243)</u>

(iii) The amount recognised in the loss for the year is as follows:

Current service cost	(103,495)	(133,780)
Net interest on defined benefit asset / (liability)	42,933	(4,627)
Administrative expenses	<u>(1,060)</u>	<u>(1,074)</u>
Total amount recognised	<u>(61,622)</u>	<u>(139,481)</u>

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The assumptions are set out in part (c) of this note. The following table summarises how the defined benefit obligation as at December 31, 2020 would have changed as a result of a change in the assumptions used. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

	1% pa higher \$' 000	1% pa lower \$' 000
December 31 2020		
Discount rate	<u>(409,581)</u>	<u>580,051</u>
Future salary increases	<u>190,269</u>	<u>(164,074)</u>

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

6. Retirement Benefit Asset / (Obligations) (continued)

(a) Pension Plan (continued)

(iii) The amount recognised in the loss for the year is as follows: (continued)

Sensitivity Analysis (continued)

December 31 2019	1% pa higher \$' 000	1% pa lower \$' 000
Discount rate	(449,104)	562,362
Future salary increases	168,215	(183,269)

An increase of one year in the assumed life expectancy would increase the defined benefit obligation at December 31, 2020 by \$58.5 million (2019: \$54.686 million).

(iv) Liability profile

The defined benefit obligation was allocated among the Plan's members as follows:

	<u>2020</u>	<u>2019</u>
Active members	58%	58%
Deferred members	1%	1%
Pensioners	41%	41%

The weighted average duration of the defined benefit obligation was 14.1 years (2019: 14.1 years).

96% (2019: 96%) of the benefits for active members were vested.

23% (2019: 23%) of the defined benefit obligation for active members was conditional on future salary increases.

(v) Re-measurements recognised in other comprehensive income

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Experience loss / (gain)	208,495	(903,788)

(vi) Funding

The Commission meets the balance of the cost of funding the Plan and must pay contributions at least equal to twice those paid by members, which are fixed. The funding requirements are based on regular actuarial valuations of the Plan made every three years and the assumptions used to determine the funding requirement may differ from those set out above. The Commission expects to pay \$150 million to the Plan in 2021.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

6. Retirement Benefit Asset / (Obligations) (continued)

(b) Post retirement

(i) *Fixed pension allowance*

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit obligations	(2,987)	(2,924)
Net benefit cost	(238)	(217)
Re-measurements recognised in Other Comprehensive Income	34	(492)
Benefits paid by the Commission	669	646
	<u>669</u>	<u>646</u>
Closing defined benefit obligations	<u>(2,522)</u>	<u>(2,987)</u>
The amount recognised in the loss for the year is as follows:		
Current service cost	(92)	(74)
Net interest on defined benefit liability	(146)	(143)
	<u>(146)</u>	<u>(143)</u>
Net benefit cost	<u>(238)</u>	<u>(217)</u>
Change in defined benefit obligation		
Defined benefit obligations at start of year	(2,987)	(2,924)
Current service cost	(92)	(74)
Interest cost	(146)	(143)
Re-measurements:		
- Experience adjustments	34	(226)
- Actuarial loss from changes in demographic assumptions	-	(164)
- Actuarial loss from changes in financial assumptions	-	(102)
Benefits paid	669	646
	<u>669</u>	<u>646</u>
Defined benefit obligation at end of year	<u>(2,522)</u>	<u>(2,987)</u>

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The assumptions are set out in part (c) of this note. The following table summarises how the defined benefit obligation as at December 31, 2020 would have changed as a result of a change in the assumptions used. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

	1% pa higher \$' 000	1% pa lower \$' 000
December 31 2020		
Discount rate	(253)	297
Salary increases	(115)	152
Inflation	(283)	562

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

6. Retirement Benefit Asset / (Obligations) (continued)

(b) Post retirement (continued)

(i) Fixed pension allowance (continued)

Sensitivity Analysis (continued)

December 31 2019	1% pa higher \$' 000	1% pa lower \$' 000
Discount rate	(243)	292
Salary increases	(102)	149
Inflation	(255)	534

Liability profile

The defined benefit obligation was allocated between the Plan's members as follows:

	<u>2020</u>	<u>2019</u>
Active members	79%	79%
Pensioners	21%	21%

The weighted average duration of the defined benefit obligation was 9.4 years (2019: 9.4 years). 99% (2019: 99%) of the benefits for active members were vested.

Re-measurements recognised in other comprehensive income

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Experience (gain) / loss	(34)	492

Funding

The Commission pays the benefits as they fall due. It expects to pay \$0.700 million under the Plan in 2021.

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
(ii) Medical benefits		
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit obligations	(492,056)	(401,386)
Net benefit cost	(45,510)	(37,823)
Re-measurements recognised in other comprehensive income	20,562	(63,545)
Benefits paid by the Commission	9,383	10,698
Closing defined benefit obligations	(507,621)	(492,056)

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

6. Retirement Benefit Asset / (Obligations) (continued)

(b) Post retirement (continued)

(ii) Medical benefits (continued)

	2020	2019
	\$' 000	\$' 000
Current service cost	(18,893)	(16,108)
Interest on defined benefit obligations	(26,617)	(21,715)
Net benefit cost	<u>(45,510)</u>	<u>(37,823)</u>
Change in defined benefit obligation		
Defined benefit obligations at start of year	(492,056)	(401,386)
Current service cost	(18,893)	(16,108)
Interest cost	(26,617)	(21,715)
Re-measurements:		
- Experience adjustments	20,562	(57,384)
- Actuarial loss from changes in demographic assumptions	-	(6,161)
Benefits paid	9,383	10,698
Defined benefit obligation at end of year	<u>(507,621)</u>	<u>(492,056)</u>

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The assumptions are set out in part (c) of this note. The following table summarises how the defined benefit obligation as at December 31, 2020 would have changed as a result of a change in the assumptions used. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

	1% pa higher	1% pa lower
	\$' 000	\$' 000
December 31 2020		
Discount rate	(90,800)	112,208
Medical cost increases	<u>124,484</u>	<u>(93,027)</u>
December 31 2019		
Discount rate	(88,736)	109,628
Medical cost increases	<u>122,179</u>	<u>(91,314)</u>

An increase of one year in the assumed life expectancies would increase the defined benefit obligation as at December 31, 2020 by \$18.050 million (2019: \$17.277 million).

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
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6. Retirement Benefit Asset / (Obligations) (continued)

(b) Post retirement (continued)

(ii) Medical benefits (continued)

Liability Profile

The defined benefit obligation was allocated between the Plan's members as follows:

	<u>2020</u>	<u>2019</u>
Active members	59%	59%
Pensioners	41%	41%

The weighted average duration of the defined benefit obligation was 21 years (2019: 21 years).
34% (2019: 34%) of the benefits for active members were vested.

Re-measurements recognised in other comprehensive income

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Experience (gain) / loss	<u>(20,562)</u>	<u>63,545</u>

Funding

The Commission pays the claims and administrative charges as they fall due net of retiree contributions. It expects to pay \$12.200 million to the Plan in 2021.

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
<i>(iii) Death benefits</i>		

Reconciliation of opening and closing statement of financial position entries:

Opening defined benefit obligations	-	(5,240)
Net benefit cost	-	5,155
Benefits paid by the Commission	-	85
	<u>-</u>	<u>85</u>
Closing defined benefit obligations	<u>-</u>	<u>-</u>

The amount recognised in the loss for the year is as follows:

Current service cost	-	(30)
Interest on defined benefit obligations	-	(153)
Past Service Credit	-	5,338
	<u>-</u>	<u>5,338</u>
Net benefit cost	<u>-</u>	<u>5,155</u>

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6. Retirement Benefit Asset / (Obligations) (continued)

(b) Post Retirement (continued)

(iii) Death benefits (continued)

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Change in Defined Benefit Obligation		
Defined benefit obligations at start of year	-	(5,240)
Current service cost	-	(30)
Interest cost	-	(153)
Past Service Credit	-	5,338
Benefits paid	-	85
Defined benefit obligation at end of year	<u>-</u>	<u>-</u>

The Funeral Benefit was discontinued on July 15, 2019, and thus no benefits are now payable on the death of a pensioner after that date. The balance sheet liability was removed as of that date and the reduction in liability is accounted for as a negative Past Service Cost.

Re-measurements recognised in other comprehensive income

There were no re-measurements recognised in other comprehensive income.

(c) Actuarial Assumptions

The principal actuarial assumptions used for accounting purposes were:

	<u>2020</u> (Per annum)	<u>2019</u> (Per annum)
Discount rate	5.50%	5.50%
Wage increases (weekly paid, all ages)	3.50%	3.50%
Salary increases (monthly paid, under age 40)	4.50%	4.50%
Salary increases (monthly paid, over age 40)	3.50%	3.50%
Future pension increases	0.00%	0.00%
Underlying rate of pay inflation	4.50%	4.50%
Price Inflation	4.25%	4.25%
Funeral benefit increases	0.00%	0.00%
Medical cost increases	4.50%	4.50%

The assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation are as follows:

	<u>2020</u>	<u>2019</u>
Life expectancy at age 60 for current pensioner in years		
Male	21.8	21.7
Female	26.0	26.0
Life expectancy at age 60 for current members age 40 in years		
Male	22.7	22.6
Female	27.0	26.9

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7. Inventories

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Transmission and distribution stock and other supplies, including goods in transit	211,518	189,836
Provision for impairment	<u>(11,293)</u>	<u>(13,088)</u>
	<u>200,225</u>	<u>176,748</u>

8. Trade and Other Receivables

Trade receivables		
Private sector	319,134	402,304
Government ministries and state-owned agencies	<u>1,448,034</u>	<u>1,111,241</u>
	1,767,168	1,513,545
Loss allowance	<u>(910,140)</u>	<u>(523,298)</u>
	<u>857,028</u>	<u>990,247</u>
Sundry receivables and prepayments		
Sundry receivables	106,229	101,674
Prepayments and accrued income	<u>19,572</u>	<u>28,393</u>
	125,801	130,067
Loss allowance	<u>(1,727)</u>	<u>(1,727)</u>
	<u>124,074</u>	<u>128,340</u>
	<u>981,102</u>	<u>1,118,587</u>

i) Classification as trade receivables

Trade receivables are amounts due from customers for services performed or goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Commission holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

ii) Fair values of trade receivables

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

iii) Impairment and risk exposure

Information about the impairment of trade receivables and the Commission's exposure to foreign currency risk, interest rate risk and credit risk can be found in Notes 24 a (i), 24 a (ii) and 24 b.

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Notes to the Unconsolidated Financial Statements (continued)

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8. Trade and Other Receivables (continued)

Other financial assets at amortised cost

(i) *Classification of financial assets at amortised cost*

The Commission classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Loans to related parties have been assessed and the loss allowance has been deemed to be nil, based on zero default rate to date.

(ii) *Other receivables*

These amounts generally arise from transactions outside the usual operating activities of the Commission and comprise mainly sundry debtors, loans to staff members, receivables for major contracting and pension fund receivables. Prepayments and accrued income comprise mainly prepaid insurance and advance payment to suppliers.

9. Short term Investments

Short term investments are stated at fair value and include deposits held at call with banks which have original maturity dates of less than 180 days. These funds have been set aside to meet specific short and medium term commitments, are readily convertible to cash and are subject to insignificant risk of changes in value. These items are stated at cost.

Short term investments in the amount of \$552 million (2019: \$511 million) are in relation to deposits held with maturity dates of greater than 90 days.

10. Cash and Cash Equivalents

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Short-term bank deposits	6,046	54,000
Cash at bank and in hand	382,715	456,745
	<u>388,761</u>	<u>510,745</u>

The effective interest rates on short-term bank deposits were 0.65 % per annum (2019: 1.85% per annum) with an average maturity of 90 days (2019: 77 days).

11. Capital Funds

As a result of a capital restructuring in 1986, advances from the Government of the Republic of Trinidad and Tobago were converted into non-repayable capital funds.

The Ministry of Public Utilities advised of arrangements for the capital restructuring of the Commission whereby the indebtedness as at May 31, 1992 of the Central Government, statutory boards, certain state enterprises and other agencies to the Commission were set-off against loans and advances which the Commission received from Government.

Trinidad and Tobago Electricity Commission
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12. Capital Reserves

Amounts previously shown as capital reserve represent debts forgiven by the Canadian International Development Agency in prior years. This should have been accounted for as other income and was reclassified to accumulated deficit in 2019.

13. Deferred Income

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Capital Contribution		
Capital Contribution - Private Sector	1,191,819	1,127,334
Capital Contribution - GORTT	<u>1,431,983</u>	<u>1,408,112</u>
	2,623,802	2,535,446
Accumulated amortisation	<u>(1,028,940)</u>	<u>(941,902)</u>
	1,594,862	1,593,544
Current portion	<u>(86,957)</u>	<u>(83,946)</u>
Non-current portion	<u><u>1,507,905</u></u>	<u><u>1,509,598</u></u>

Non-refundable capital contributions are made by customers towards the cost of installing sub-transmission and distribution facilities. These contributions are amortised over the estimated useful lives of the related assets computed at an average rate of 3.5% per annum.

14. Borrowings

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Trinidad and Tobago Electricity Commission 12.25% Fixed Rate Bonds - 2021	21,009	63,026
HSBC Bank Plc term loan facility	44,506	89,011
The National Gas Company of Trinidad and Tobago Limited loan facility 2018	3,731,053	3,779,754
Republic Bank Limited \$1.6B bond	1,283,949	1,419,886
Government advances	<u>5,827,807</u>	<u>5,302,804</u>
Total borrowings	10,908,324	10,654,481
Current portion	<u>(381,747)</u>	<u>(386,310)</u>
Non-current portion	<u><u>10,526,577</u></u>	<u><u>10,268,171</u></u>

Trinidad & Tobago Electricity Commission 12.25% Fixed Rate Bonds - 2021

The Commission raised \$500 million through an issue of bonds in Trinidad and Tobago dollars. These bonds are guaranteed by the Government of the Republic of Trinidad and Tobago.

The bonds are fixed rate bonds bearing interest at 12.25% per annum. There was a three-year moratorium on principal and interest. Principal and interest payments commenced September 2004 and ended in March 2021.

The bonds are redeemable in 34 equal semi-annual principal instalments of \$21,008,609 payable on September 30 and March 31 of each year. These bonds do not have an option for early redemption.

Trinidad and Tobago Electricity Commission
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14. Borrowings (continued)

HSBC Bank Plc term loan facility

The Commission entered into a supply contract dated November 9, 2007 with Wartsila Finland Oy to supply, install and put into operation a 64/67 MW generating station at the Commission's plant in Cove Industrial Estate, Tobago. On July 25, 2008, the Commission entered into a finance arrangement with HSBC Bank Plc to provide funding for the project. The Available Facility means, for the time being, the aggregate of the Tranche A Aggregate Loan Limit and the Tranche B Aggregate Loan Limit being USD seventy six million at the date of the agreement, itemised as follows:

- (i) Tranche A Aggregate Loan Limit being USD 64 million plus the applicable capitalised interest. Drawdowns commenced on September 26, 2008. There was no capitalisation of the aggregate of principal and interest for 2020 (2019: NIL).
- (ii) Tranche B Aggregate Loan Limit being USD 11 million plus the applicable capitalised interest. Drawdowns commenced on August 8, 2008. There was no capitalisation of the aggregate of principal and interest for 2020 (2019: NIL).

The rate of interest applicable in respect of the Tranche A Facility and the Tranche B Facility are 4.13% per annum and 5.925% per annum, respectively. Each interest period is for a duration of six (6) months ending April 15 and October 15 of each year. Interest is capitalised at the end of each interest period. Capitalisation of interest commenced on October 15, 2008.

The repayments of principal and capitalised interest are being made by twenty four (24) consecutive equal semi-annual instalments which commenced on April 15, 2010.

This loan facility is secured by a Government Guarantee.

The National Gas Company of Trinidad and Tobago Limited (NGC) loan facility - 2018

On December 31, 2018, NGC and the Commission signed an agreement to convert the Commission's debt as at that date into a medium term loan of USD 524 million, with a term of ten (10) years at an interest rate of 6% per annum.

The loan is in two tranches of USD 262 million each. Tranche A has a one (1) year moratorium on principal and interest with semi-annual payments commencing June 2020. Tranche B has a five (5) year moratorium on principal and interest with semi-annual payments commencing June 2024. This loan is secured by a Letter of Support from the Government of the Republic of Trinidad and Tobago.

Republic Bank Limited \$1.6 billion bond

A bridging loan facility in the amount of TTD 1.6 billion dollars (USD 253 million) was negotiated with Republic Bank Limited to pay Trinidad Generation Unlimited (TGU) for the outstanding balance and interest due. The initial term of the facility was for one hundred and eighty four (184) days, commencing August 25, 2015, at a rate of interest of 1.5% per annum. The term of the bridging facility was extended in three (3) month and six (6) month periods at 5% interest. This bridging loan was secured by a letter of guarantee dated August 24, 2015 from the Government of the Republic of Trinidad and Tobago, securing the equivalent of USD 253 million (TTD 1,612.6 million). In May 2018, this facility was redeemed by two long term fixed rate bonds of \$812.6 million for eight (8) years at 4.23% and \$800 million for fourteen (14) years at 5.28%. These bonds are repayable in semi-annual instalments of \$60,406,395 and \$40,793,606 respectively.

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Notes to the Unconsolidated Financial Statements (continued)

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14. Borrowings (continued)

Government advances

This represents advances made to the Commission by the Government of the Republic of Trinidad and Tobago to assist with debt servicing. There were no specific terms of repayment requested by the Government as at the reporting date.

The Government of the Republic of Trinidad and Tobago has advanced the Commission \$525 million in 2020 (2019: \$252 million) to assist with the repayment of the HSBC loan, the NGC loan and the Republic Bank Limited \$1.6 B bond.

15. Lease liabilities

(i) Amount disclosed in statement of financial position

	2020	2019
	\$' 000	\$' 000
Lease liabilities	12,644,076	13,140,850
Current portion	<u>(539,873)</u>	<u>(506,939)</u>
Non-current portion	<u>12,104,203</u>	<u>12,633,911</u>

		2020			2019		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	PPA 1994	327,718	116,468	211,250	327,713	126,526	201,187
	PPA 2005	107,231	79,212	28,019	107,229	81,465	25,764
	PPA 1998	145,321	69,657	75,664	145,320	75,584	69,736
	PPA 2011	734,819	514,345	220,474	734,808	526,817	207,991
	Other	5,518	1,052	4,466	2,850	589	2,261
Between one and five years	PPA 1994	1,310,871	354,832	956,039	1,310,852	400,352	910,500
	PPA 2005	428,921	290,089	138,832	428,915	301,255	127,660
	PPA 1998	581,285	208,610	372,675	581,277	237,802	343,475
	PPA 2011	2,939,277	1,916,918	1,022,359	2,939,233	1,974,758	964,475
	Other	13,080	2,009	11,071	6,404	1,159	5,245
More than five years	PPA 1994	1,310,871	148,800	1,162,071	1,638,566	219,739	1,418,827
	PPA 2005	1,179,534	441,110	738,424	1,286,745	509,144	777,601
	PPA 1998	435,964	64,810	371,154	581,277	105,270	476,007
	PPA 2011	11,512,167	4,182,581	7,329,586	12,246,807	4,638,989	7,607,818
	Other	2,728	736	1,992	3,178	875	2,303
		<u>21,035,305</u>	<u>8,391,229</u>	<u>12,644,076</u>	<u>22,341,174</u>	<u>9,200,324</u>	<u>13,140,850</u>

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15. Lease liabilities (continued)

The statement of Profit or Loss shows the following amounts relating to leases:

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Depreciation charge on right-of-use assets	<u>702,596</u>	<u>699,988</u>
Finance cost on lease liabilities	<u>811,673</u>	<u>839,995</u>

The leases are for the various buildings and parcels of land on which its offices, plant operations and substations are located service centres and the four (4) Power Purchase Agreements.

The PowerGen 1994 Power Purchase Agreement (PPA) was for a period of fifteen years and ended December 23, 2009. On the expiration of this PPA, it was automatically renewed for successive periods of three (3) years. However, before the expiration of the second three (3) year extension, the PPA was officially extended in 2014 for fifteen (15) years with some changes to the existing terms. The extended 1994 PPA will expire in December 2029. Interest is computed at 5.0% per annum.

The lease liability related to the PowerGenPPA 2005 is for a period of 30 years ending in March 2036. Interest is computed at 8.75% per annum.

The lease liability related to Trinity Power PPA 1998 is for a period of 30 years ending in March 2028. Interest is computed at 8.50% per annum.

The lease liability related to TGU PPA 2011 is for a period of 30 years ending in April 2041. Interest is computed at 6.00% per annum.

16. Provision for Dismantlement of Assets

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
The movement in the provision for dismantlement of assets on leased properties was as follows:		
Balance at January 1	46,751	45,969
Asset cost adjustment	407	-
Interest expense - unwinding of discount	<u>823</u>	<u>782</u>
Balance at December 31	47,981	46,751
Current portion	<u>(38,870)</u>	<u>(38,870)</u>
Non-current portion	<u>9,111</u>	<u>7,881</u>

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

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17. Trade and Other Payables

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Trade payables	1,043,265	1,085,353
Trade payables - NGC	1,945,431	987,812
Sundry payables and accruals	529,802	537,798
	<u>3,518,498</u>	<u>2,610,963</u>

18. Net Debt Reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented:

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Net debt		
Cash and cash equivalents	388,761	510,745
Short term investments	552,231	511,023
Lease liabilities	(12,644,076)	(13,140,850)
Borrowings	(10,908,324)	(10,654,481)
Net debt	<u>(22,611,408)</u>	<u>(22,773,563)</u>
Cash and cash equivalents	940,992	1,021,768
Gross debt-fixed interest rate	(23,552,400)	(23,795,331)
Net debt	<u>(22,611,408)</u>	<u>(22,773,563)</u>

	Borrowings \$' 000	Leases \$' 000	Cash and cash equivalent \$' 000	Short term investments \$' 000	Total \$' 000
Net debt as at 1 January 2019	(10,401,447)	(4,629,918)	468,718	311,552	(14,251,095)
Recognition on adoption of IFRS 16	-	(8,988,419)	-	-	(8,988,419)
Cash Flows	(252,707)	477,487	42,027	199,471	466,278
Foreign exchange adjustments	(327)	-	-	-	(327)
Net debt as at 31 December 2019	<u>(10,654,481)</u>	<u>(13,140,850)</u>	<u>510,745</u>	<u>511,023</u>	<u>(22,773,563)</u>
Net debt as at 1 January 2020	(10,654,481)	(13,140,850)	510,745	511,023	(22,773,563)
Cash Flows	(253,786)	508,130	(121,984)	41,208	173,568
Foreign exchange adjustments	(57)	-	-	-	(57)
Other changes	-	(11,356)	-	-	(11,356)
Net debt as at 31 December 2020	<u>(10,908,324)</u>	<u>(12,644,076)</u>	<u>388,761</u>	<u>552,231</u>	<u>(22,611,408)</u>

Trinidad and Tobago Electricity Commission
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19. Related Parties

(i) Identity of related parties

The Commission has a related party relationship with its subsidiary, other Governmental agencies and with its members and executive officers.

(ii) Related party transactions and balances

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
<i>Interest income</i>		
Interest income from security investments in subsidiary	<u>8,195</u>	<u>8,970</u>
<i>Dividend income</i>		
Dividend income from security investments in subsidiary	<u>58,940</u>	<u>61,830</u>
<i>Payments of finance lease obligations</i>		
Principal and interest	<u>434,897</u>	<u>434,617</u>
<i>Purchases</i>		
The purchase of electricity is included under generation expenses. The transactions were carried out under contracted terms and conditions.	<u>323,535</u>	<u>302,839</u>
Purchase of Natural Gas	<u>954,270</u>	<u>989,479</u>
<i>Balances at year end</i>		
Receivable from subsidiary	601	583
Loan to subsidiary	173,937	196,331
Payable to subsidiary	(192,988)	(191,223)
Payable to National Gas Company (NGC)	(1,945,431)	(987,812)
NGC loan - 2018	<u>(3,731,053)</u>	<u>(3,779,754)</u>
	<u>(5,694,934)</u>	<u>(4,761,875)</u>

(iii) Transactions with key management personnel

In addition to their salaries, the Commission also provides non-cash benefits to executive officers and contributions to a post-employment defined benefit plan on their behalf. The key management personnel compensations are as follows:

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Short-term employee benefits	32,982	30,799
Post-employment benefits	<u>3,628</u>	<u>3,628</u>
Total remuneration is included in staff costs (see Note 23)	<u>36,610</u>	<u>34,427</u>
Commissioners' remuneration	<u>626</u>	<u>595</u>

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20. Depreciation

	<u>2020</u>	<u>2019</u>
	\$' 000	\$' 000
Generation	728,596	726,445
Distribution	202,037	197,752
Transmission	68,362	59,581
Engineering	15,067	18,127
Administrative	22,817	20,233
	<u>1,036,879</u>	<u>1,022,138</u>
Amortisation of deferred income	(87,039)	(84,024)
	<u>949,840</u>	<u>938,114</u>

21. Finance Costs

Interest on loans and bank charges	303,749	302,735
Interest on lease liabilities	811,673	839,995
Loss on foreign exchange transactions	3,785	4,825
Other finance charges	41,993	41,302
	<u>1,161,200</u>	<u>1,188,857</u>

22. Other Income

Rental of transformers, dwellings and poles	100,986	97,055
Sundries	15,336	18,743
Contracting work	36,283	3,130
Meter and secondary connections and disconnections	4,562	11,756
Term deposit income	8,519	10,913
Interest on loan to subsidiary	8,195	8,970
	<u>173,881</u>	<u>150,567</u>

23. Staff Costs

Salaries and wages	797,335	750,000
Pension costs - defined benefit plan	61,622	139,481
Retirement benefits - fixed pension allowance	238	217
Retirement benefits - medical	45,510	37,823
Retirement benefits - death benefits	-	(5,155)
Other costs	74,133	63,137
National insurance contributions	42,459	42,792
	<u>1,021,297</u>	<u>1,028,295</u>

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24. Financial Risk Management

Introduction and overview

The Commission's activities expose it to a variety of financial risks. The Board reviews and agrees policies for managing its financial risk. These policies have remained unchanged throughout the year. The Commission has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Commission's exposure to each of the above risks as a result of transactions in financial instruments, the Commission's objectives, policies and processes for measuring and managing risks and the Commission's management of capital.

The Board has overall responsibility for the establishment and oversight of the Commission's risk management framework. The Board has established an Audit Committee, which is responsible for developing and monitoring the Commission's risk management policies. This Committee reports regularly to the Board of the Commission on its activities.

The Commission's risk management policies are established to identify and analyse the risks faced by the Commission, to set appropriate risk limits and controls and to monitor risk and adherence to limits. The Commission's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Commission's financial performance. Derivative financial instruments are not presently used to reduce exposure to fluctuations in these risks. These policies and systems are reviewed regularly to reflect changes in the market conditions and the Commission's activities.

The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Management is responsible for risk management. Transactions in financial instruments have resulted in the Commission assuming the financial risk described below. There has been no change in policies and procedures for managing these risks from the prior year.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

24. Financial Risk Management (continued)

a. Market risk

(i) *Currency risk*

The Commission is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar purchases. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. Management is responsible for managing the net position in each foreign currency. There has been no change in the management of these risks from the prior year.

The Commission's exposure to foreign currency risk was as follows:

	2020			2019		
	Carrying Amount	USD*	TTD	Carrying Amount	USD*	TTD
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial asset at amortised cost	173,937	173,937	-	196,331	196,331	-
Cash and cash equivalents	388,761	110,094	278,667	510,745	97,416	413,329
Lease liabilities	(12,644,076)	(12,626,547)	(17,529)	(13,140,850)	(13,131,041)	(9,809)
NGC 2018 Loan	(3,731,053)	(3,731,053)	-	(3,779,754)	(3,779,754)	-
HSBC loan	(44,506)	(44,506)	-	(89,011)	(89,011)	-
Trade and other payables	(3,518,498)	(2,886,010)	(632,488)	(2,610,963)	(2,073,165)	(537,798)
	<u>(19,375,435)</u>	<u>(19,004,085)</u>	<u>(371,350)</u>	<u>(18,913,502)</u>	<u>(18,779,224)</u>	<u>(134,278)</u>

*United States dollars (USD) risk is expressed in Trinidad and Tobago Dollars

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

24. Financial Risk Management (continued)

a. Market risk (continued)

(i) *Currency risk* (continued)

The following significant exchange rates were applied during the year:

	Selling Rate			
	Average Rate		Reporting Date Spot Rate	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
USD	6.7993	6.7993	6.7993	6.7992

	Buying Rate			
	Average Rate		Reporting Date Spot Rate	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
USD	6.7243	6.7338	6.7230	6.7255

Sensitivity Analysis

A 1% strengthening of TTD against USD at December 31, 2020 and December 31, 2019 would have decreased losses by the amount shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2019.

<u>2020</u>	<u>2019</u>
\$'000	\$'000
<u>190,061</u>	<u>187,813</u>

A 1% weakening of the TTD against USD at December 31 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

24. Financial Risk Management (continued)

a. Market risk (continued)

(ii) *Interest rate risk*

The changes in market interest rates on the Commission's loans cause exposure to interest rate risk. The Commission may be exposed to an interest rate price risk if interest rates fluctuate significantly from the fixed rates as set out in Note 14.

Included in Note 14 is information on the maturity dates as well as effective interest rates.

At the reporting date, the interest rate profile of the Commission's interest-bearing financial instruments was:

	Carrying Amount	
	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
<i><u>Fixed rate instruments</u></i>		
Financial assets		
Cash and cash equivalents	388,400	510,434
Short term investments	552,231	511,023
Debt security	<u>173,937</u>	<u>196,331</u>
	<u>1,114,568</u>	<u>1,217,788</u>
Financial liabilities		
Borrowings	(10,908,324)	(10,654,481)
Finance lease liabilities	<u>(12,644,076)</u>	<u>(13,140,850)</u>
	<u>(23,552,400)</u>	<u>(23,795,331)</u>
Net exposure	<u><u>(22,437,832)</u></u>	<u><u>(22,577,543)</u></u>

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

24. Financial Risk Management (continued)

b. Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. There has been no change in policies and procedures for managing these risks from the prior year.

Credit risk on cash and cash equivalents are minimised as all cash deposits are held with banks which have acceptable credit ratings.

Credit risk on receivables are minimised by requiring a service deposit for each customer account and suspending supply for accounts in arrears. Provisions have been set up against the receivable balances for potential credit losses.

The maximum exposure to credit risk at year-end was:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Trade and other receivables	1,873,397	1,615,219
Financial assets at amortised cost	173,937	196,331
Short term investments	552,231	511,023
Cash and cash equivalents	388,761	510,745
	<u>2,988,326</u>	<u>2,833,318</u>

The maximum exposure to credit risk for trade receivables at the reporting date by customer type as described in Note 8:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Customer type		
Private sector	319,134	402,304
Government ministries and state-owned agencies	1,448,034	1,111,241
	<u>1,767,168</u>	<u>1,513,545</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Opening balance	523,298	320,664
Increase in allowance for impairment	386,842	202,634
Closing balance	<u>910,140</u>	<u>523,298</u>

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

24. Financial Risk Management (continued)

b. Credit risk (continued)

Impairment loss recognised

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery is the failure of a debtor to make payments on closed accounts for periods greater than 90 days after closure of the accounts. Impairment losses on trade receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the impairment losses.

Impairment of financial assets

The Commission has two types of financial asset that is subject to the expected credit loss model, comprising:

- (i) Trade receivables for sales of electricity and pole rentals
- (ii) financial asset at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Commission applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables were grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Commission has considered current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and has identified the GDP and the unemployment rate as the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables :

General Pool of Trade Receivables

	0 to 60 days	61 to 120 days	Over 120 days	Total
At 31 December 2020				
Expected loss rate	12%	39%	75%	
Gross carrying amount	586,519	141,525	1,039,124	1,767,168
Loss allowance	71,641	54,634	783,865	910,140
At 1 January 2020				
Expected loss rate	9%	32%	53%	
Gross carrying amount	568,059	123,994	821,492	1,513,545
Loss allowance	49,077	39,451	434,770	523,298

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

24. Financial Risk Management (continued)

c. Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Management monitors rolling forecasts of the Commission's cash and cash equivalents on the basis of expected cash flows. There has been no change in the management of this risk from the prior year.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on their contractual maturities :

	Carrying Amount	Contractual cash flows	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000
December 31, 2020					
Customer deposits	82,673	82,673	-	-	82,673
\$500M bond	21,009	22,296	22,296	-	-
HSBC loan	44,506	45,997	45,997	-	-
NGC Loan - 2018	3,731,053	5,005,185	274,825	2,221,934	2,508,426
RBL \$1.6B bond	1,283,949	1,602,723	202,400	809,600	590,723
Government advances	5,827,807	5,827,807	-	-	5,827,807
Leases liabilities	12,644,076	21,035,305	1,320,607	5,273,434	14,441,264
Trade and other payables	3,518,498	3,486,616	3,486,616	-	-
Total	27,153,571	37,108,602	5,352,741	8,304,968	23,450,893
December 31, 2019					
Customer deposits	81,056	81,056	-	-	81,056
\$500M bond	63,026	70,747	48,451	22,296	-
HSBC loan	89,011	93,995	47,998	45,997	-
NGC loan 2018	3,779,754	5,279,933	274,821	1,660,592	3,344,520
RBL \$1.6B bond	1,419,886	1,805,123	202,400	809,600	793,123
Government advances	5,302,804	5,302,804	-	-	5,302,804
Leases liabilities	13,140,850	22,341,174	1,317,920	5,266,681	15,756,573
Trade and other payables	2,610,963	2,595,287	2,595,287	-	-
Total	26,487,350	37,570,119	4,486,877	7,805,166	25,278,076

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2020
(Expressed in Trinidad and Tobago Dollars)

24. Financial Risk Management (continued)

d. Capital Management

The Commission's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

The Trinidad and Tobago Electricity Commission Act Chapter 54:70, section 53(1-3) specifies the allowable expenditure to be covered by the tariffs of prices to be charged to consumers of the Commission. This tariff is set and approved by the Regulated Industries Commission (RIC).

These tariffs set by the RIC should allow for the necessary capital requirements of the Commission to be met; but where these tariffs have not provided the funding necessary, the Commission has obtained debt financing and advances from the Government of the Republic of Trinidad and Tobago (GORTT). Some of the latter has been converted into equity in the Commission by the GORTT.

There is no stated policy by the GORTT that advances already provided or that may be provided in the future, will be converted to equity in the Commission. There were no changes to the Commission's approach to capital management during the year.

25. Financial Instruments

A financial instrument is any contract that gives rise to either a financial asset or a financial liability or equity instrument of another enterprise. The Commission's financial instruments are initially recorded at fair value. For the purpose of these unconsolidated financial statements, financial assets have been determined to include other investments, trade and other receivables and cash and cash equivalents. Financial liabilities have been determined to include customer service deposits, borrowings, bank advances and demand loan and trade and other payables.

Fair value

As at period end, the recorded values of the short-term financial instruments are approximate to their fair values, due to their short - term nature. Cash and cash equivalents of \$389 million (2019: \$511 million) are kept at solid financial institutions. These financial instruments can generally be negotiated at a liquid market, can be redeemed at sight and have minimum risk.

The recorded value of the financial asset at amortised cost is approximate to its fair value based on estimated cash flows discounted using the current market rates of debt of the same remaining maturity and credit risk.

The fair values of the fixed rate long-term loans \$5,081 million (2019: \$5,352 million) are based on estimated future cash flows discounted using the current market rates of debt of the same remaining maturities and credit risk (Note 24).

Fair value hierarchy

The Commission's financial instruments are stated in the statement of financial position at amortised cost.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

26. Contingent Liabilities

(i) Letters of Credit

The Commission has letters of credit with Republic Bank Limited in the amount of \$11.1 million (2019: \$13 million).

(ii) Custom Bonds and Guarantees

	<u>2020</u> \$' 000	<u>2019</u> \$' 000
Outstanding guarantees and bonds lodged with the bank in respect of purchases		
- Bonds	-	5,000
- Guarantee	8,000	8,000

(iii) Litigation

There are several pending legal actions and other claims in which the Commission is involved. The Commission, based on the information provided by the Commission's attorneys-at-law, has made a provision in these financial statements in respect of these matters.

27. Capital Commitments

As at December 31, 2020, capital commitments amounting to approximately \$149.3 million (2019: \$266.4 million) existed with respect to contracts in progress and contracts approved but not yet commenced.

28. Purchase Commitments

The Commission is committed to purchase electricity from PowerGen, Trinity Power Limited and Trinidad Generation Unlimited under four Power Purchase Agreements (PPAs).

Effective January 1, 2019 IFRS 16 has been applied to the lease arrangements for Powergen, Trinity Power Limited and Trinidad Generation Unlimited which were previously recognised under IAS 17 and IFRIC 4. Information regarding the PPAs is given below.

PowerGen

(i) PPA 1994

This PPA extends for an initial period of 15 years from December 23, 1994. Under the PPA, the Commission is to provide fuel necessary for generation at no charge.

This PPA expired as at December 23, 2009. As per PPA 94 clause 2.2, it was automatically extended for three year periods until December 5th, 2014. In December 2014, a 15 year extension to the PPA was signed.

The Commission is also committed to purchase and pay for capacity up to a contracted minimum of 742 megawatts per month in 2015 and 624 megawatts thereafter at 95% availability as well as all energy delivered by PowerGen, less any penalties incurred due to a shortfall in meeting contracted annual availability. Payments for each month are determined in accordance with agreed formulae.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
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28. Purchase Commitments (continued)

PowerGen (continued)

(ii) *PPA 2005*

On December 6, 2005, the Commission entered into an agreement to purchase and pay for capacity up to the lesser of the Contracted Capacity (208 megawatts per month) and the Maximum Dependable Net Capacity at 90% availability, as well as all energy delivered by PowerGen, less any penalties incurred due to a shortfall in meeting contracted quantities. Payments for each month are determined in accordance with agreed formulae.

Trinity Power Limited

In February 1998, the Commission entered into an agreement for the purchase of electricity from September 9, 1999 for an initial period of 30 years. Under the agreement, the Commission is to provide fuel necessary for generation at no charge.

The Commission is also committed to purchase and pay for capacity up to a contracted minimum of 210 megawatts per month, at 90% availability, as well as all energy delivered by Trinity Power Limited. Payments for each month are determined in accordance with agreed formulae.

Trinidad Generation Unlimited (TGU)

The Commission and Alutrinc jointly entered into an agreement on September 15, 2009 for the supply of 225 MW at 93% availability from TGU in the first phase, to increase to 450 MW and then 720 MW. The first phase of 225 MW commenced in August 2011 and increased to 450 MW in December 2011. Output of 720 MW was achieved in December 2012. Under the agreement, the Commission is to provide fuel necessary for generation at no charge.

29. Subsequent Events

The Commission has determined that there are no subsequent events from the year end date of December 31, 2020 to the sign off date of July 28, 2021 which require recognition or disclosure in the unconsolidated financial statements.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)

December 31, 2020

(Expressed in Trinidad and Tobago Dollars)

30. Expenses by Nature

	<u>2020</u> \$'000	<u>2019</u> \$'000
(i) Generation		
Purchase of electricity	355,662	316,589
Fuel and lubricants	958,654	995,584
Operating expenses	20,447	17,603
Maintenance	29,212	28,718
Depreciation	667,436	666,728
	<u>2,031,411</u>	<u>2,025,222</u>
(ii) Distribution		
Operating expenses	259,616	235,562
Maintenance expenses	309,923	283,967
Customers' accounts and services	29,227	46,294
Rent, rates and insurance	8,165	7,528
Depreciation	185,077	181,496
	<u>792,008</u>	<u>754,847</u>
(iii) Transmission		
Transmission expenses	68,493	58,220
Rent, rates and insurance	1,888	1,728
Depreciation	62,623	54,683
	<u>133,004</u>	<u>114,631</u>
(iv) Engineering		
Administration	35,297	33,572
Maintenance expenses	3,885	2,330
Depreciation	13,802	16,637
	<u>52,984</u>	<u>52,539</u>
(v) Administrative		
Administration	183,787	167,383
Secretarial	3,084	2,839
Human resources	68,918	80,716
Increase in impairment of accounts receivable	386,842	202,634
Employee training	26,891	29,983
Net pension cost	107,370	172,366
Depreciation	20,902	18,570
Maintenance of land and buildings	259	124
(Decrease) / increase in provision for obsolescence	(1,759)	5,196
	<u>796,294</u>	<u>679,811</u>