



Trinidad and Tobago Electricity Commission

Unconsolidated Financial Statements

December 31, 2021

(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, 2021 and the unconsolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and other explanatory
- 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.

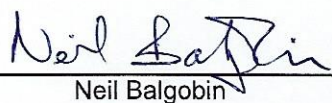
In preparing these audited unconsolidated financial statements, management utilised International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting 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
27 July 2022



Neil Balgobin
Chief Financial Officer
27 July 2022



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 2021, 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 2021;
- 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 Commission 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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
28 July 2022

Trinidad and Tobago Electricity Commission

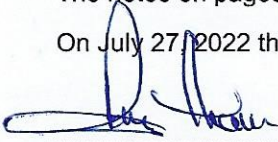
Unconsolidated Statement of Financial Position


(Expressed in Trinidad and Tobago Dollars)

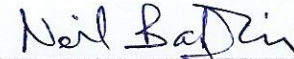
	Notes	As at December 31	
		2021 \$' 000	2020 \$' 000
ASSETS			
Non-current Assets			
Property, plant and equipment	3	5,357,862	5,415,045
Right-of-use assets	4	10,333,060	11,095,946
Investment in subsidiary	5	246,330	246,330
Financial asset at amortised cost	5	126,879	151,238
Retirement benefit asset	6	1,072,230	547,773
		<u>17,136,361</u>	<u>17,456,332</u>
Current Assets			
Inventories	7	190,200	200,225
Financial asset at amortised cost	5	24,471	22,699
Trade and other receivables	8	970,008	981,102
Short term investments	9	391,506	552,231
Cash and cash equivalents	10	588,322	388,761
		<u>2,164,507</u>	<u>2,145,018</u>
Total Assets		<u>19,300,868</u>	<u>19,601,350</u>
EQUITY AND LIABILITIES			
Equity			
Capital funds	11	1,368,114	1,368,114
Accumulated deficit		<u>(11,994,633)</u>	<u>(11,073,321)</u>
		<u>(10,626,519)</u>	<u>(9,705,207)</u>
Non-current Liabilities			
Deferred income	12	1,482,787	1,507,905
Borrowings	13	10,837,362	10,526,577
Lease liabilities	14	11,507,373	12,104,203
Retirement benefit obligations	6	514,049	510,143
Provision for dismantlement of assets	15	14,027	12,985
Customers' service deposits		84,581	82,673
		<u>24,440,179</u>	<u>24,744,486</u>
Current Liabilities			
Deferred income	12	89,149	86,957
Borrowings	13	333,331	381,747
Lease liabilities	14	572,066	539,873
Provision for dismantlement of assets	15	34,796	34,996
Trade and other payables	16	4,457,866	3,518,498
		<u>5,487,208</u>	<u>4,562,071</u>
Total Equity and Liabilities		<u>19,300,868</u>	<u>19,601,350</u>

The notes on pages 9 to 50 are an integral part of these unconsolidated financial statements.

On July 27, 2022 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>2021</u> \$' 000	<u>2020</u> \$' 000
Revenue			
Sale of electricity		3,088,994	3,098,180
Cost of sales			
Generation	29	(2,105,221)	(2,031,411)
Distribution	29	(713,238)	(792,008)
Transmission	29	(135,158)	(133,004)
		<u>(2,953,617)</u>	<u>(2,956,423)</u>
Gross profit		135,377	141,757
Engineering	29	(47,810)	(52,984)
Administrative	29	(592,208)	(796,294)
Other income	21	126,067	173,881
Operating loss		(378,574)	(533,640)
Finance costs	20	(1,095,285)	(1,161,200)
Dividend from subsidiary	18	41,620	58,940
Loss for the year		<u>(1,432,239)</u>	<u>(1,635,900)</u>
Other comprehensive income / (loss):			
Items that may never be reclassified to profit or loss			
Remeasurements of post employment benefits - gain / (loss)	6	510,927	(187,899)
Total comprehensive loss for the year		<u><u>(921,312)</u></u>	<u><u>(1,823,799)</u></u>

The notes on pages 9 to 50 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)

	Note	Capital Funds \$' 000	Accumulated Deficit \$' 000	Total \$' 000
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)
Year ended December 31, 2021				
Balance at January 1, 2021		1,368,114	(11,073,321)	(9,705,207)
Total comprehensive loss for the year				
Loss for the year		-	(1,432,239)	(1,432,239)
Other comprehensive income:				
Items that may never be reclassified to profit or loss				
Remeasurement of post employment benefit	6	-	510,927	510,927
Balance at December 31, 2021		1,368,114	(11,994,633)	(10,626,519)

The notes on pages 9 to 50 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>2021</u> \$' 000	<u>2020</u> \$' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(1,432,239)	(1,635,900)
Adjustments for:			
Finance costs	20	1,095,285	1,161,200
Depreciation	3	326,375	334,283
Depreciation of right-of-use assets	4	692,215	702,596
Amortisation of deferred income	19	(89,279)	(87,039)
Dividend income	18	(41,620)	(58,940)
Revaluation of loans (foreign exchange difference)		(1,261)	57
Term deposit income	21	(2,246)	(8,519)
Decrease in retirement benefit obligations		(9,624)	(13,252)
		<u>537,606</u>	<u>394,486</u>
Changes in working capital:			
Decrease / (increase) in inventories		10,025	(23,477)
Decrease in trade and other receivables		10,331	136,395
Increase in customers' service deposits		1,908	1,617
Increase in provision for dismantlement of assets		842	1,230
Increase in trade and other payables		<u>941,166</u>	<u>909,958</u>
Net cash provided by operating activities		<u>1,501,878</u>	<u>1,420,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loan by subsidiary		22,587	22,394
Dividends received	18	41,620	58,940
Capital contributions		66,353	88,357
Interest received		3,009	9,609
Acquisition of property, plant and equipment	3	(269,192)	(262,318)
Short term investments		<u>160,725</u>	<u>(41,208)</u>
Net cash provided by / (used in) investing activities		<u>25,102</u>	<u>(124,226)</u>

The notes on pages 9 to 50 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>2021</u> \$' 000	<u>2020</u> \$' 000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal elements of lease payments		(493,966)	(508,130)
Repayment of loans		(381,710)	(386,311)
Interest paid		(1,097,083)	(1,163,623)
Loan proceeds		122,084	115,094
Government advances		523,256	525,003
Net cash used in financing activities		<u>(1,327,419)</u>	<u>(1,417,967)</u>
Net increase / (decrease) in cash and cash equivalents		199,561	(121,984)
CASH AND CASH EQUIVALENTS AT START OF YEAR		<u>388,761</u>	<u>510,745</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>588,322</u>	<u>388,761</u>
Cash and cash equivalents represented by			
Cash and cash equivalents	10	<u>588,322</u>	<u>388,761</u>

The notes on pages 9 to 50 are an integral part of these unconsolidated financial statements.

Trinidad and Tobago Electricity Commission

Notes to the Unconsolidated Financial Statements

December 31, 2021

(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 Contour Global Trinity Power Limited (formerly 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. 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, 2021.

- Interest Rate Benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19 Related Rent Concessions - Amendments to IFRS 16

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, 2021

(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021 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, 2021 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, 2021 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 13, 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 2022 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, 2021

(Expressed in Trinidad and Tobago Dollars)

2. 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 14	Leases
Accounting Policy (e), (r), Note 8 and Note 23 b	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, 2021

(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021

(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021
(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021

(Expressed in Trinidad and Tobago Dollars)

2. 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>(1,971)</u>	<u>3,338</u>

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

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Interest expense within 1 year	<u>982</u>	<u>909</u>
Interest expense between 1 year to 5 years	<u>4,592</u>	<u>4,310</u>
Interest expense due more than 5 years	<u>84,764</u>	<u>85,999</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, 2021
(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021
(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021

(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021
(Expressed in Trinidad and Tobago Dollars)

2. 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, 2021
(Expressed in Trinidad and Tobago Dollars)

2. 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 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 represents 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, 2021

(Expressed in Trinidad and Tobago Dollars)

3. Property, Plant and Equipment

	Freehold Land	Structures	Equipment and Capital Spares	Work in Progress	Total
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Year ended December 31, 2021					
Opening net book value	13,677	641,466	4,558,491	201,411	5,415,045
Additions	-	70	62	269,060	269,192
Transfers	-	47,322	213,358	(260,680)	-
Depreciation charge	-	(29,660)	(296,715)	-	(326,375)
Closing net book value	<u>13,677</u>	<u>659,198</u>	<u>4,475,196</u>	<u>209,791</u>	<u>5,357,862</u>
At December 31, 2021					
Cost	13,677	996,002	8,868,259	209,791	10,087,729
Accumulated depreciation	-	(336,804)	(4,393,063)	-	(4,729,867)
Net book value	<u>13,677</u>	<u>659,198</u>	<u>4,475,196</u>	<u>209,791</u>	<u>5,357,862</u>
Year ended December 31, 2020					
Opening net book value	13,677	634,031	4,505,374	333,928	5,487,010
Additions	-	-	407	261,911	262,318
Transfers	-	36,969	357,459	(394,428)	-
Depreciation charge	-	(29,534)	(304,749)	-	(334,283)
Closing net book value	<u>13,677</u>	<u>641,466</u>	<u>4,558,491</u>	<u>201,411</u>	<u>5,415,045</u>
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	<u>13,677</u>	<u>641,466</u>	<u>4,558,491</u>	<u>201,411</u>	<u>5,415,045</u>
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	<u>13,677</u>	<u>634,031</u>	<u>4,505,374</u>	<u>333,928</u>	<u>5,487,010</u>

No interest was capitalised in 2021 (2020 : \$3.1 million).

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

December 31, 2021

(Expressed in Trinidad and Tobago Dollars)

4. Right of use Assets

Amount recognised in statement of financial position

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Opening net book value	11,095,946	11,787,186
Additions / (adjustments)	(70,671)	11,356
Depreciation charge	(692,215)	(702,596)
Closing net book value	<u>10,333,060</u>	<u>11,095,946</u>
Cost	18,900,637	18,971,308
Accumulated depreciation	(8,567,577)	(7,875,362)
Net book value	<u>10,333,060</u>	<u>11,095,946</u>

5. Subsidiary

Investment in subsidiary

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

	<u>2021</u> \$' 000	<u>2020</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>	126,879	151,238
<i>Current</i>	<u>24,471</u>	<u>22,699</u>
	<u>151,350</u>	<u>173,937</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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(Expressed in Trinidad and Tobago Dollars)

6. Retirement Benefit Asset / (Obligations)

The information below was extracted from the independent actuarial valuation reports dated March 15, 2022 and March 21, 2022.

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
<i>Summary of the retirement benefit obligations</i>		
<i>Retirement Benefit Asset</i>		
Pension plan	<u>1,072,230</u>	<u>547,773</u>
<i>Retirement Benefit Obligations</i>		
Fixed pension allowance	(2,859)	(2,522)
Medical benefits	<u>(511,190)</u>	<u>(507,621)</u>
	<u>(514,049)</u>	<u>(510,143)</u>
<i>Net pension cost</i>		
<i>Retirement Benefit Obligations</i>		
Pension plan	(66,959)	(61,622)
Fixed pension allowance	(210)	(238)
Medical benefits	<u>(46,483)</u>	<u>(45,510)</u>
	<u>(113,652)</u>	<u>(107,370)</u>
<i>Re-measurements recognised in other comprehensive income</i>		
<i>Retirement Benefit Obligations</i>		
Pension plan	482,942	(208,495)
Fixed pension allowance	(803)	34
Medical benefits	<u>28,788</u>	<u>20,562</u>
	<u>510,927</u>	<u>(187,899)</u>

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2021
(Expressed in Trinidad and Tobago Dollars)

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

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
(a) Pension Plan		
(i) Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit asset	547,773	707,320
Net pension cost	(66,959)	(61,622)
Re-measurements recognised in other comprehensive income	482,942	(208,495)
Commission's contributions paid	108,474	110,570
	<u>1,072,230</u>	<u>547,773</u>
Closing defined benefit asset	<u>1,072,230</u>	<u>547,773</u>
(ii) The amount recognised in the statement of financial position is as follows:		
Defined benefit obligation	(3,644,100)	(3,871,235)
Fair value of plan assets	4,716,330	4,419,008
	<u>1,072,230</u>	<u>547,773</u>
(a) Change in plan assets		
Plan assets at start of year	4,419,008	4,473,563
Interest income	241,249	244,505
Return on plan assets, excluding interest income	122,284	(242,276)
Commission's contributions	108,474	110,570
Members' contributions	38,037	39,048
Benefits paid	(211,696)	(205,342)
Administrative expenses	(1,026)	(1,060)
	<u>4,716,330</u>	<u>4,419,008</u>
Plan assets at end of year	<u>4,716,330</u>	<u>4,419,008</u>
<i>Plan assets comprise the following:</i>		
Locally listed equities	36%	36%
Overseas equities	8%	7%
Government issued nominal bonds	33%	34%
Corporate bonds	4%	5%
Cash and cash equivalents	15%	14%
Other (housing scheme mortgages)	4%	4%
	<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, 2021
(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>2021</u> \$' 000	<u>2020</u> \$' 000
<i>(b) Change in defined benefit obligation</i>		
Defined benefit obligation at start of year	(3,871,235)	(3,766,243)
Current service cost	(100,008)	(103,495)
Interest cost	(207,174)	(201,572)
Members' contribution	(38,037)	(39,048)
Re-measurements:		
-Experience adjustments	118,701	33,781
-Actuarial gain from changes in financial assumptions	241,957	-
Benefits paid	<u>211,696</u>	<u>205,342</u>
Defined benefit obligation at end of year	<u>(3,644,100)</u>	<u>(3,871,235)</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, 2021 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 2021		
Discount rate	<u>(411,926)</u>	<u>512,940</u>
Future salary increases	<u>172,353</u>	<u>(150,571)</u>
December 31 2020		
Discount rate	<u>(409,581)</u>	<u>580,051</u>
Future salary increases	<u>190,269</u>	<u>(164,074)</u>

An increase of one year in the assumed life expectancy would increase the defined benefit obligation at December 31, 2021 by \$50.8 million (2020: \$58.5 million).

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2021
(Expressed in Trinidad and Tobago Dollars)

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

(a) Pension Plan (continued)

(iii) Liability profile

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

	<u>2021</u>	<u>2020</u>
Active members	55%	58%
Deferred members	1%	1%
Pensioners	44%	41%

The weighted average duration of the defined benefit obligation was 13.3 years (2020: 14.1 years).

99% (2020: 96%) of the benefits for active members were vested.

24% (2020: 23%) of the defined benefit obligation for active members was conditional on future salary increases.

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

	<u>2021</u> <u>\$' 000</u>	<u>2020</u> <u>\$' 000</u>
Current service cost	(100,008)	(103,495)
Net interest on defined benefit asset	34,075	42,933
Administrative expenses	<u>(1,026)</u>	<u>(1,060)</u>
Total amount recognised	<u><u>(66,959)</u></u>	<u><u>(61,622)</u></u>

(v) Re-measurements recognised in other comprehensive income

Experience (gain) / loss	<u><u>(482,942)</u></u>	<u><u>208,495</u></u>
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(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 \$147 million to the Plan in 2022.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2021
(Expressed in Trinidad and Tobago Dollars)

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

(b) Post retirement

(i) *Fixed pension allowance*

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit obligations	(2,522)	(2,987)
Net benefit cost	(210)	(238)
Re-measurements recognised in Other Comprehensive Income	(803)	34
Benefits paid by the Commission	<u>676</u>	<u>669</u>
Closing defined benefit obligations	<u><u>(2,859)</u></u>	<u><u>(2,522)</u></u>
Change in defined benefit obligation		
Defined benefit obligations at start of year	(2,522)	(2,987)
Current service cost	(90)	(92)
Interest cost	(120)	(146)
Re-measurements:		
- Experience adjustments	(935)	34
- Actuarial gain from changes in financial assumptions	132	-
Benefits paid	<u>676</u>	<u>669</u>
Defined benefit obligation at end of year	<u><u>(2,859)</u></u>	<u><u>(2,522)</u></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, 2021 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 2021		
Discount rate	<u>(231)</u>	<u>276</u>
Salary increases	<u>(87)</u>	<u>116</u>
Inflation	<u>(170)</u>	<u>380</u>
December 31 2020		
Discount rate	<u>(253)</u>	<u>297</u>
Salary increases	<u>(115)</u>	<u>152</u>
Inflation	<u>(283)</u>	<u>562</u>

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2021
(Expressed in Trinidad and Tobago Dollars)

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

(b) Post retirement (continued)

(i) *Fixed pension allowance (continued)*

Liability profile

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

	<u>2021</u>	<u>2020</u>
Active members	79%	79%
Pensioners	21%	21%

The weighted average duration of the defined benefit obligation was 9.4 years (2020: 9.4 years). 99% (2020: 99%) of the benefits for active members were vested.

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

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Current service cost	(90)	(92)
Net interest on defined benefit liability	(120)	(146)
Net benefit cost	<u>(210)</u>	<u>(238)</u>

Re-measurements recognised in other comprehensive income

Experience loss / (gain)	<u>803</u>	<u>(34)</u>
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Funding

The Commission pays the benefits as they fall due. It expects to pay \$0.7 million under the Plan in 2022.

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
(ii) <i>Medical benefits</i>		
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit obligations	(507,621)	(492,056)
Net benefit cost	(46,483)	(45,510)
Re-measurements recognised in other comprehensive income	28,788	20,562
Benefits paid by the Commission	14,126	9,383
Closing defined benefit obligations	<u>(511,190)</u>	<u>(507,621)</u>

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)

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Change in defined benefit obligation		
Defined benefit obligations at start of year	(507,621)	(492,056)
Current service cost	(19,021)	(18,893)
Interest cost	(27,462)	(26,617)
Re-measurements:		
- Experience adjustments	(22,509)	20,562
- Actuarial gain from changes in financial assumptions	51,297	-
Benefits paid	<u>14,126</u>	<u>9,383</u>
Defined benefit obligation at end of year	<u>(511,190)</u>	<u>(507,621)</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, 2021 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 2021		
Discount rate	<u>(82,195)</u>	<u>107,926</u>
Medical cost increases	<u>120,175</u>	<u>(93,428)</u>
December 31 2020		
Discount rate	<u>(90,800)</u>	<u>112,208</u>
Medical cost increases	<u>124,484</u>	<u>(93,027)</u>

An increase of one year in the assumed life expectancies would increase the defined benefit obligation as at December 31, 2021 by \$17.609 million (2020: \$18.050 million).

Liability Profile

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

	<u>2021</u>	<u>2020</u>
Active members	58%	59%
Pensioners	42%	41%

The weighted average duration of the defined benefit obligation was 19.4 years (2020: 21 years). 39% (2020: 34%) of the benefits for active members were vested.

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

(b) Post retirement (continued)

(ii) Medical benefits (continued)

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

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Current service cost	(19,021)	(18,893)
Interest on defined benefit obligations	<u>(27,462)</u>	<u>(26,617)</u>
Net benefit cost	<u>(46,483)</u>	<u>(45,510)</u>

Re-measurements recognised in other comprehensive income

Experience gain	<u>(28,788)</u>	<u>(20,562)</u>
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Funding

The Commission pays the claims and administrative charges as they fall due net of retiree contributions. It expects to pay \$13.6 million to the Plan in 2022.

(c) Actuarial Assumptions

The principal actuarial assumptions used for accounting purposes were:

	<u>2021</u> (Per annum)	<u>2020</u> (Per annum)
Discount rate	6.00%	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%
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>2021</u>	<u>2020</u>
Life expectancy at age 60 for current pensioner in years		
Male	21.8	21.8
Female	26.1	26.0
Life expectancy at age 60 for current members age 40 in years		
Male	22.7	22.7
Female	27.0	27.0

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7. Inventories

	<u>2021</u> <u>\$' 000</u>	<u>2020</u> <u>\$' 000</u>
Transmission and distribution stock and other supplies, including goods in transit	201,544	211,518
Provision for impairment	<u>(11,344)</u>	<u>(11,293)</u>
	<u>190,200</u>	<u>200,225</u>

8. Trade and Other Receivables

Trade receivables		
Private sector	325,725	319,134
Government ministries and state-owned agencies	<u>1,606,980</u>	<u>1,448,034</u>
	1,932,705	1,767,168
Loss allowance	<u>(1,043,970)</u>	<u>(910,140)</u>
	<u>888,735</u>	<u>857,028</u>
Sundry receivables and prepayments		
Sundry receivables	52,226	106,229
Prepayments and accrued income	<u>33,215</u>	<u>19,572</u>
	85,441	125,801
Loss allowance	<u>(4,168)</u>	<u>(1,727)</u>
	<u>81,273</u>	<u>124,074</u>
	<u>970,008</u>	<u>981,102</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 23 a (i), 23 a (ii) and 23 b.

Trinidad and Tobago Electricity Commission
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 \$392 million (2020: \$552 million) are in relation to deposits held with maturity dates of greater than 90 days.

10. Cash and Cash Equivalents

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Short-term bank deposits	270,845	6,046
Cash at bank and in hand	<u>317,477</u>	<u>382,715</u>
	<u>588,322</u>	<u>388,761</u>

The effective interest rates on short-term bank deposits were 0.28% per annum (2020: 0.65% per annum) with an average maturity of 124 days (2020: 90 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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(Expressed in Trinidad and Tobago Dollars)

12. Deferred Income

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Capital Contribution		
Capital Contribution - Private Sector	1,233,696	1,191,819
Capital Contribution - GORTT	<u>1,456,459</u>	<u>1,431,983</u>
	2,690,155	2,623,802
Accumulated amortisation	<u>(1,118,219)</u>	<u>(1,028,940)</u>
	1,571,936	1,594,862
Current portion	<u>(89,149)</u>	<u>(86,957)</u>
Non-current portion	<u><u>1,482,787</u></u>	<u><u>1,507,905</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.

13. Borrowings

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Trinidad and Tobago Electricity Commission 12.25% Fixed Rate Bonds - 2021	-	21,009
HSBC Bank Plc term loan facility	-	44,506
The National Gas Company of Trinidad and Tobago Limited loan facility	3,678,082	3,731,053
Republic Bank Limited \$1.6B bond	1,141,548	1,283,949
Government advances	<u>6,351,063</u>	<u>5,827,807</u>
Total borrowings	11,170,693	10,908,324
Current portion	<u>(333,331)</u>	<u>(381,747)</u>
Non-current portion	<u><u>10,837,362</u></u>	<u><u>10,526,577</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. The bonds were fully redeemed in March 2021.

Trinidad and Tobago Electricity Commission
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13. 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 2021 (2020: 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 2021 (2020: 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. The loan was fully repaid in October 2021.

This loan facility was secured by a Government Guarantee.

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

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. In May 2018, this facility was redeemed by two long term fixed rate bonds of TT\$812.6 million for eight (8) years at 4.23% and TT\$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.

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

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13. 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 \$523 million in 2021 (2020: \$525 million) to assist with the repayment of the HSBC loan, the NGC loan and the Republic Bank Limited \$1.6 B bond.

14. Lease liabilities

(i) Amount disclosed in statement of financial position

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Lease liabilities	12,079,439	12,644,076
Current portion	<u>(572,066)</u>	<u>(539,873)</u>
Non-current portion	<u>11,507,373</u>	<u>12,104,203</u>

		<u>2021</u>			<u>2020</u>		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Less than one year	PPA 1994	327,608	105,870	221,738	327,718	116,468	211,250
	PPA 2005	107,194	76,734	30,460	107,231	79,212	28,019
	PPA 1998	145,272	63,204	82,068	145,321	69,657	75,664
	PPA 2011	734,571	499,802	234,769	734,819	514,345	220,474
	Other	3,720	689	3,031	5,518	1,052	4,466
Between one and five years	PPA 1994	1,310,428	306,927	1,003,501	1,310,871	354,832	956,039
	PPA 2005	428,776	277,847	150,929	428,921	290,089	138,832
	PPA 1998	581,089	176,873	404,216	581,285	208,610	372,675
	PPA 2011	2,938,282	1,849,638	1,088,644	2,939,277	1,916,918	1,022,359
	Other	8,072	1,075	6,997	13,080	2,009	11,071
More than five years	PPA 1994	982,821	90,666	892,155	1,310,871	148,800	1,162,071
	PPA 2005	1,071,941	376,371	695,570	1,179,534	441,110	738,424
	PPA 1998	290,545	33,251	257,294	435,964	64,810	371,154
	PPA 2011	10,712,488	3,705,868	7,006,620	11,512,167	4,182,581	7,329,586
	Other	2,018	571	1,447	2,728	736	1,992
		<u>19,644,825</u>	<u>7,565,386</u>	<u>12,079,439</u>	<u>21,035,305</u>	<u>8,391,229</u>	<u>12,644,076</u>

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14. Lease liabilities (continued)

The statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Depreciation charge on right-of-use assets	<u>692,215</u>	<u>702,596</u>
Finance cost on lease liabilities	<u>766,886</u>	<u>811,673</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 Contour Global 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 July 2041. Interest is computed at 6.00% per annum.

15. Provision for Dismantlement of Assets

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
The movement in the provision for dismantlement of assets on leased properties was as follows:		
Balance at January 1	47,981	46,751
Asset cost adjustment	(67)	407
Interest expense - unwinding of discount	<u>909</u>	<u>823</u>
Balance at December 31	48,823	47,981
Current portion	<u>(34,796)</u>	<u>(34,996)</u>
Non-current portion	<u>14,027</u>	<u>12,985</u>

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16. Trade and Other Payables

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Trade payables	988,041	1,043,265
Trade payables - NGC	2,962,298	1,945,431
Sundry payables and accruals	507,527	529,802
	<u>4,457,866</u>	<u>3,518,498</u>

17. 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>2021</u> \$' 000	<u>2020</u> \$' 000
Net debt		
Cash and cash equivalents	588,322	388,761
Short term investments	391,506	552,231
Lease liabilities	(12,079,439)	(12,644,076)
Borrowings	(11,170,693)	(10,908,324)
Net debt	<u>(22,270,304)</u>	<u>(22,611,408)</u>
Cash and cash equivalents	979,828	940,992
Gross debt-fixed interest rate	(23,250,132)	(23,552,400)
Net debt	<u>(22,270,304)</u>	<u>(22,611,408)</u>

	Borrowings \$' 000	Leases \$' 000	Cash and cash equivalents \$' 000	Short term investments \$' 000	Total \$' 000
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>
Net debt as at 1 January 2021	(10,908,324)	(12,644,076)	388,761	552,231	(22,611,408)
Cash Flows	(263,630)	493,966	199,561	(160,725)	269,172
Foreign exchange adjustments	1,261	-	-	-	1,261
Other changes	-	70,671	-	-	70,671
Net debt as at 31 December 2021	<u>(11,170,693)</u>	<u>(12,079,439)</u>	<u>588,322</u>	<u>391,506</u>	<u>(22,270,304)</u>

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18. 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>2021</u> \$' 000	<u>2020</u> \$' 000
<i>Interest income</i>		
Interest income from security investments in subsidiary	<u>7,250</u>	<u>8,195</u>
<i>Dividend income</i>		
Dividend income from security investments in subsidiary	<u>41,620</u>	<u>58,940</u>
<i>Payments of finance lease obligations</i>		
Principal and interest	<u>435,895</u>	<u>434,897</u>
<i>Purchases</i>		
The purchase of electricity is included under generation expenses. The transactions were carried out under contracted terms and conditions.	<u>351,451</u>	<u>323,535</u>
Purchase of Natural Gas	<u>1,026,168</u>	<u>954,270</u>
<i>Balances at year end</i>		
Receivable from subsidiary	474	601
Loan to subsidiary	151,350	173,937
Payable to subsidiary	(188,121)	(192,988)
Payable to National Gas Company (NGC)	(2,962,298)	(1,945,431)
NGC loan facility	<u>(3,678,082)</u>	<u>(3,731,053)</u>
	<u>(6,676,677)</u>	<u>(5,694,934)</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>2021</u> \$' 000	<u>2020</u> \$' 000
Short-term employee benefits	33,197	32,982
Post-employment benefits	<u>3,828</u>	<u>3,628</u>
Total remuneration is included in staff costs (see Note 22)	<u>37,025</u>	<u>36,610</u>
Commissioners' remuneration	<u>593</u>	<u>626</u>

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19. Depreciation

	<u>2021</u>	<u>2020</u>
	\$' 000	\$' 000
Generation	719,280	728,596
Distribution	194,610	202,037
Transmission	67,558	68,362
Engineering	16,082	15,067
Administrative	21,060	22,817
	<u>1,018,590</u>	<u>1,036,879</u>
Amortisation of deferred income	(89,279)	(87,039)
	<u>929,311</u>	<u>949,840</u>

20. Finance Costs

Interest on loans and bank charges	292,889	303,749
Interest on lease liabilities	766,886	811,673
(Gain) / loss on foreign exchange transactions	(2,533)	3,785
Other finance charges	38,043	41,993
	<u>1,095,285</u>	<u>1,161,200</u>

21. Other Income

Rental of transformers, dwellings and poles	98,470	100,986
Sundries	9,771	15,336
Contracting work	3,786	36,283
Meter and secondary connections and disconnections	4,544	4,562
Term deposit income	2,246	8,519
Interest on loan to subsidiary	7,250	8,195
	<u>126,067</u>	<u>173,881</u>

22. Staff Costs

Salaries and wages	735,397	797,335
Pension costs - defined benefit plan	66,959	61,622
Retirement benefits - fixed pension allowance	210	238
Retirement benefits - medical	46,483	45,510
Other costs	75,943	74,133
National insurance contributions	41,228	42,459
	<u>966,220</u>	<u>1,021,297</u>

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23. 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.

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23. 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:

	2021			2020		
	Carrying Amount	USD*	TTD	Carrying Amount	USD*	TTD
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial asset at amortised cost	151,350	151,350	-	173,937	173,937	-
Cash and cash equivalents	588,322	92,182	496,140	388,761	110,094	278,667
Lease liabilities	(12,079,439)	(12,067,964)	(11,475)	(12,644,076)	(12,626,547)	(17,529)
NGC Loan	(3,678,082)	(3,678,082)	-	(3,731,053)	(3,731,053)	-
HSBC loan	-	-	-	(44,506)	(44,506)	-
Trade and other payables	(4,457,866)	(3,951,677)	(506,189)	(3,518,498)	(2,886,010)	(632,488)
	<u>(19,475,715)</u>	<u>(19,454,191)</u>	<u>(21,524)</u>	<u>(19,375,435)</u>	<u>(19,004,085)</u>	<u>(371,350)</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, 2021
(Expressed in Trinidad and Tobago Dollars)

23. 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>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
USD	6.7982	6.7993	6.7970	6.7993

	Buying Rate			
	Average Rate		Reporting Date Spot Rate	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
USD	6.7255	6.7243	6.7280	6.7230

Sensitivity Analysis

A 1% strengthening of TTD against USD at December 31, 2021 and December 31, 2020 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 2020.

<u>2021</u>	<u>2020</u>
\$'000	\$'000
<u>194,628</u>	<u>190,061</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)
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(Expressed in Trinidad and Tobago Dollars)

23. 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 13.

Included in Note 13 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>2021</u>	<u>2020</u>
	\$'000	\$'000
<i><u>Fixed rate instruments</u></i>		
Financial assets		
Cash and cash equivalents	587,935	388,400
Short term investments	391,506	552,231
Debt security	151,350	173,937
	<u>1,130,791</u>	<u>1,114,568</u>
Financial liabilities		
Borrowings	(11,170,693)	(10,908,324)
Finance lease liabilities	(12,079,439)	(12,644,076)
	<u>(23,250,132)</u>	<u>(23,552,400)</u>
Net exposure	<u><u>(22,119,341)</u></u>	<u><u>(22,437,832)</u></u>

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.

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

December 31, 2021

(Expressed in Trinidad and Tobago Dollars)

23. Financial Risk Management (continued)

b. Credit risk (continued)

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

	<u>2021</u> \$'000	<u>2020</u> \$'000
Trade and other receivables	1,984,931	1,873,397
Financial assets at amortised cost	151,350	173,937
Short term investments	391,506	552,231
Cash and cash equivalents	588,322	388,761
	<u>3,116,109</u>	<u>2,988,326</u>

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

Customer type

Private sector	325,725	319,134
Government ministries and state-owned agencies	1,606,980	1,448,034
	<u>1,932,705</u>	<u>1,767,168</u>

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

Opening balance	910,140	523,298
Write-off of uncollectible amounts	(63,236)	-
Write back of amounts previously written off	32,911	-
Increase in allowance for impairment	164,155	386,842
Closing balance	<u>1,043,970</u>	<u>910,140</u>

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

Opening balance	1,727	1,727
Increase in allowance for impairment	2,441	-
Closing balance	<u>4,168</u>	<u>1,727</u>

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.

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2021

(Expressed in Trinidad and Tobago Dollars)

23. Financial Risk Management (continued)

b. Credit risk (continued)

Impairment of financial assets

The Commission has two types of financial assets that are 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 36 months before January 1, 2021 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 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 for trade receivables was determined as follows :

General Pool of Trade Receivables

	0 to 60 days	61 to 120 days	Over 120 days	Total
At 31 December 2021				
Expected loss rate	8%	35%	79%	
Gross carrying amount	599,941	145,095	1,187,668	1,932,704
Loss allowance	48,598	51,295	944,077	1,043,970
At 1 January 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

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

December 31, 2021

(Expressed in Trinidad and Tobago Dollars)

23. 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 Commission'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, 2021					
Customer deposits	84,581	84,581	-	-	84,581
NGC Loan - 2018	3,678,082	4,728,761	274,732	2,782,310	1,671,719
RBL \$1.6B bond	1,141,548	1,400,323	202,400	749,194	448,729
Government advances	6,351,063	6,351,063	-	-	6,351,063
Leases liabilities	12,079,439	19,644,825	1,318,365	5,266,647	13,059,813
Trade and other payables	4,457,866	4,415,383	4,415,383	-	-
Total	27,792,579	36,624,936	6,210,880	8,798,151	21,615,905
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	21,035,306	1,320,607	5,273,435	14,441,264
Trade and other payables	3,518,498	3,486,616	3,486,616	-	-
Total	27,153,571	37,108,603	5,352,741	8,304,969	23,450,893

Trinidad and Tobago Electricity Commission
Notes to the Unconsolidated Financial Statements (continued)
December 31, 2021
(Expressed in Trinidad and Tobago Dollars)

23. 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.

24. 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 year 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 \$588 million (2020: \$389 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 \$4,820 million (2020: \$5,081 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 23).

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, 2021

(Expressed in Trinidad and Tobago Dollars)

25. Contingent Liabilities

(i) Letters of Credit

The Commission has letters of credit with Republic Bank Limited in the amount of \$42 million (2020: \$11.1 million).

(ii) Custom Bonds and Guarantees

	<u>2021</u> \$' 000	<u>2020</u> \$' 000
Outstanding guarantees and bonds lodged with the bank in respect of purchases		
- Bonds	<u>5,000</u>	<u>-</u>
- Guarantee	<u>8,000</u>	<u>8,000</u>

(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.

26. Capital Commitments

As at December 31, 2021, capital commitments amounting to approximately \$105.8 million (2020: \$149.3 million) existed with respect to contracts in progress and contracts approved but not yet commenced.

27. Purchase Commitments

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

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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27. 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.

Contour Global 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 Contour Global Trinity Power Limited. Payments for each month are determined in accordance with agreed formulae.

Trinidad Generation Unlimited (TGU)

The Commission and Alutrint 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 agreement is for 30 years from the commencement of the first phase. 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.

28. Subsequent Events

The Commission has determined that there are no subsequent events from the year end date of December 31, 2021 to the sign off date of July 27, 2022 which require recognition or disclosure in the unconsolidated financial statements.

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

December 31, 2021

(Expressed in Trinidad and Tobago Dollars)

29. Expenses by Nature

	<u>2021</u> \$'000	<u>2020</u> \$'000
(i) Generation		
Purchase of electricity	368,247	355,662
Fuel and lubricants	1,031,420	958,654
Operating expenses	20,979	20,447
Maintenance	28,339	29,212
Depreciation	656,236	667,436
	<u>2,105,221</u>	<u>2,031,411</u>
(ii) Distribution		
Operating expenses	225,400	259,616
Maintenance expenses	301,748	309,923
Customers' accounts and services	6	29,227
Rent, rates and insurance	8,531	8,165
Depreciation	177,553	185,077
	<u>713,238</u>	<u>792,008</u>
(iii) Transmission		
Transmission expenses	71,397	68,493
Rent, rates and insurance	2,125	1,888
Depreciation	61,636	62,623
	<u>135,158</u>	<u>133,004</u>
(iv) Engineering		
Administration	30,223	35,297
Maintenance expenses	2,915	3,885
Depreciation	14,672	13,802
	<u>47,810</u>	<u>52,984</u>
(v) Administrative		
Administration	204,834	183,787
Secretarial	2,598	3,084
Human resources	55,663	68,918
Increase in impairment of accounts receivable	166,595	386,842
Employee training	29,601	26,891
Net pension cost	113,652	107,370
Depreciation	19,214	20,902
Maintenance of land and buildings	-	259
Increase / (decrease) in provision for obsolescence	51	(1,759)
	<u>592,208</u>	<u>796,294</u>