Financial Statements of

TRINIDAD AND TOBAGO ELECTRICITY COMMISSION

December 31, 2013

Trinidad and Tobago Electricity Commission

Financial Statements

December 31, 2013

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Auditors' Report to the Members of Trinidad and Tobago Electricity Commission

We have audited the accompanying financial statements of Trinidad and Tobago Electricity Commission (the Commission), which comprise the statement of financial position as at December 31, 2013, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information on pages 7 to 42.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG.

Chartered Accountants

September 29, 2014
Port of Spain
Trinidad and Tobago

Trinidad and Tobago Electricity Commission

Statement of Financial Position
December 31, 2013

ASSETS	Notes	2013 $' 000	2012 $' 000
Non-current Assets			
Property, plant and equipment	1	7,224,454	6,321,674
Investment in subsidiary	2	580,295	616,279
Retirement benefit asset	3	682,025	493,539
		8,486,774	7,431,492
Current Assets			
Inventories	4	317,044	330,763
Investment in subsidiary	2	12,864	11,796
Trade and other receivables	5	605,114	573,290
Cash and cash equivalents	6	598,365	472,155
		1,533,387	1,388,004
Total Assets		10,020,161	8,819,496
EQUITY AND LIABILITIES			
Equity			
Capital funds	7	1,368,114	1,368,114
Reserves	8	10,365	10,365
Accumulated deficit		(1,967,369)	(1,355,309)
		(588,890)	23,170
Non-current Liabilities			
Customers' service deposits		66,567	64,703
Borrowings	10	3,343,741	3,317,766
Finance lease liability	10	2,543,979	2,132,588
Retirement benefit obligations	3	219,918	258,949
Deferred Income	9	1,396,632	1,245,606
		7,570,837	7,019,612
Current Liabilities			
Borrowings	10	379,679	396,077
Finance lease liability	10	469,214	50,821
Trade and other payables	11	2,189,321	1,329,816
		3,038,214	1,776,714
Total Equity and Liabilities		10,020,161	8,819,496

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

On September, 29th 2014. the Board of Commissioners authorised these financial statements for issue.

Ms. Susilla Ramkissoon	Kelvin Ramsook	C. Licorish
LLB LEC	B.Sc. Engineering	FCCA, CA
Chairman	General Manager	Asst. General Manager - Finance

Trinidad and Tobago Electricity Commission

Statement of Comprehensive Income
For the year ended December 31, 2013

	Notes	Year Ended 31 December 2013 $' 000	Restated 2012 $' 000
Revenue			
Sale of electricity		2,929,901	2,827,327
Expenditure			
Generation		2,066,685	1,975,922
Transmission and distribution		584,827	588,233
Engineering		27,130	25,405
Administrative		171,071	134,695
Depreciation	13	629,097	484,648
Net pension cost	3	145,551	140,692
		3,624,361	3,349,595
Deficit from operations		(694,460)	(522,268)
Interest and finance costs	14	(364,034)	(332,056)
Dividend from subsidiary		80,407	119,538
Other income	16	61,761	96,048
Net deficit for the year		(916,326)	(638,738)
Other Comprehensive Income:			
Items that may never be reclassified to surplus / deficit			
Pension Re-measurements / Actuarial gain / (loss)	3	304,266	(53,773)
Total Comprehensive Loss for the year		(612,060)	(692,511)

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

Trinidad and Tobago Electricity Commission

Statement of Changes in Equity
For the year ended December 31, 2013

	Notes	Capital Funds $' 000	Reserves $' 000	Accumulated Deficit $' 000	Total $' 000
Year ended December 31, 2013					
Opening balance at January 1, 2013		1,368,114	10,365	(1,355,309)	23,170
Total Comprehensive income for the year					
Deficit for year		--	--	(916,326)	(916,326)
		-	-	(916,326)	(916,326)
Other Comprehensive Income: Items that may never be reclassified to surplus / deficit					
Pension Re-measurements / Actuarial gain				304,266	304,266
		-	-	304,266	304,266
Closing balance at December 31, 2013		1,368,114	10,365	(1,967,369)	(588,890)
Year ended December 31, 2012 (Restated)					
Opening balance at January 1, 2012		1,368,114	10,365	(662,798)	715,681
Total Comprehensive income for the year					
Deficit for year		--	--	(638,738)	(638,738)
		-	-	(638,738)	(638,738)
Other Comprehensive Income: Items that may never be reclassified to surplus / deficit					
Pension Re-measurements / Actuarial (loss)				(53,773)	(53,773)
		-	-	(53,773)	(53,773)
Closing balance at December 31, 2012		1,368,114	10,365	(1,355,309)	23,170

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

Trinidad and Tobago Electricity Commission

Statement of Cash Flows
For the year ended December 31, 2013

	Notes	Year Ended 31 December 2013 $' 000	2012 $' 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash provided by (used in) operating activities	17	557,799	(12,674)
CASH FLOWS FROM INVESTING ACTIVITIES			
Redemption of loan to PowerGen		8,308	13,667
Debenture redemption		27,931	22,948
Dividends received		80,407	119,538
Capital contributions		212,716	68,351
Interest received		523	468
Interest Capitalised		(5,792)	(7,452)
Acquisition of property, plant and equipment		(338,748)	(262,285)
Disposal of property, plant and equipment		30	135
Net cash used in investing activities		(14,625)	(44,630)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans		396,835	608,942
Repayment on Finance Lease		(419,272)	(314,914)
Repayment of loans		(394,527)	(525,437)
Net cash used in financing activities		(416,964)	(231,409)
Net increase (decrease) in cash and cash equivalents		126,210	(288,713)
CASH AND CASH EQUIVALENTS AT START OF YEAR		472,155	760,868
CASH AND CASH EQUIVALENTS AT END OF YEAR		598,365	472,155
Cash and cash equivalents represented by			
Cash and cash equivalents		598,365	472,155
		598,365	472,155

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

Reporting Entity

Trinidad and Tobago Electricity Commission (the "Commission") is incorporated under the Trinidad and Tobago Electricity Commission Act, Chapter 54:70 (as amended), to provide electricity for industrial, commercial and domestic use throughout the Republic of Trinidad and Tobago. It is governed by a Board of Commissioners whose members are appointed by the President of the Republic of Trinidad and Tobago. The registered office is situated at 63 Frederick Street, Port of Spain, Trinidad and Tobago.

Electricity is purchased from the Commission's subsidiary, The Power Generation Company of Trinidad and Tobago Limited (PowerGen), from Trinity Power Limited and from Trinidad Generation Unlimited.

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

These financial statements were authorised for issue by the Board of the Commission on September, 29th 2014.

Significant Accounting Policies

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

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") 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).

(b) Change in accounting policy

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

(i) *Fair value measurement*

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

(ii) *Presentation of items of other comprehensive income (OCI)*

As a result of the amendments to IAS 1, the Company has modified the presentation of items of OCI in its statement of profit or loss and OCI, to presently items that would be reclassified to profit or loss from those that would never be. Comparative information has been re - presented accordingly.

Significant Accounting Policies (continued)

(b) Change in accounting policy (continued)

(iii) *Post-employment defined benefit plans*

As a result of IAS 19 - Employee Benefits (2011), the Company has changed its accounting policy with respect to the basis for determining the income or expense related to post - employment defined benefit plans (see Note 3 for further details).

(c) Basis of measurement

These financial statements are prepared on the historical cost basis. No account has been taken of the effects of inflation.

(d) 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 currency. All financial information presented in Trinidad and Tobago dollars has been rounded thousand.

(e) 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 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.

Judgements made by management in the application of IFRSs that have a significant effect on the financial statements, and estimates with a significant risk of material adjustment, are discussed in Note 24.

(f) Financial instruments

Financial instruments are classified as financial assets or liabilities at fair value through profit or loss, held to maturity, loans and receivables and available for sale. Financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, customer service deposits, borrowings and trade and other payables.

Significant Accounting Policies (continued)

(f) Financial instruments *(continued)*

Financial instruments are recognised initially at cost plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition, financial instruments are measured as described below.

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.

Cash and cash equivalents comprise cash balances and call deposits.

(i) Equity investment in other entities

Investment in PowerGen is stated at cost.

Although the Commission's investment in PowerGen is 51% of shares, the Commission does not have power over the investee. As such these financial statements do not reflect the consolidation.

(ii) Other investments

Other investments are measured at amortised cost using the effective interest method, less any impairment losses.

(iii) Borrowings

Borrowings are measured at amortised cost using the effective interest method.

(g) Foreign currency transactions

Foreign currency transactions are translated into Trinidad and Tobago dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Trinidad and Tobago dollars at the weighted average buying and selling rates, respectively, ruling at that date. Foreign transaction gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus for the year.

Non-monetary assets and liabilities are measured in terms of historical costs.

Significant Accounting Policies (continued)

(h) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see accounting policy (j) (ii)).

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 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 surplus for the year during the financial period in which they are incurred.

(iii) 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:

Structures	-	3.33%
Equipment	-	2.5% to 25%

Freehold land is not depreciated.
Leasehold land and leased plant are amortised over the period of the respective leases.

(iv) Disposal

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the results for the year.

(i) Inventories

Inventories held for maintenance and capital improvements 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.

Significant Accounting Policies (continued)

(j) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset, measured at amortised cost, is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the surplus for the year.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the surplus for the year.

(ii) 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. 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 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 surplus for the year.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 of money and the risks specific to the asset.

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

Significant Accounting Policies (continued)

(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 asset recognised in the statement of financial position in respect of the defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the reporting date. The pension asset is calculated annually by independent qualified 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, it has been assumed that the proceeds will be re - invested until such time as the liabilities fall due for payment.

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

(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 the profit or loss, unless the 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) 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.

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.

Significant Accounting Policies (continued)

(m) Leased assets

Leases, in terms of which the Commission assumes substantially all the risks and rewards of ownership, are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Under IFRIC 4 (determining whether an agreement contains a lease), the Company is deemed to have an investment in property, plant and equipment from the Power Purchase Agreements (PPA) with PowerGen and Trinity Power Limited. Upon the adoption of IFRIC 4 in 2007, the Commission recognised the investment in finance lease equal to the present value of the minimum payments under the PPAs that were deemed to relate to payment for the generating assets. The difference between the gross payable and the present value of the payable is recognised as interest expense.

(n) Revenue recognition

Revenue is recognised on the accrual basis.

Revenue from the sale of electricity is recognised in the 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.

(o) Lease payments

Payments made under operating leases are recognised in the profit or loss on a straight - line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(p) 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 surplus or loss.

Significant Accounting Policies (continued)

(q) 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.

(r) Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of the financial statements there were new standards, amendments to standards and interpretations which were in issue but were not yet effective for the year ended December 31, 2013 and have not been applied in preparing these financial statements. These are as follows:

- IAS 32 and IFRS 7 (Amendments) Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2014). These amendments clarify the offsetting criteria and address inconsistencies in their application. The amendments are to be applied retrospectively.

- IFRS 9 *Financial Instruments* (IFRS 9 is not expected to become effective for accounting periods beginning any earlier than January 1, 2017). This is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

The Commission has conducted a preliminary evaluation of the potential effect of these standards. Given the nature of T&TEC operations, the standards are not expected to have a significant impact on the Commission's financial statements.

(s) Change in Accounting Policy

As a result of IAS 19 (2011) the Commission has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment benefit plans.

The Company recognizes any actuarial gains or losses in other comprehensive income. See quantitative impact below:

Expressed in thousands of Trinidad and Tobago dollars ($'000)

Significant Accounting Policies (continued)

(s) Change in Accounting Policy *(continued)*

Statement of Financial Position

	Impact of change in accounting policy		
	As Reported $' 000	**Impact $' 000**	**As Restated $' 000**
January 1, 2012			
Retirement benefit asset	512,736	0	512,736
Retirement benefit obligation	175,207	0	175,207
Retained earnings	(662,798)	0	(662,798)
December 31, 2012			
Retirement benefit asset	493,539	0	493,539
Retirement benefit obligation	258,949	0	258,949
Net pension cost	194,465	(53,773)	140,692
Pension Re-Measurements	0	53,773	53,773
Retained earnings	(1,967,369)	0	(1,967,369)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

1. Property, Plant and Equipment

	Freehold and Leasehold Land $' 000	Structures $' 000	Equipment $' 000	Work in Progress $' 000	Total $' 000
Year ended December 31, 2013					
Opening net book amount	11,701	154,577	4,429,383	1,726,013	6,321,674
Additions			1,249,139	344,458	1,593,597
Disposals			(30)		(30)
Transfers		5,510	144,336	(149,846)	-
Depreciation charge	(324)	(7,888)	(682,575)		(690,787)
Closing net book amount	11,377	152,199	5,140,253	1,920,625	7,224,454
At December 31, 2013					
Cost	22,772	270,977	12,129,845	1,920,625	14,344,219
Accumulated depreciation	(11,395)	(118,778)	(6,989,592)		(7,119,765)
Net book amount	11,377	152,199	5,140,253	1,920,625	7,224,454
Year ended December 31, 2012					
Opening net book amount	12,025	134,039	4,854,198	1,590,915	6,591,177
Additions				269,737	269,737
Disposals			(135)		(135)
Transfers		28,373	106,266	(134,639)	-
Depreciation charge	(324)	(7,835)	(530,946)		(539,105)
Closing net book amount	11,701	154,577	4,429,383	1,726,013	6,321,674
At December 31, 2012					
Cost	22,772	265,467	10,740,886	1,726,013	12,755,138
Accumulated depreciation	(11,071)	(110,890)	(6,311,503)	-	(6,433,464)
Net book amount	11,701	154,577	4,429,383	1,726,013	6,321,674

The net carrying amount of the leased equipment was $2,361,711 (2012 - $1,612,262).

Interest of approximately $5,792 was capitalised in 2013 (2012 - $7,452).

Expressed in thousands of Trinidad and Tobago dollars ($'000)

2. Investment in Subsidiary

The Commission has made equity and debt investments in its 51 % subsidiary, The Power Generation Company of Trinidad and Tobago Limited

	2013 $' 000	2012 $' 000
Equity Investments		
246,330,000 ordinary shares (51%)	246,330	246,330
Debt Investments		
Non-current investments		
Convertible Redeemable Debenture Stock	67,022	93,630
Debt security	266,943	276,319
	333,965	369,949
	580,295	616,279
Current investments		
Convertible Redeemable Debenture Stock		
Debt security	12,864	11,796

Convertible redeemable debenture stock

The convertible redeemable debenture stock is denominated in United States dollars (USD) and is due from the subsidiary. The balance is repayable by 2024 and attracts interest at the rate of 0.01% per annum. The terms of the debenture provide for repayment in shares or in cash. Redemption in cash commenced in 1997, but repayment within the year is dependent on the cash flows of the subsidiary.

Debt security

On December 19, 2005, the Commission signed a Shareholder Loan Agreement with its subsidiary for USD50,490 an aggregate amount of interest added to the principal. At December 31, 2007, the amount drawn down under the facility was $314,260 (USD50,031). There were no further drawdowns to date. Additionally, interest accrued and capitalised to March 29, 2007 was $24,365 (USD3,879) 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, 2012 was approximately 3.5%, consisting of 0.5% LIBOR and a 3% spread as per clause 2.04 of the Shareholder Loan Agreement (SLA).

Expressed in thousands of Trinidad and Tobago dollars ($'000)

3. Retirement Benefit Asset (Obligations)

The information below was extracted from the independent actuarial valuation reports dated March 30, 2014 and April 4, 2014:

	2013 $' 000	Restated 2012 $' 000
Summary of the retirement benefit asset (obligations)		
Retirement Benefit Asset		
Pension Plan	682,025	493,539
Retirement Benefit Obligations		
Fixed pension allowance	(3,597)	(3,371)
Medical benefits	(211,321)	(244,354)
Death benefits	(5,000)	(11,224)
	(219,918)	(258,949)
Net pension cost		
Retirement Benefit Asset		
Pension Plan	(122,153)	(75,018)
Retirement Benefit Obligations		
Fixed pension allowance	(207)	(241)
Medical benefits	(22,307)	(64,629)
Death benefits	(884)	(804)
	(23,398)	(65,674)
	(145,551)	(140,692)
Re-Measurements recognised in Other Comprehensive Income		
Retirement Benefit Asset		
Pension Plan	246,901	(30,139)
Retirement Benefit Obligations		
Fixed pension allowance	(324)	(95)
Medical benefits	50,736	(22,792)
Death benefits	6,953	(747)
	57,365	(23,634)
	304,266	(53,773)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

3. Retirement Benefit Asset (Obligations) (continued)

	2013 $' 000	Restated 2012 $' 000
(a) Pension		
(i) Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit asset	493,539	512,736
Net pension cost	(122,153)	(75,018)
Re-measurements recognised in Other Comprehensive Income	246,901	(30,139)
Commission's contributions paid	63,738	85,960
Closing defined benefit asset	682,025	493,539
(ii) The amount recognised in the statement of financial position is as follows:		
Defined benefit obligations	(3,355,661)	(3,241,784)
Fair value of plan assets	4,037,686	3,735,323
Net defined benefit asset	682,025	493,539
(a) Change in plan assets		
Plan assets at start of year	3,735,323	3,444,478
Interest income	185,739	187,858
Return on plan assets, excluding interest income	158,213	161,516
Commission's contributions	63,738	85,960
Members' contributions	31,869	42,695
Benefits paid	(136,252)	(186,337)
Administrative expenses	(944)	(847)
Plan assets at end of year	4,037,686	3,735,323
Plan assets comprise the following:		
Equity securities	55%	52%
Debt securities	16%	19%
Mutual funds	0%	0%
Housing Scheme Mortgages	3%	2%
Cash and Cash Equivalents	26%	27%
	100%	100%

Expressed in thousands of Trinidad and Tobago dollars ($'000)

3. Retirement Benefit Asset (Obligations) (continued)

(a) Pension (continued)

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

(b) Change in defined benefit obligation

	2013 $' 000	Restated 2012 $' 000
Defined benefit obligation at start of year	(3,241,784)	(2,931,742)
Current service cost	(148,224)	(105,839)
Interest cost	(158,724)	(156,190)
Members' contribution	(31,869)	(42,695)
Re-measurements:		
-Experience adjustments	(55,781)	(3,271)
-Actuarial gain from changes in demographic assumptions	33,610	0
-Actuarial gain / (loss) from changes in financial assumptions	110,859	(188,384)
Benefits paid	136,252	186,337
Defined benefit obligation at end of year	(3,355,661)	(3,241,784)

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

	2013 $' 000	Restated 2012 $' 000
Current service cost	(148,224)	(105,839)
Net interest on defined benefit asset	27,015	31,668
Past service cost	0	0
Administrative Expenses	(944)	(847)
Total amount recognised	(122,153)	(75,018)

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 31 December, 2013 would have changed as a result of a change in the assumptions used.

	1%pa higher $' 000	1%pa lower $' 000
Discount rate	(410,185)	517,390
Future salary increases	168,688	(147,046)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

3. Retirement Benefit Asset (Obligations) (continued)

(a) Pension (continued)

Sensitivity Analysis (continued)

An increase of one year in the assumed life expectancy would increase the defined benefit obligation at 31 December, 2013 by $50,518.

(b) Post retirement

(i) Fixed pension allowance

	2013 $' 000	Restated 2012 $' 000
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit obligations	(3,371)	(3,459)
Net benefit cost	(207)	(241)
Re-Measurements recognised in Other Comprehensive Income	(324)	(95)
Benefits paid by the Commission	305	424
Closing defined benefit obligations	(3,597)	(3,371)
The amount recognised in the deficit for fixed pension allowance obligations is as follows:		
Current service cost	(46)	(62)
Net interest on defined benefit (liability)	(161)	(179)
Net benefit cost	(207)	(241)
Change in Defined Benefit Obligation		
Defined Benefit Obligations at start of year	(3,371)	(3,459)
Service cost	(46)	(62)
Interest cost	(161)	(179)
Re-measurements:		
-Experience adjustments	(324)	0
-Actuarial gain from changes in demographic assumptions	126	0
-Actuarial (loss) from changes in financial assumptions	(126)	(95)
Benefits paid	305	424
Defined Benefit Obligation at end of year	(3,597)	(3,371)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

3. Retirement Benefit Asset (Obligations) (continued)

(b) Post Retirement (continued)

Sensitivity Analysis (continued)

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 31 December, 2013 would have changed as a result of a change in the assumptions used.

	1%pa higher $' 000	1%pa lower $' 000
Discount rate	(259)	302
Salary increases	(177)	236
Inflation	(389)	583

(ii) ***Medical benefits***

	2013 $' 000	Restated 2012 $' 000
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit obligations	(244,353)	(161,924)
Net benefit cost	(22,307)	(64,629)
Re-Measurements recognised in Other Comprehensive Income	50,736	(22,792)
Benefits paid by the Commission	4,603	4,992
Closing defined benefit obligations	(211,321)	(244,353)
The amount recognised in the deficit recognised for medical obligations is as follows:		
Current service cost	(10,266)	(6,050)
Interest on defined benefit obligations	(12,041)	(8,754)
Current Service Cost	0	(49,825)
Net benefit cost	(22,307)	(64,629)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

3. Retirement Benefit Asset (Obligations) (continued)

(b) Post Retirement (continued)

(ii) Medical benefits *(continued)*

	2013 $' 000	Restated 2012 $' 000
Change in Defined Benefit Obligation		
Defined Benefit Obligations at start of year	(244,353)	(161,924)
Current Service cost	(10,266)	(6,050)
Interest cost	(12,041)	(8,754)
Past Service Cost	0	(49,825)
Re-measurements:		
-Experience adjustments	47,027	(7,285)
-actuarial gain from changes in demographic assumptions	3,709	0
-actuarial (loss) from changes in financial assumptions	0	(15,507)
Benefits paid	4,603	4,992
Defined Benefit Obligation at end of year	(211,321)	(244,353)

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions used. The following table summarises how the defined benefit obligation as at 31 December, 2013 would have changed as a result of a change in the assumptions used.

	1%pa higher $' 000	1%pa lower $' 000
Discount rate	(33,269)	43,564
Medical cost increases	44,879	(34,682)

An increase of one year in the assumed life expectancies would increase the defined benefit obligation as at 31 December, 2013 by $7,740

(iii) Death benefits

	2013 $' 000	Restated 2012 $' 000
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit obligations	(11,224)	(9,823)
Net benefit cost	(884)	(804)
Re-Measurements recognised in Other Comprehensive Income	6,953	(747)
Benefits paid by the Commission	155	150
Closing defined benefit obligations	(5,000)	(11,224)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

3. Retirement Benefit Asset (Obligations) (continued)

(b) Post Retirement (continued)

	2013 $' 000	Restated 2012 $' 000
***(iii) Death benefits** (continued)*		
The amount recognised in the deficit for retirement death benefit expenses is as follows:		
Current service cost	(327)	(268)
Interest on defined benefit obligations	(557)	(536)
Net Benefit cost	(884)	(804)
Change in Defined Benefit Obligation		
Defined Benefit Obligations at start of year	(11,224)	(9,823)
Current service cost	(327)	(268)
Interest cost	(557)	(536)
Re-measurements:		
-Experience adjustments	434	(433)
-actuarial gain from changes in demographic assumptions	43	0
-actuarial gain (loss) from changes in demographic assumptions	6,476	(314)
Benefits paid	155	150
Defined Benefit Obligation at end of year	(5,000)	(11,224)

(c) Actuarial Assumptions

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in surplus or loss. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	2013		2012	
	1% Point Increase $'000	1% Point Decrease $'000	1% Point Increase $'000	1% Point Decrease $'000
Aggregate service and interest costs	-	-	3,593	(2,718)
Year-end defined benefit obligation	-	-	46,985	(36,929)
Discount rate	(33,269)	43,564	-	-
Medical cost increases	44,879	(34,682)	-	-

Expressed in thousands of Trinidad and Tobago dollars ($'000)

4. Inventories

	2013 $'000	2012 $'000
Transmission and distribution stock and other supplies	304,298	324,066
Provision for impairment	(6,163)	(6,086)
	298,135	317,980
Fuel	7,315	6,301
Goods-in-transit	11,594	6,482
	317,044	330,763

5. Trade and Other Receivables

	2013 $'000	2012 $'000
Trade receivables		
Private sector	399,162	416,967
Government ministries and state-owned agencies	188,243	162,336
	587,405	579,303
Provision for impairment	(55,945)	(59,987)
	531,460	519,316
Sundry receivables and prepayments	77,254	60,120
Provision for impairment	(3,600)	(6,146)
	73,654	53,974
	605,114	573,290

6. Cash and Cash Equivalents

	2013 $'000	2012 $'000
Short-term bank deposits	51,672	141,635
Cash at bank and in hand	546,693	330,520
	598,365	472,155

The effective interest rates on short - term bank deposits were 0.05% to 0.65% per annum (2012: 0.23% to 2.25% per annum) with an average maturity of 180 days.

Expressed in thousands of Trinidad and Tobago dollars ($'000)

7. 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, non - interest bearing 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.

8. Reserves

This figure is a capital reserve of $10,365 (2012 - $10,365) which represents debts forgiven by the Canadian International Development Agency.

9. Deferred Income

	2013 $' 000	2012 $' 000
Capital Contribution	1,866,115	1,653,399
Accumulated amortisation	(469,483)	(407,793)
	1,396,632	1,245,606

Non-refundable capital contributions are made by customers towards the cost of installing sub-transmission and 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.

10. Borrowings

	2013 $' 000	2012 $' 000
Trinidad and Tobago Electricity Commission 12.25% Fixed Rate Bonds - 2021	315,129	357,146
HSBC Bank plc term loan facility	338,622	378,935
The National Gas Company of Trinidad and Tobago Limited (NGC) loan facility	1,329,004	1,615,748

Expressed in thousands of Trinidad and Tobago dollars ($'000)

10. Borrowings (continued)

	2013 $' 000	2012 $' 000
Republic Bank Ltd short term USD loan	0	18,184
Government advances	1,740,665	1,343,830
Total borrowings	3,723,420	3,713,843
Current portion	(379,679)	(396,077)
Non-current portion	3,343,741	3,317,766
Finance lease liabilities	3,013,193	2,183,409
Current portion	(469,214)	(50,821)
Non-current portion	2,543,979	2,132,588

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

The Commission raised $500M 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 will end in March 2021.

The bonds are redeemable in 34 equal semi - annual principal instalments of $21,009 payable on September 30 and March 31.

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

On 9th March 2012, NGC and T&TEC signed an agreement to convert the Commission's debt as at September 2009 in the sum of USD 319,700 into a medium term loan, with a term of seven (7) years, an interest rate of 3% per annum, no moratorium and Semi-annual payments commencing December 1, 2011.

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 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 (USD76,000) at the date of the agreement, itemised as follows:

Expressed in thousands of Trinidad and Tobago dollars ($'000)

10. Borrowings (continued)

(i) Tranche A Aggregate Loan Limit being USD sixty four million and six hundred thousand (USD64,600) plus the applicable capitalised interest. Drawdowns commenced on September 26, 2008. There was no capitalisation of the aggregate of principal and interest for 2013 (2012: NIL).

(ii) Tranche B Aggregate Loan Limit being USD eleven million and four hundred thousand (USD11,400) plus the applicable capitalised interest. Drawdowns commenced on August 8, 2008. There was no capitalisation of the aggregate of principal and interest for 2013 (2012: USD 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 to be made by twenty four (24) consecutive equal semi - annual instalments commencing on April 15, 2010.

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 $396,835 in 2013 to assist with the repayment of the HSBC loan for the financing of the Cove generation plant and the NGC Loan.

Finance lease liabilities

		2013			2012		
		$'000	$'000	$'000	$'000	$'000	$'000
		Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	PPA 1994	457,211	43,463	413,748	-	-	-
Less than one year	PPA 2005	101,982	87,169	14,813	101,442	87,893	13,549
	PPA 1998	138,209	97,556	40,653	137,478	100,208	37,270
	PPA 1994	478,293	22,776	455,517	-	-	-
Between one and five years	PPA 2005	407,927	334,528	73,399	405,770	338,633	67,137
	PPA 1998	552,833	352,604	200,229	549,909	366,342	183,567
More than five years	PPA 2005	1,835,672	927,672	908,000	1,927,406	1,003,599	923,807
	PPA 1998	1,382,085	475,251	906,834	1,512,253	554,174	958,079
		5,354,212	2,341,019	3,013,193	4,634,258	2,450,849	2,183,409

Expressed in thousands of Trinidad and Tobago dollars ($'000)

10. Borrowings (continued)

The finance lease liability related to the 1994 Power Purchase Agreement (PPA) was for a period of fifteen years and ended December 23, 2009.
On the expiration of this PPA, no new agreement was arrived at and as such, the existing PPA was automatically renewed for a period of three (3) years. Interest on the deemed lease extension was computed at a rate of 7.5%. On termination of this finance lease extension, no new agreement was arrived at and as such, the lease has been automatically renewed for a further period of three (3) years. Interest on the deemed lease extension was computed at a rate of 5.0%.

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

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

11. Trade and Other Payables

	2013 $' 000	2012 $' 000
Trade payables	1,785,709	903,493
Sundry payables and accruals	403,612	426,323
	2,189,321	1,329,816

12. Related Parties

(i) Identity of related parties

The Commission has a related party relationship with its subsidiary and with its members and executive officers.

(ii) Related party transactions with subsidiary (not disclosed elsewhere)

	2013 $' 000	2012 $' 000
Interest income		
Interest income from security investments in subsidiary	10,063	16,602
Dividend income		
Dividend income from security investments in subsidiary	80,407	119,538
Payments of finance lease obligations		
Principal and interest	474,315	390,402

Expressed in thousands of Trinidad and Tobago dollars ($'000)

12. Related Parties (continued)

(ii) Related party transactions with subsidiary (not disclosed elsewhere)

	2013 $' 000	2012 $' 000
Purchase of electricity The purchase of electricity is included under generation expenses. The above transactions were carried out on contracted terms and conditions.	327,216	472,156
Balances arising from purchase of electricity and services		
Receivable from subsidiary	1,666	1,724
Payable to subsidiary	(80,617)	(79,067)
	(78,951)	(77,343)

(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:

	2013 $' 000	2012 $' 000
Short-term employee benefits	31,093	22,219
Post-employment benefits	15,369	15,301
	46,462	37,520

Total remuneration is included in staff costs (see note 18).

Commissioners' fees	526	573

13. Depreciation

	2013 $' 000	2012 $' 000
Transmission and Distribution	107,332	115,649
Administrative	63,758	71,852
Generation	519,697	351,604
	690,787	539,105
Amortisation of capital contributions (Note 9)	(61,690)	(54,457)
	629,097	484,648

Expressed in thousands of Trinidad and Tobago dollars ($'000)

14. Interest and Finance Costs

	2013 $' 000	2012 $' 000
Included in interest and finance costs are the following:		
Loss (gain) on foreign exchange transactions	7,966	(1,556)
(Gain) loss on translation of convertible redeemable debenture stock (Note 3)	(1,323)	708
	6,643	(848)

15. Operating Leases

The Commission has entered into several operating lease arrangements for the furtherance of its operations.

As at December 31, 2013 the commitments are as follows:

	2013 $' 000	2012 $' 000
Lease payments falling due within 1 year	747,412	745,613
Lease payments due between 1 year to 5 years	2,979,877	2,979,213
Lease payments due more than 5 years	16,372,955	17,116,415

During the year ended December 31, 2013 $697,070 (2012: $449,625) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

16. Other Income

	2013 $' 000	2012 $' 000
Rental of transformers, dwellings and poles	31,333	30,030
Sundries	5,673	6,115
Liquidated damages	754	28,934
Contracting work	5,227	7,883
Meter and secondary connections and disconnections	8,126	5,907
Term deposit income	585	577
Interest on loan to subsidiary	10,063	16,602
	61,761	96,048

Expressed in thousands of Trinidad and Tobago dollars ($'000)

17. Cash Flows from Operating Activities

	2013 $' 000	Restated 2012 $' 000
Net deficit for the year	(916,326)	(638,738)
Adjustments for:		
Interest expense	358,825	371,300
Depreciation and amortisation	629,097	484,648
Dividend income	(80,407)	(119,538)
Foreign Exchange Difference	7,269	(1,728)
Term deposit income	(585)	(577)
(Gain) loss on translation of convertible redeemable debenture stock	(1,323)	708
	(3,450)	96,075
Changes in working capital:		
Decrease in inventories	13,719	35,601
(Increase) decrease in trade and other receivables	(31,762)	52,895
Net increase in customers' service deposits	1,862	2,931
Increase in trade and other payables	760,654	21,096
Increase in retirement benefit obligations	18,335	60,108
Decrease (increase) in retirement benefit asset	58,415	(10,942)
	821,223	161,689
Cash generated by operations	817,773	257,764
Interest paid	(259,974)	(270,438)
Net cash generated by (used in) operations	557,799	(12,674)

18. Staff Costs

	2013 $' 000	2012 $' 000
Salaries and wages	602,301	555,671
Pension costs - defined benefit plan	(124,748)	105,157
Retirement benefits - fixed pension allowance	531	336
Retirement benefits - medical	(28,429)	87,421
Retirement benefits - death benefits	(6,069)	1,551
Other costs	(6,102)	138,252
National insurance	27,998	22,539
	465,482	910,927

19. Financial Risk Management

Introduction and overview

The Commission has exposure to the following risks:

- 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 the 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 risk 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:

a. Market risk

(i) Currency risk

The Commission operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. 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.

Expressed in thousands of Trinidad and Tobago dollars ($'000)

19. Financial Risk Management (continued)

a. Market risk (continued)

(i) Currency risk (continued)

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

	2013			2012		
	Carrying Amount $'000	**USD $'000**	**TTD $'000**	**Carrying Amount $'000**	**USD $'000**	**TTD $' 000**
Other investments	346,829	346,829	-	381,745	381,745	-
Cash and cash equivalents	598,365	92,448	505,917	472,155	26,298	445,857
Finance lease liabilities	(3,013,193)	(3,013,193)	-	(2,183,408)	(2,183,408)	-
Government Advances	(1,740,665)	-	(1,740,665)	(1,343,830)	-	(1,343,830)
NGC 2009 Loan	(1,329,004)	(1,329,004)	-	(1,615,748)	(1,615,748)	-
$500M Bond	(315,129)	-	(315,129)	(357,146)	-	(357,146)
HSBC loan	(338,622)	(338,622)	-	(378,935)	(378,935)	-
USD 3.3M Loan	-	-	-	(18,184)	(18,184)	-
Trade and Other payables	(2,189,321)	(1,785,709)	(403,612)	(1,329,816)	(903,493)	(426,323)
Net exposure	(7,980,740)	(6,027,251)	(1,953,489)	(6,373,167)	(4,691,725)	(1,681,442)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

19. 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	
	2013	2012	2013	2012
USD	6.4665	6.4340	6.4665	6.4323

	Buying Rate			
	Average Rate		Reporting Date Spot Rate	
	2013	2012	2013	2012
USD	6.4164	6.3537	6.4105	6.3306

Sensitivity Analysis

A 1% strengthening of TTD against USD at December 31, 2013 and December 31, 2012 would have increased (decreased) profitability by the amount shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

Effect in TTD thousands	Increase $'000
December 31, 2013	
USD	67,247
December 31, 2012	
USD	41,023

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

Expressed in thousands of Trinidad and Tobago dollars ($'000)

19. 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 of 12.25%, 4.13%, 5.925%, and 3.00% per annum. 12.25% for the Trinidad & Tobago Electricity Commission Fixed Rate Bonds - 2021, 4.13% for the HSBC Tranche A Fixed Rate Loan, 5.925% for the HSBC Tranche B Fixed Rate Loan and 3.00% for the National Gas Company Fixed Rate Loan - 2018 respectively.

Included in Note 10. 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	
	2013 $'000	2012 $'000
Fixed rate instruments		
Financial assets		
Cash and cash equivalents	598,124	471,914
Investments	67,022	93,630
Debt security	279,807	288,115
	944,953	853,659
Financial liabilities		
Borrowings	(1,982,756)	(2,370,013)
Finance lease liabilities	(3,013,192)	(2,183,409)
	(4,995,948)	(4,553,422)
Net exposure	(4,050,995)	(3,699,763)

Expressed in thousands of Trinidad and Tobago dollars ($'000)

19. Financial Risk Management (continued)

b. Credit risk

Financial instruments that potentially subject the Commission to credit risk include trade and other receivables and other investments. Provisions have been set up against the receivable balances for potential credit losses. There is no concentration of credit risk in a particular customer, employee or geographic area.

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

	2013 $'000	2012 $'000
Trade and other receivables	605,114	573,290
Other investments	346,829	381,745
Equity investment in subsidiary	246,330	246,330
Cash and cash equivalents	598,365	472,155
	1,796,638	1,673,520

The maximum exposure to credit risk for trade receivables at the reporting date by customer type as described in Note 5. :

	2013 $'000	2012 $'000
Customer type		
Private sector	399,162	416,967
Government ministries and state-owned agencies	188,243	162,336
	587,405	579,303

The aging of trade receivables at the reporting date was:

	Gross $'000	Impaired $'000
2013		
0-60 days	508,351	2,197
61-120 days	21,764	505
Over 120 days	57,290	53,243
	587,405	55,945
2012		
0-60 days	484,764	-
61-120 days	24,831	-
Over 120 days	69,708	59,987
	579,303	59,987

Expressed in thousands of Trinidad and Tobago dollars ($'000)

19. Financial Risk Management (continued)

b. Credit risk (continued)

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

	2013 $'000	2012 $'000
Balance at January 1	59,987	70,091
Impairment loss recovered	(4,042)	(10,104)
Balance at December 31	55,945	59,987

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Commission aims to maintain flexibility in funding by keeping committed credit lines available.

	Carrying Amount $'000	Contractual cash flows $'000	Less than 1 year $'000	1-5 years $'000	More than 5 years $'000
December 31, 2013					
Customer deposits	66,567	66,567	-	-	66,567
Government advance	1,740,665	1,740,665	-	1,740,665	-
$500M bond	315,129	469,542	79,333	319,462	70,747
HSBC loan	338,622	412,505	56,992	267,993	87,520
NGC 2009 Loan	1,329,004	1,428,710	332,983	1,095,727	-
Finance leases	3,013,193	5,354,212	697,402	1,439,053	3,217,757
Trade and other payables	2,189,321	2,189,321	2,189,321	-	-
Total	8,992,501	11,661,522	3,356,031	4,862,900	3,442,591
December 31, 2012					
Customer deposits	64,703	64,703	-	-	64,703
Government advance	1,343,830	1,343,830	-	1,343,830	-
$500M bond	357,146	554,024	84,481	345,198	124,345
HSBC loan	378,935	459,435	58,573	264,661	136,201
NGC loan	1,615,748	1,761,188	340,035	1,421,153	-
Finance leases	2,183,409	4,634,258	238,920	955,679	3,439,659
USD 3.3M Loan	18,184	18,436	18,436	-	-
Trade and other payables	1,329,816	1,329,816	1,329,816	-	-
Total	7,291,771	10,165,690	2,070,261	4,330,521	3,764,908

19. Financial Risk Management (continued)

d. Capital Management

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.

20. 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 cost. For the purpose of these financial statements, financial assets have been determined to include investment in subsidiary, other investments, trade and other receivables and cash and cash equivalents. Financial liabilities have been determined to include customer service deposits, borrowings, bank advances and demand loan and trade and other payables.

Fair value

As at period end, the recorded values of the short-term financial instruments are approximate to their fair values, due to their short-term nature. Cash and cash equivalents 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 fair values of the Commission's floating rate long - term loans approximate their carrying amounts, given the floating rate nature of the loans at prevailing market rates. The fair values of the fixed rate long - term loans are based on estimated future cash flows discounted using the current market rates of debt of the same remaining maturities and credit risk (Note 10).

Expressed in thousands of Trinidad and Tobago dollars ($'000)

20. Financial Instruments (continued)

Fair value hierarchy

The Commission's financial instruments are stated in the statement of financial position at their fair values.

The different levels of hierarchy have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Commission's financial instruments are valued utilising Level 3 in the hierarchy. There were no movements in valuation of its financial instruments between levels during the financial year 2013 or between 2012 and 2013 financial years.

21. Contingent Liabilities

	2013 $' 000	2012 $' 000
i) Customs Bonds		
Outstanding guarantees and bonds lodged with the bank in respect of purchases	5,000	5,000

ii) Union Agreements

The Industrial Agreements affecting hourly and monthly-rated employees expired on December 31, 2011. Negotiation for a new three-year agreement for the period 2012 - 2014 is in progress.

The Industrial Agreements affecting Senior Staff expired on December 31, 2008. Negotiation for a new three-year agreement for the period 2009 - 2011 is in progress.

iii) Litigation

There are several pending legal actions and other claims in which the Commission is involved. It is the opinion of the Commissioners, based on the information provided by the Commission's attorneys-at-law, that liability, if any, arising out of these claims is not likely to be material. Accordingly, no provision has been made in these financial statements in respect of these matters.

22. Capital Commitments

As at December 31 , 2013 , capital commitments amounting to approximately $118,611 (2012 : $69,266) existed with respect to contracts in progress and contracts approved but not yet commenced.

23. Purchase Commitments

The Commission is committed to purchase electricity from PowerGen, Trinity Power Limited and Trinidad Generation Unlimited under four Power Purchase Agreements (PPAs). In accordance with *IFRIC 4 Determining whether an Arrangement contains a Lease*, the PPAs contained leases. In addition, in accordance with IAS 17 *Leases*, it was determined that the leases for PowerGen and Trinity Power Limited are finance leases. Further, according to *IFRIC 4 Determining whether an Arrangement contains a Lease*, the PPA for Trinidad Generation Unlimited does not contain a lease, and is treated as a generation expense. Information regarding the PPAs is given below.

PowerGen

(i) PPA 1994

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

The Commission is also committed to purchase and pay for capacity up to a contracted minimum of 819 megawatts per month 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.

This PPA expired as at December 23, 2009. As at the date of approval of these financial statements by the Commissioners, negotiations were completed for a new PPA but the contractual agreement is being reviewed.

(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, as well as all energy delivered by PowerGen, less any penalties incurred due to a shortfall in meeting contracted quantities. Payments for each month are determined in accordance with agreed formulae.

Trinity Power Limited

In February 1998, a contract was entered into with Trinity Power Limited for the purchase of electricity from September 9, 1999 under a PPA for an initial period of 30 years. Under the PPA, the Commission is to provide fuel necessary for generation to Trinity Power Limited at no charge.

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

Expressed in thousands of Trinidad and Tobago dollars ($'000)

23. Purchase Commitments (continued)

Trinidad Generators 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 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 PPA the Commission is to provide fuel necessary for generation to TGU at no charge.

24. Accounting Estimates and Judgements

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, contingent assets and contingent liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates.

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 financial statements is included in the following accounting policies and notes:

Accounting Policy (i)	Impairment of assets
Accounting Policy (j)	Provisions
Accounting Policy (l) and Note 3	Pension benefit assumptions
Accounting Policy (m), Note 10	Accounting for an arrangement containing a finance lease
Accounting Policy (m) and Note 23	Lease classification