TRINIDAD NITROGEN CO. LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022
(Expressed in Trinidad and Tobago Dollars)

Ernst & Young Services Limited

Building a better
working world

TRINIDAD NITROGEN CO. LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF

TRINIDAD NITROGEN CO. LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trinidad Nitrogen Co. Limited. ("the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Responsibilities of Management and Audit Committee for the Financial Statements

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

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

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD NITROGEN CO. LIMITED

Report on the Audit of the Financial Statements
(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements
(Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

EY

Port of Spain
TRINIDAD:
21 July 2023

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Expressed in Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	964,717	939,098
Pension asset	6 (a)	1,023	771
Amounts due from related party	9 (c)	–	91,846
Deferred tax asset	13 (a)	60,991	48,261
		1,026,731	1,079,976
Current assets			
Inventories	7	393,492	271,931
Prepayments and other receivables	8	142,954	104,594
Amounts due from related companies			
Trade	9 (a)	355,432	415,364
Other	9 (a & c)	871,026	445,792
Income tax recoverable		3,920	50,978
Cash and cash equivalents	11	41,465	26,161
		1,808,289	1,314,820
Total assets		2,835,020	2,394,796

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022
(Expressed in Trinidad and Tobago Dollars)
(Continued)

	Notes	2022 $'000	2021 $'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	156,150	156,150
Retained earnings		1,932,570	1,359,498
Translation difference reserves		43,018	57,818
		2,131,738	1,573,466
Non-current liabilities			
Pension liability	6 (a)	73,628	49,279
Post retirement healthcare liability	6 (a)	59,187	53,724
Amounts due to related party	9 (a)	–	16,537
Deferred tax liability	13 (a)	150,955	139,262
		283,770	258,802
Current liabilities			
Trade and other payables	10 (a)	90,609	81,089
Borrowings	10 (a) & (d)	–	102,789
Amounts due to related companies			
Trade	9 (b)	213,569	230,897
Other	9 (a)	48,104	86,188
Taxation payable		67,230	61,565
		419,512	562,528
Total liabilities		703,282	821,330
Total equity and liabilities		2,835,020	2,394,796

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

On 21 July 2023 the Company's Board of Directors authorised these financial statements for issue.

Director ____________ Director ____________

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
Gross revenue from contracts with customers	9 (a)	5,402,754	3,246,041
Revenue from third party customers	9 (d)	4,714	2,636
Direct selling costs		(217,843)	(132,014)
Net revenue from contracts with customers		5,189,625	3,116,663
Cost of products sold and operating expenses	14	(2,990,453)	(1,971,372)
Operating profit		2,199,172	1,145,291
Other income		4,914	200,598
Finance cost -net	15	39,818	(7,161)
Profit before tax		2,243,904	1,338,728
Income tax expense	13 (b) & (c)	(788,425)	(405,259)
Profit for the year		1,455,479	933,469

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
Profit for the year		1,455,479	933,469
Other comprehensive (loss)/income			
Items that will not be re-classified subsequently to profit or loss			
Translation (loss)/gain		(14,800)	940
Remeasurement (loss)/gains on retirement benefits	6 (a)	(40,677)	30,048
Income tax effect	13 (a)	14,236	(10,517)
Other comprehensive (loss)/income for the year, net of tax		(41,241)	20,471
Total comprehensive income for the year, net of tax		1,414,238	953,940

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Trinidad and Tobago Dollars)

	Note	Share capital $'000	Retained earnings $'000	Translation difference reserves $'000	Total $'000
At 1 January 2021		156,150	406,498	56,878	619,526
Profit for the year		–	933,469	–	933,469
Other comprehensive income for the year		–	19,531	940	20,471
Net comprehensive profit for the year		–	953,000	940	953,940
At 31 December 2021		156,150	1,359,498	57,818	1,573,466
At 1 January 2022		156,150	1,359,498	57,818	1,573,466
Profit for the year		–	1,455,479	–	1,455,479
Other comprehensive loss for the year		–	(26,441)	(14,800)	(41,241)
Dividends paid	9 (e)	–	(855,966)	–	(855,966)
Net comprehensive profit/(loss) for the year		–	573,072	(14,800)	558,272
At 31 December 2022		156,150	1,932,570	43,018	2,131,738

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(Expressed in Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
Operating activities			
Profit before tax		2,243,904	1,338,728
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation	5	187,669	152,843
Exchange difference on translation of property, plant and equipment		3,889	(727)
Loss on disposal of property, plant and equipment		5,958	60
Movement in the pension and post retirement liabilities		(11,117)	(14,281)
		2,430,303	1,476,623
Net changes in operating assets and liabilities:			
Increase in inventory		(121,561)	(89,087)
Increase in prepayments and other receivables		(38,360)	(49,299)
Increase in amounts due from related companies		(273,456)	(860,428)
Increase/(decrease) in trade and other payables		9,520	(4,559)
(Decrease)/increase in amounts due to related companies		(71,949)	192,766
Net cash flows generated from operations		1,934,497	666,016
Net income tax paid		(737,194)	(221,250)
Net cash flows generated from operating activities		1,197,303	444,766
Investing activity			
Purchase of property, plant and equipment	5	(223,136)	(108,173)
Net cash flows used in investing activity		(223,136)	(108,173)
Financing activities			
Repayments of loans		(102,789)	(312,567)
Dividends paid	9 (e)	(855,966)	–
Net cash flows used in financing activities		(958,755)	(312,567)
Increase in cash and cash equivalents		15,412	24,026
Net foreign exchange (loss)/gain		(108)	938
Cash and cash equivalents at 1 January		26,161	1,197
Cash and cash equivalents at 31 December	11	41,465	26,161

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

1. Incorporation and principal activity

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

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

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

The Company is managed and operated by Yara Trinidad Ltd., a wholly owned subsidiary of Yara Caribbean (2002) Ltd under the terms of a Management and Operating Agreement dated 6 May 1976, as amended. The Agreement was expired on 31 December 2018 and renewed for a further five (5) year period beginning on 1 January 2019. Effective 1 January 2021 the Company agreed to amend the terms of the Agreement, whereby the Company reimburses Yara Trinidad Ltd. for all direct costs and 90% (2021: 90%) of the total indirect costs incurred in carrying out its obligations. This Agreement also allows Yara Trinidad Ltd. to provide the services of its employees as it deems necessary for the management and operations of the Company. The net reimbursements amounted to approximately $258,385,000 in 2022 (2021: $211,266,000) (Note 9(a)).

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

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

2. Summary of significant accounting policies (continued)

2.2 Foreign currency translation

(a) Functional and presentation currency

The Company's functional currency is the United States dollar, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company. The financial statements prepared in the Company's functional currency are presented elsewhere and were authorised for issue on 23 March 2023.

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

(i) Assets and liabilities have been translated at the rate prevailing at the end of the reporting period of US$1.00 = TT$6.7001 (2021 = TT$6.72800).

(ii) Income and expense items have been translated at US$1.00 = TT$6.7255 (2021 = TT$6.7245). This rate approximates the actual exchange rates at the dates of the transactions.

(iii) Exchange differences arising from translation have been recognized in other comprehensive income and are shown as a separate component of equity.

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

2.3 Property, plant and equipment

(a) Property, plant and equipment in service

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

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

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

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

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

The estimated useful lives of the assets are as follows:

Buildings	-	20 years
Plant and machinery	-	5 to 15 years
Catalysts	-	2 to 9 years
Turnaround costs	-	4 years

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

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

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

(b) Projects under construction

Property, plant and equipment under construction are recorded as projects under construction (PUC) until they are ready for their intended use. Thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. The cost of PUC includes allocation of labour and overhead which are directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management in accordance with IAS 16 *Property, Plant and Equipment*. The total additions to PUC for the year amounted to $44,113,000 (2021: $80,992,000) (Note 5).

2. Summary of significant accounting policies (continued)

2.4 Inventories

i) Finished goods

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

ii) Consumable spares and supplies

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

iii) Catalysts

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

2.5 Cash and cash equivalents

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

2.6 Trade receivables

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

2.7 Trade and other payables

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

2. Summary of significant accounting policies (continued)

2.8 Provisions

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

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

2.9 Taxation

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

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

2. Summary of significant accounting policies (continued)

2.10 Employee benefits

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

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

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

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

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

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

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

The costs of providing benefits under the plans are determined separately for each plan using the projected unit credit actuarial valuation method. Under this method, the cost of providing benefits is charged to the statement of income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of the plans every three years. Roll forward valuations, which are less detailed than full valuations, are performed annually.

The benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

2. Summary of significant accounting policies (continued)

2.10 Employee benefits (continued)

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

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

2.11 Revenue from contracts with customers

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

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

2.12 Dividends

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

2.13 Financial instruments

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

2.14 Share capital

Ordinary shares with entitlement to discretionary dividends are classified as equity.

2. Summary of significant accounting policies (continued)

2.15 Impairment of property, plant and equipment

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

2.16 Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

2.17 Loans

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

2. Summary of significant accounting policies (continued)

2.18 Borrowing costs

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

2.19 Impairment of financial assets

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

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

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

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

2. Summary of significant accounting policies (continued)

2.20 Leases

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

Company as a lessee

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

i) Right-of-use assets

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

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

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

2. Summary of significant accounting policies (continued)

2.20 Leases (continued)

ii) Lease liabilities

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

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

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

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

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

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures

(a) New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts - Costs of Fulfilling a Contract - Amendments to IAS 37
An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period.

The amendments had no impact on financial statements of the Company.

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures (continued)

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

Reference to the conceptual framework - *Amendments to IFRS 3*
The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope *of IAS 37 Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures (continued)

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

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 Leases
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a first time adopter.

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures (continued)

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

IFRS 9 Financial Instruments - Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement*.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IAS 41 Agriculture - Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

2. Summary of significant accounting policies (continued)

2.21 Changes in accounting policies and disclosures (continued)

(b) Standards issued but not yet effective

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

- IFRS 17 *Insurance Contracts* – Effective 1 January 2023
- Definition of Accounting Estimates – Amendments to IAS 8 – Effective 1 January 2023
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 – Effective 1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 – Effective 1 January 2023
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 – Effective 1 January 2024
- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 – Effective 1 January 2024

3. Financial risk management policies and objectives

3.1 Financial risk factors

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

3.2 Capital risk management

Capital includes equity attributable to the owners of the Company.

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

4. Significant accounting estimates, judgements and assumptions

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

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

a) *Deferred tax asset*

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets arising from tax losses are only carried forward if it is probable that future taxable profit will be sufficient to allow the benefit of the tax losses to be realized.

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

b) *Provision for spares inventory obsolescence*

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

c) *Employee benefits*

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

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

d) *Useful life of property, plant and equipment*

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

e) *Impairment of property, plant and equipment*

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

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

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

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

g) *Leases - Estimating the incremental borrowing rate*

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

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

5. Property, plant and equipment	Land and buildings $'000	Plant and machinery $'000	Catalysts $'000	Turnaround costs $'000	Projects under construction $'000	Total $'000
Net book value						
At 1 January 2022	2,296	580,479	34,373	66,791	255,159	939,098
Translation adjustment	(9)	(2,408)	(136)	(279)	(1,057)	(3,889)
Additions	–	44,955	2,816	131,252	44,113	223,136
Transfers	–	105,929	7,872	40,531	(154,332)	–
Cost of disposed assets	–	(62,400)	(8,393)	(132,778)	–	(203,571)
Depreciation (Note 14)	(573)	(125,507)	(12,558)	(49,031)	–	(187,669)
Accumulated depreciation of disposed assets	–	56,441	8,393	132,778	–	197,612
At 31 December 2022	1,714	597,489	32,367	189,264	143,883	964,717
At 31 December 2022						
Cost	78,230	3,590,734	107,748	348,764	143,883	4,269,359
Accumulated depreciation	(76,516)	(2,993,245)	(75,381)	(159,500)	–	(3,304,642)
Net book value	1,714	597,489	32,367	189,264	143,883	964,717
Net book value						
At 1 January 2021	3,139	635,606	34,634	92,166	217,556	983,101
Translation adjustment	3	479	22	61	162	727
Additions	–	24,909	2,272	–	80,992	108,173
Transfers	–	33,453	10,098	–	(43,551)	–
Cost of disposed assets	–	(7,604)	(13,707)	–	–	(21,311)
Depreciation (Note 14)	(846)	(113,953)	(12,608)	(25,436)	–	(152,843)
Accumulated depreciation of disposed assets	–	7,589	13,662	–	–	21,251
At 31 December 2021	2,296	580,479	34,373	66,791	255,159	939,098
At 31 December 2021						
Cost	78,556	3,516,835	105,890	311,049	255,159	4,267,489
Accumulated depreciation	(76,260)	(2,936,356)	(71,517)	(244,258)	–	(3,328,391)
Net book value	2,296	580,479	34,373	66,791	255,159	939,098

6. Employee benefits

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

The Company also recognised in 2018 a Trinidad Nitrogen Co. Limited (Tringen) defined benefit pension plan with plan assets of $318,000. This plan is separate from the Hydro Agri Trinidad Ltd Pension Plan. This pension plan is specific to the six (6) employees, employed directly with Tringen. The Company's involvement in this plan is disclosed in Note 6 (a).

An independent actuarial valuation of this plan as at 31 December 2020 revealed an ongoing deficit of $55,800,000 (2017:$104,700,000) in respect of the Company and Yara Trinidad Ltd. at the valuation date. It was recommended that the employer's contributions be at the rate of 20% of pensionable salary until the next valuation date.

(a) Pension plan/post-retirement healthcare plan

	2022			2021		
Amounts recognised in the statement of financial position	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**
Present value of defined benefit obligation	567,549	8,852	–	554,019	8,496	–
Fair value of plan assets	(493,921)	(9,875)	–	(504,740)	(9,267)	–
Present value of unfunded obligation	–	–	59,187	–	–	53,724
Benefit (asset)/liability in the statement of financial position	73,628	(1,023)	59,187	49,279	(771)	53,724

6. Employee benefits (continued)

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

	2022			2021		
Movement in the present value of the defined benefit obligation during the year	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Defined benefit obligation at 1 January	554,019	8,496	53,724	490,024	9,068	48,241
Interest cost	32,023	509	3,138	26,209	479	2,618
Current service cost – employer	7,291	293	1,300	5,200	246	1,187
Current service cost – employee	3,972	92	–	4,157	90	–
Past Service Cost	–	–	–	1,835	–	–
Benefit payments	(26,291)	(224)	(1,849)	(28,062)	(1,081)	(1,769)
Actuarial gains on obligation:						
- financial assumption changes	(7,039)	(158)	943	(28,907)	(640)	(3,617)
- obligation – experience	3,574	(156)	1,931	83,563	334	7,064
Defined benefit obligation at 31 December	567,549	8,852	59,187	554,019	8,496	53,724

6. Employee benefits (continued)

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

	2022			**2021**		
	Hydro Pension plan $'000	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Movements in the fair value of plan assets during the year						
Fair value of plan assets at 1 January	504,740	9,267	–	391,140	9,632	–
Expected return on plan assets	29,314	542	–	21,239	501	–
Actuarial gain/(loss) on assets	(41,492)	(90)	–	88,003	(158)	–
Employer contributions	23,678	288	–	28,263	283	–
Employee contributions	3,972	92	–	4,157	90	–
Benefit payments	(26,291)	(224)	–	(28,062)	(1,081)	–
Fair value of plan assets at 31 December	493,921	9,875	–	504,740	9,267	–

6. Employee benefits (continued)

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

	2022			2021		
	Hydro Pension plan $'000	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Amounts recognised in the statement of income/(loss)						
Current service cost	7,291	293	1,300	5,200	246	1,187
Interest cost on benefit obligation	2,709	(33)	3,138	4,970	(22)	2,618
Past Service Cost	–	–	–	1,835	–	–
Net benefit expense	10,000	260	4,438	12,005	224	3,805
Actual return on plan assets	(12,178)	452	–	109,242	343	–

The total net charge to the statement of income of $14,698,000 (2021: $16,034,000) was included in the cost of products sold and operating expenses as labour cost.

6. Employee benefits (continued)

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

As mentioned in Note 2.10, actuarial gains or losses are recognized in full in the period in which they occur through the statement of other comprehensive (loss)/income. They are recognized immediately in retained earnings as they are not permitted to be reclassified to profit or loss in a subsequent period. The cumulative actuarial losses recognized in equity (net of tax) as at 31 December 2022 amounted to $124,454,000 (2021: $98,372,000).

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

	2022	**2021**
Discount rate – pension plan	5.9%	5.8%
Future salary increases	5.4%	5.4%
Discount rate – post-retirement healthcare plan	5.7%	5.8%
Healthcare costs increases	5.0%	5.0%

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

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

	2022		**2021**	
	$'000	**%**	**$'000**	**%**
Bank deposits	37,629	8	74,837	15
Equity instruments	155,007	31	151,591	30
Debt instruments	298,368	60	274,944	54
Other assets	2,917	1	3,368	1
	493,921	100	504,740	100

The plan assets do not include any of the Company's financial instruments, nor any property controlled, or other assets used by the Company. The above relates to the Hydro Agri Pension Plan.

6. Employee benefits (continued)

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

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is as shown below:

		Impact on		
Assumptions	**Sensitivity level**	**Hydro Pension plan $'000**	**Tringen Pension plan $'000**	**Yara Post retirement healthcare plan $'000**
Discount rate	+.5%/-.5%	30,714/(34,388)	733/(834)	4,491/(5,088)
Future salary rate	+.5%/-.5%	(10,795)/10,104	(475)/435	(5,100)/4,541
Healthcare cost	+.5%/-.5%	(2,395)/2,494	(59)/61	(2,689)/2,691
Pension rate	+.5%/-.5%	(23,944)	(340)	

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

The best estimate of expected pension plan contributions and post-retirement healthcare premiums to be paid by the Company for the period 1 January 2023 to 31 December 2023 amounts to approximately $24,500,000 and $2,037,000 respectively.

The weighted average duration of the pension liability at 31 December 2022 is 15 years (2021: 15 years) and 15 years (2021: 15 years) for other post-retirement healthcare plan.

6. Employee benefits (continued)

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

As discussed in Note 2.10, the Company accounts for its share of the assets, liabilities, benefits and expenses of the Hydro Agri Trinidad Ltd. Pension Plan and Yara Trinidad Ltd. Post-Retirement Healthcare Plan the results of the entire plans are shown in Note 6 (b) and the Company's involvement in these plans is disclosed in Note 6 (a).

	2022		2021	
	Hydro Pension plan $'000	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Present value of defined benefit obligation	766,786	–	755,449	–
Fair value of plan assets	(667,312)	–	(688,253)	–
Present value of unfunded obligation	–	77,836	–	72,025
	99,474	77,836	67,196	72,025

6. Employee benefits (continued)

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

	2022		**2021**	
	Hydro Pension plan $'000	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Movement in the present value defined benefit obligation during the year				
Defined benefit obligation at 1 January	755,449	72,025	783,097	73,835
Interest cost	43,364	4,176	41,838	3,979
Current service cost – employer	8,423	1,425	9,877	1,334
Current service cost – employee	4,413	–	4,619	–
Past service cost	–	–	2,737	–
Benefit payments	(41,244)	(2,902)	(45,640)	(2,843)
Actuarial loss on obligation:				
- financial assumption changes	(8,779)	1,164	(36,354)	(4,528)
- obligation experience	5,160	1,948	(4,725)	248
Defined benefit obligation at 31 December	766,786	77,836	755,449	72,025
Movements in the fair value of plan assets during the year				
Fair value of plan assets at 1 January	688,253	–	625,073	–
Expected return on plan assets	39,625	–	33,494	–
Actuarial losses on assets	(50,444)	–	39,304	–
Employer contributions	26,709	–	31,403	–
Employee contributions	4,413	–	4,619	–
Benefit payments	(41,244)	–	(45,640)	–
Fair value of plan assets at 31 December	667,312	–	688,253	–

6. Employee benefits (continued)

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

	2022		2021	
	Hydro Pension plan $'000	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Amounts recognised in the statement of income				
Current service cost	8,423	1,425	12,614	1,334
Net interest cost on benefit obligation	3,739	4,176	8,344	3,979
Net benefit expense	12,162	5,601	20,958	5,313
Actual return on plan assets	(10,819)	–	72,798	–

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

	2022		2021	
	$'000	**%**	**$'000**	**%**
Bank deposits	50,839	8	102,046	15
Equity instruments	209,423	31	206,706	30
Debt instruments	403,109	60	374,908	54
Other assets	3,941	1	4,593	1
	667,312	100	688,253	100

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

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

6. Employee benefits (continued)

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

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is as shown below:

		Impact on	
Assumptions	**Sensitivity level**	**Hydro Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Discount rate	+.5%/-.5%	41,963/(46,603)	5,554/(6,267)
Future salary rate	+.5%/-.5%	(14,599)/13,747	(6,281)/5,615
Healthcare cost increases	+.5%/-.5%	(3,216)/3,353	(3,620)/3,616
Pension rate	+.5%/-.5%	(32,594)	

The best estimate of expected pension plan contributions and post-retirement healthcare premiums to be paid by the Company and Yara Trinidad Ltd. for the period 1 January 2023 to 31 December 2023 amounts to approximately $27,606,000 and $3,199,000 respectively.

7. Inventories

	2022 $'000	2021 $'000
Finished products	245,993	139,640
Spare parts and supplies	186,332	162,272
Less: provision for obsolescence on spare parts	(38,833)	(29,981)
	393,492	271,931

8. Prepayment and other receivables

VAT recoverable	108,414	78,866
Prepayments	30,332	22,758
Trade and other receivables	4,208	2,970
	142,954	104,594

9. Related party disclosures

Transactions with related parties are conducted at terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2022, the Company has not recorded any impairment of receivables relating to amounts owed by related parties nor has a provision been established (2021: Nil).

(a) Transactions with entities under Yara International ASA

	Sales to related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Yara Switzerland (Note i)*				
2022	2,755,995	–	10,706	–
2021	3,245,950	–	415,364	–
Yara Trinidad Ltd. (Note ii)				
2022	–	–	609	43,998
2021	–	–	659	101,476
Yara International ASA (Note iii)				
2022	–	2,872	778,946	4,106
2021	–	3,651	356,880	1,249
Yara Caribbean				
2022	–	–	–	–
2021	91	–	–	–
Yara Ammonia Inc				
2022	2,646,759	–	344,726	–
2021	–	–	39	–
Total				
2022	5,402,754	2,872	1,134,987	48,104
2021	3,246,041	3,651	772,942	102,725

* Represents transactions of a trade nature.

9. Related party disclosures (continued)

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

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

Note (ii)
Amounts due to Yara Trinidad Ltd., mainly arose from reimbursable costs paid by Yara Trinidad Ltd. on behalf of the Company and for services provided by Yara Trinidad Ltd.'s employees. Amounts due from Yara Trinidad Ltd. arose from reimbursable costs paid by the Company on behalf of Yara Trinidad Ltd. The net reimbursements amounted to $258,385,000 in 2022 (2021: $211,266,000).

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

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

(b) Transactions with Government-owned entities

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

	Sales to related parties $'000	**Purchases from related parties $'000**	**Amounts due from related parties $'000**	**Amounts due to related parties $'000**
The National Gas Company of Trinidad and Tobago (*Note i*)*				
2022	–	2,350,999	–	207,849
2021	–	1,580,392	–	226,429

9. Related party disclosures (continued)

(b) Transactions with Government-owned entities (continued)

	Sales to related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
The Water and Sewerage Authority*				
2022	–	20,755	–	3,074
2021	–	18,055	–	2,106
Trinidad and Tobago Electricity Commission *				
2022	–	11,783	–	2,646
2021	–	18,600	–	2,362
Total				
2022	–	2,383,537	–	213,569
2021	–	1,617,047	–	230,897

* Represents transactions of a trade nature.

(c) Other related party transactions

In May 2021 the Company entered into multi-party settlement agreements with related parties, the terms of which are subject to a confidentiality provision. Under the terms of these agreements the Company received an initial lumpsum with the remaining balance due to be paid in quarterly payments. The future sums that remain due to the Company have been discounted at 4% as follows:

	2022	2021
Amount due >1 year	–	91,846
Amount due <1 year	91,471	88,213
Total	91,471	180,059

An amount of $4,914,000 (2021: $200,598,000) has been recorded in Other income relating to this settlement.

9. Related party disclosures (continued)

(d) Revenue from third party customers

The Company began sales of carbon dioxide to third party customers in 2021. The details of the revenue earned from these transactions are shown below:

	2022 $'000	**2021 $'000**
Carbon dioxide	4,714	2,636

(e) Transaction with owners

As of December 2022, the company paid dividend to its shareholders as follows:

	2022 $'000	**2021 $'000**
Cash dividends on ordinary shares declared and paid		
Final dividend for 2021:$774.98 per share		
National Enterprise Limited	237,145	–
Yara Caribbean (2000) Ltd	227,846	–
	464,991	–
Interim dividend for 2022: $651.62 per share		
National Enterprise Limited	199,400	–
Yara Caribbean (2000) Ltd	191,575	–
	390,975	–
Total dividend	855,966	–

All declared dividends have been fully paid for 2022

(f) Key management compensation

Compensation of key management personnel of the Company:

	2022 $'000	**2021 $'000**
Short-term employee benefits	10,626	11,665
Post-employment benefits	750	930
	11,376	12,595

10. Financial instruments

(a) Financial instruments by category

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

Financial assets	**2022 $'000**	**2021 $'000**
Due from related companies		
Trade	355,432	415,364
Other	871,026	445,792
Cash and cash equivalents	41,465	26,161
Total	1,267,923	887,317
Financial liabilities		
Trade payable	67,270	58,560
Accrued liabilities	23,339	22,529
Short term loan	–	102,789
Amounts due to related companies		
Trade	213,569	230,897
Other	48,104	102,725
Total	352,282	517,500

(b) Fair values of financial instruments

The carrying amounts of the aforementioned financial instruments other than the long term loan approximate their fair values due to the short-term nature of the instruments.

10. Financial instruments (continued)

(c) Credit quality of financial assets

Trade and other receivables

Trade receivables comprise of amounts due from related parties – trade and other trade receivables. Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2022, there was Nil trade receivables past due (2021: Nil). There has been no history of default from related parties.

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

The aging analysis of trade receivables is as follows:	**2022** **$'000**	**2021** **$'000**
Up to 3 months	355,432	415,364

The aging analysis of other receivables is as follows:

Up to 3 months	814,537	381,129
3 months to 1year	56,489	64,663
Over 1 year	–	91,846
	871,026	537,638

Cash and cash equivalents

Group 1	1,080	1,085
Group 2	40,385	25,076
Total	41,465	26,161

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

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

10. Financial instruments (continued)

(d) Borrowings	**2022 $'000**	**2021 $'000**
Current Portion of Non Revolving Loan		
SBTT Non Revolving (i)	–	102,789
Total	–	102,789

In November 2016, SBTT made available to the Company US$50,000,000 (TT$336,275,000) loan to be apportioned between a non-revolving loan (US$25,000,000 or TT$168,137,500) and a revolving loan (US$25,000,000 or TT$168,137,500). No collateral is provided for this loan but interest is charged at a rate linked to LIBOR + margin. The non-revolving loan is due to be repaid in six equal semi-annual instalments beginning 30 months after the first draw down.

The loan agreement required the Company to comply with certain financial covenants. Breaches in meeting the financial covenants would permit the bank to immediately call the loans and borrowings or provide a waiver or relaxation of these covenants. The semi-annual instalments increased to US$2,778,000 (TT$18,676,000). The loan was fully repaid on 28 May 2022.

11. Cash and cash equivalents	**2022 $'000**	**2021 $'000**
Cash on hand and at banks	41,465	26,161

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

12. Share capital

The authorised, issued and fully paid capital of the Company consists of:		**$'000**
Class "A" shares –no par value held by National Enterprises Limited		
At 1 January 2022	306,000 shares	79,636
At 31 December 2022	306,000 shares	79,636
Class "B" shares – no par value held by Yara Caribbean (2002) Ltd.		
At 1 January 2022	294,000 shares	76,514
At 31 December 2022	294,000 shares	76,514
At 1 January 2022		156,150
At 31 December 2022		156,150

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

13. Taxation

a) Deferred tax

At 31 December 2022

	At 1 January 2022 $'000	Recognized in other translation adjustment $'000	(Charge)/ credit to comprehensive income $'000	Statement of income $'000	At 31 December 2022 $'000
Deferred tax liability					
Accelerated tax depreciation	(138,994)	578	(1)	(12,180)	(150,597)
Pension asset	(268)	(2)	(78)	(10)	(358)
	(139,262)	576	(79)	(12,190)	(150,955)
Deferred tax asset					
Pension liability	17,247	(1)	13,309	(4,787)	25,768
Provision for vacation	3,776	–	–	64	3,840
Provision for inventory obsolescence	8,208	(6)	–	2,239	10,441
Accrued supplemental retirement benefit	59	–	–	–	59
Post retirement healthcare plan	18,971	–	1,006	906	20,883
	48,261	(7)	14,315	(1,578)	60,991
Total charge	–	569	14,236	(13,758)	–

13. Taxation (continued)

a) Deferred tax (continued)

At 31 December 2021

	At 1 January 2021 $'000	Recognized in other translation adjustment $'000	(Charge)/ credit to comprehensive income $'000	Statement of income $'000	At 31 December 2021 $'000
Deferred tax liability					
Accelerated tax depreciation	(145,736)	1,006	–	5,736	(138,994)
Pension asset	(195)	–	(52)	(21)	(268)
	(145,931)	1,006	(52)	5,715	(139,262)
Deferred tax asset					
Pension liability	34,609	1	(11,672)	(5,691)	17,247
Provision for vacation	3,563	(3)	–	216	3,776
Provision for inventory obsolescence	10,246	(2,315)	–	277	8,208
Accrued severance	61	(2)	–	–	59
Post retirement healthcare plan	17,042	10	1,207	712	18,971
Taxable losses	53,090	304	–	(53,394)	–
	118,611	(2,005)	(10,465)	(57,880)	48,261
Total charge	–	(999)	(10,517)	(52,165)	–

b) Details of income tax expense are as follows:

	2022 $'000	2021 $'000
Current tax charge	774,667	353,094
Deferred tax charge (Note 13 (a))	13,758	52,165
Income tax expense	788,425	405,259

13. Taxation (continued)

c) The effective tax rate varies from the statutory rate as a result of the differences shown below:

	2022 $'000	2021 $'000
Profits before tax	2,243,904	1,338,728
Corporation tax at statutory rate @ 35%	785,366	468,555
Business levy	18,504	9,989
Effect of disallowable expenses and tax allowances	(107)	(66,714)
Prior years adjustment to corporation tax	(3,510)	699
Other differences	(11,828)	(7,270)
Income tax expense	788,425	405,259

14. Cost of products sold and operating expenses

	2022 $'000	2021 $'000
Changes in inventory of finished goods	(106,648)	(96,224)
Raw materials and consumables used	2,538,278	1,642,971
Repairs and maintenance	71,393	34,060
Labour expenses (excluding storage and shipping and president's office expenses)	172,391	139,580
Green fund levy	18,504	9,989
Depreciation (Note 5)	187,669	152,843
Insurance costs	40,275	22,101
Other operating expenses	46,354	42,741
Cost of sales - ammonia	2,968,216	1,948,061
Storage and shipping expenses	18,395	19,826
President's office expenses	3,842	3,485
Total production costs and operating expenses	2,990,453	1,971,372

15. Finance cost - net

	2022 $'000	2021 $'000
Interest income	41,169	4,995
Interest expense	(1,351)	(12,156)
Total finance cost - net	39,818	(7,161)

16. Commitments and contingencies

a) Purchasing commitments

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

b) Capital commitments

Amounts committed relating to projects under construction at 31 December 2022 was approximately $70.4 million (2021: $162.8 million).

c) Contingent liabilities

The Board of Inland Revenue has conducted audits in respect of fiscal years 2009, 2010, 2011, 2012, 2013, 2014 and 2015 and has raised assessments on withholding tax totalling TT$135.8 million. The 2015 and 2016 tax assessments are under objection. The years 2009–2013 is before the Tax Appeal Board. Until the other matters are determined, the assessments raised are not considered final.

No material unrecorded additional liabilities are expected to crystallise.

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

17. Going concern

On 11 May 2021, the Company signed a 3-year contract with the National Gas Company of Trinidad and Tobago Limited ("NGC") from 1 January 2021 to 31 December 2023 for the supply of natural gas. The Company has been able to secure a contract for the supply of its natural gas feedstock for at least one year from its statement of financial position date. The Company is currently negotiating with the NGC for a contract to obtain natural gas subsequent to 31 December 2023. On this basis, the Directors have maintained the going concern assumption in the preparation of these financial statements.

18. Events after the reporting period

(i) On 16 January 2023 the Tax Appeal Board allowed the appeal of the withholding tax matter for income years 2009 to 2011 amounting to $59.3 million.

(ii) On 2 June 2023 the Tax Appeal Board allowed the appeal of the withholding tax matter for income years 2012 to 2014 amounting to $52.1 million.

(iii) A final dividend for the year ended 31 December 2022 of TT$558.33 (US$82.83) per share was declared on 23 March 2023 by the Company's Board of Directors and paid on 18 April 2023 by the Company.