TRINIDAD NITROGEN CO. LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

Ernst & Young

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TRINIDAD NITROGEN CO. LIMITED
(Expressed in Trinidad and Tobago Dollars)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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Ernst & Young Services Limited
P.O. Box 158
5/7 Sweet Briar Road
St. Clair, Port of Spain
Trinidad

Tel: +1 868 628 1105
ey.com

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF TRINIDAD NITROGEN CO. LTD.

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 2018, 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 2018 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' Code of Ethics for Professional Accountants ("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 are responsible for overseeing the Company's financial reporting process.

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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

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

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

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

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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)

We communicate with the Audit Committee 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:
22 May 2019

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018
(Expressed in Trinidad and Tobago Dollars)

	Notes	2018 $'000	2017 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,093,807	1,031,768
Prepaid Pension	6 (a)	318	-
Deferred tax asset	12 (a)	75,521	77,348
		1,169,646	1,109,116
Current assets			
Inventories	7	168,820	162,239
Value added tax and other receivables		144,032	78,525
Amounts due from related companies			
Trade	8 (a)	99,929	112,725
Other		88,967	56,266
Income tax recoverable		175,552	171,741
Cash and cash equivalents	10	7,526	2,850
		684,826	584,346
Total assets		1,854,472	1,693,462

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

TRINIDAD NITROGEN CO. LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018
(Expressed in Trinidad and Tobago Dollars)
(Continued)

	Notes	2018 $'000	2017 $'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	156,150	156,150
Retained earnings		528,051	507,089
Translation difference reserve	11	61,221	61,006
		745,422	724,245
Non-current liabilities			
Pension liability	6 (a)	116,349	139,199
Post retirement healthcare liability	6 (a)	61,717	48,930
Deferred tax liability	12 (a)	184,407	154,650
Long term loan	9 (a) & (d)	139,966	167,831
		502,439	510,610
Current liabilities			
Trade and other payables	9 (a)	69,648	108,364
Short term loan	9 (a) & (d)	366,287	169,047
Amounts due to related companies			
Trade	8 (a) & (b)	131,545	146,066
Other		12,082	35,130
Dividends payable		27,049	–
		606,611	458,607
Total liabilities		1,109,050	969,217
Total equity and liabilities		1,854,472	1,693,462

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

On 22 May 2019, 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 2018
(Expressed in Trinidad and Tobago Dollars)

	Notes	2018 $'000	2017 $'000
Revenue from contracts with customers			
To affiliated company	8 (a)	1,309,264	1,335,508
To third parties		–	520
		1,309,264	1,336,028
Direct selling costs		(52,154)	(48,004)
Net sales revenue		1,257,110	1,288,024
Cost of products sold and operating expenses	13	(1,165,093)	(1,121,793)
Operating profit		92,017	166,231
Finance cost-net	14	(11,386)	(12,382)
Profit before tax		80,631	153,849
Income tax expense	12 (b) & (c)	(36,954)	(62,477)
Profit for the year		43,677	91,372

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 2018
(Expressed in Trinidad and Tobago Dollars)

	Notes	2018 $'000	2017 $'000
Profit for the year		43,677	91,372
Other comprehensive income			
Items that will not be re-classified subsequently to profit or loss			
Translation difference		215	3,131
Actuarial gain/(loss)	6 (a)	6,668	(24,906)
Tax effect	12 (a)	(2,334)	8,717
Other comprehensive income/(loss) for the year, net of tax		4,549	(13,058)
Total comprehensive income for the year, net of tax		48,226	78,314

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 2018
(Expressed in Trinidad and Tobago Dollars)

	Share capital $'000	Retained earnings $'000	Translation difference reserve $'000	Total $'000
At 1 January 2017	156,150	506,287	57,875	720,312
Profit for the year	–	91,372	–	91,372
Other comprehensive (loss)/income for the year	–	(16,189)	3,131	(13,058)
Net comprehensive income for the year	–	75,183	3,131	78,314
Dividends ($123.97 per share) (note 8(c))	–	(74,381)	–	(74,381)
At 31 December 2017	156,150	507,089	61,006	724,245
At 1 January 2018	156,150	507,089	61,006	724,245
Profit for the year	–	43,677	–	43,677
Other comprehensive income for the year	–	4,334	215	4,549
Net comprehensive income for the year	–	48,011	215	48,226
Dividends ($45.08 per share) (note 8(c))	–	(27,049)	–	(27,049)
At 31 December 2018	156,150	528,051	61,221	745,422

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 2018
(Expressed in Trinidad and Tobago Dollars)

	Notes	2018 $'000	2017 $'000
Operating activities			
Profit before tax		80,631	153,849
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Movement in pension and post retirement benefit		(3,395)	(4,588)
Depreciation	5	181,145	182,923
Loss on disposal of property, plant and equipment		26	4,928
		258,407	337,112
Working capital adjustments:			
Increase in inventory		(6,581)	(6,028)
Increase in value added tax and other receivables		(65,507)	(24,855)
(Increase)/decrease in amounts due from related companies		(19,905)	34,117
(Decrease)/increase in trade and other payables		(38,716)	23,681
(Decrease)/increase in amounts due to related companies		(37,569)	66,950
Net cash flows from operations		90,129	430,977
Income tax paid		(11,536)	(71,851)
Net cash flows from operating activities		78,593	359,126
Investing activity			
Purchase of property, plant and equipment	5	(243,149)	(186,480)
Net cash flows used in investing activity		(243,149)	(186,480)
Financing activities			
Dividends paid	8 (c)	–	(74,381)
Proceeds/(payments) from short term loan	9 (d)	169,058	(100,477)
Net cash flows generated from/(used in) financing activity		169,058	(174,858)
Increase/(decrease) in cash and cash equivalents		4,502	(2,212)
Net foreign exchange difference		174	(269)
Cash and cash equivalents at 1 January		2,850	5,331
Cash and cash equivalents at 31 December	10	7,526	2,850

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%) 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 renewed for a further period and will expire on 31 December 2018. Under the terms of the Agreement, the Company reimburses Yara Trinidad Ltd. for all direct costs and 66.67% of the total indirect costs incurred in carrying out its obligations. This Agreement also allows Yara Trinidad Ltd. to provide the services of its employees as it deems necessary for the management and operations of the Company. The net reimbursements amounted to approximately $173,563,000 in 2018 (2017: $198,182,000) (Note 8(a)).

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

2.2 Foreign currency translation

(a) Functional and presentation currency

The Company's 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 have been authorised for issue on 26 March 2018.

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$6.7623 (2017 = TT$6.7619).

(ii) Income and expense items have been translated at US$1.00 = TT$6.7356 (2017 = TT$6.7194). 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

(b) Transactions and balances

Transactions in foreign currencies are initially translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising on the settlement of such transactions and on translating monetary assets and liabilities denominated in foreign currencies at the rates prevailing at the end of the reporting period are recognised in the statement of income.

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment

(a) Property, plant and equipment in service

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

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

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

The estimated useful lives of the assets are as follows:

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

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

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

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

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

(b) Projects under construction

Property, plant and equipment under construction are recorded as projects under construction (PUC) until they are ready for their intended use. Thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. The cost of PUC includes allocation of labour and overhead which are directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management in accordance with IAS 16 - *Property, Plant and Equipment*. The total additions recorded as PUC for the year amounted to $31,236,000 (2017: $114,716,000) (Note 5).

2.4 Inventories

(a) 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.

(b) 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.

(c) Catalysts

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

2.5 Cash and cash equivalents

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

2. Summary of significant accounting policies (continued)

2.6 Trade receivables

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

2.8 Provisions

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

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

2.9 Taxation

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

2. Summary of significant accounting policies (continued)

2.9 Taxation (continued)

Deferred tax

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

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

The carrying amount of deferred tax assets are 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 in other comprehensive income is recognized directly in other comprehensive income.

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

2.10 Employee benefits

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

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

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

2. Summary of significant accounting policies (continued)

2.10 Employee benefits (continued)

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

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.

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 recognition

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. With the sale of ammonia, revenue is recognised on a Free On Board (FOB) basis, as evidenced by the bill of lading.

Interest income is recognised as it accrues unless collectability is in doubt.

2. Summary of significant accounting policies (continued)

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, trade receivables, amounts due from/to related companies, trade payables and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.14 Share capital

Ordinary shares with discretionary dividends are classified as equity.

2.15 Impairment of property, plant and equipment

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

2. Summary of significant accounting policies (continued)

2.16 Changes in accounting policies and disclosures

(i) New and amended standards and interpretations

The following standards and amendments are effective for accounting periods beginning on or after 1 January 2018. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2018, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company.

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

2. Summary of significant accounting policies (continued)

2.16 Changes in accounting policies and disclosures (continued)

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

IFRS 15 *Revenue from Contracts with Customers* (continued)
IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 January 2018.

There was no cumulative effect of initially applying IFRS 15 and therefore no adjustment was required to opening retained earnings as at 1 January 2018. Under the modified retrospective method of adaption, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

Certain disclosures relating to IFRS 15 are included in Note 8 (a).

IFRS 9 *Financial Instruments*
IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. The impact of the adoption of IFRS 9 as at 1 January 2018 and for the current year, was not material to the financial statements and therefore no adjustments was required.

2. Summary of significant accounting policies (continued)

2.16 Changes in accounting policies and disclosures (continued)

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

IFRS 9 ***Financial Instruments*** (continued)

a) Classification and measurement

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 have been appropriately presented and disclosed by the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

There were no changes in the classification and measurement of the Company's financial instrument as a result of the adaption of IFRS 9.

b) Impairment

IFRS 9 replaces the 'incurred loss' model in the IAS 39 with a forward looking 'expected credit loss' (ECL) model for impairment provision on trade receivables.

Upon adoption of IFRS 9 there was no change in the impairment provision recorded on the Company's trade receivables as at 1 January 2018 and for the current year.

Under IFRS 9 impairment provisions for trade receivables are disclosed as expected credit losses.

2. Summary of significant accounting policies (continued)

2.16 Changes in accounting policies and disclosures (continued)

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

The Company applied, for the first time, certain standards and amendments that became applicable for the 2018 financial year, however there was no impact on the amounts reported and/or disclosed in the financial statements.

- Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2 – Effective 1 January 2018
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 – Effective 1 January 2018
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration – Effective 1 January 2018
- Transfers of Investment Property - Amendments to IAS 40 – Effective 1 January 2018
- 2014-2016 cycle (issued in December 2016)

  IFRS 1 First-time Adoption of International Financial Reporting Standards – Effective 1 January 2018
- IAS 28 Investments in Associates and Joint Ventures – Retrospective application from 1 January 2018

2.17 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.

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

2.17 **Standards issued but not yet effective** (continued)

IFRS 16 *Leases*
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

2. Summary of significant accounting policies (continued)

2.17 Standards issued but not yet effective (continued)

IFRS 16 *Leases* (continued)

Transition to IFRS 16
The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

This standard is not expected to have an impact on the Company.

IFRS 17 *Insurance contracts* – Effective 1 January 2021
The Company will adopt these amendments when effective. These amendments are not expected to have an impact on the financial statements.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment* – Effective 1 January 2019

Amendments to IFRS 9: *Prepayment Features with Negative Compensation* - Effective from 1 January 2019, with earlier application permitted

Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement* – Effective 1 January 2019

Amendments to IAS 28: *Long-term interests in associates and joint ventures* – Retrospective application from 1 January 2019

Annual Improvements 2015-2017 Cycle (issued in December 2017)

These improvements include:

IFRS 3 *Business Combinations* – Effective 1 January 2019
IFRS 11 *Joint Arrangements* – Effective 1 January 2019
IAS 12 *Income Taxes* – Amendments effective 1 January 2019
IAS 23 Borrowing Costs – Amendments effective 1 January 2019

3. Financial risk management policies and objectives

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potentially adverse effects on the Company's financial performance while maintaining the liquidity needs of the Company.

Risk management is carried out by management under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, commodity price risk and interest rate risk. Financial instruments affected by market risk include trade and other receivables, amounts due from/to related parties, trade and other payables and accruals.

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company's exposure to foreign exchange risk arises primarily from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency. The Company believes that this risk has no material impact to the financial performance or position of the Company as most of the transactions are denominated in US dollars.

3. Financial risk management policies and objectives (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Commodity price risk

The Company manufactures and sells ammonia and is therefore exposed to the volatility of ammonia prices as it is traded on the international market.

(iii) Interest rate risk

The interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company does not have a significant exposure to the risk of changes in market interest rates.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Company's credit risk arises from trade receivables and cash and cash equivalents.

The majority the Company's sales are made to a related party. The related party settles its obligation to the Company on a timely basis. At year end, the Company's trade receivables are current.

Cash and cash equivalents are placed with reputable financial institutions. Credit risk from balances with banks and financial institutions is managed in accordance with the Company's investment policy. Investment of surplus funds is made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by Management on an annual basis. The limits are set to minimise the concentrations of risks and therefore mitigate the financial loss through potential counterparty's failure.

The maximum exposure on these financial instruments is equivalent to their carrying amounts at year end.

3. Financial risk management policies and objectives (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

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

3.2 Capital risk management

Capital includes equity attributable to the owners of the Company.

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

4. Significant accounting estimates, judgements and assumptions

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

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

(a) Income taxes

Some judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

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

(b) Site restoration and other environmental expenditure

The Company's future cost for environmental clean-up depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. Such future costs are not determinable due to the unknown timing and extent of corrective actions that may be required. The company's operations are subject to environmental laws and regulations. These laws and regulations are subject to change, and such changes may require that the Company makes investments and/or incur costs to meet more stringent emissions standards or to take remedial actions.

No provision is made in the financial statements for these costs, due to the factors stated above and management's view that no present legal or constructive obligation exists with regard to such liabilities.

(c) 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 ageing 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.

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

(d) Employee benefits

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

e) 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.

f) 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.

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 2018	5,903	757,606	26,738	53,420	188,101	1,031,768
Translation adjustment	1	45	1	3	11	61
Additions	–	62,507	17,778	131,628	31,236	243,149
Transfers	–	70,132	426	48,722	(119,280)	–
Cost of disposed assets	–	(121,504)	(11,036)	(83,846)	–	(216,386)
Depreciation	(920)	(121,356)	(11,843)	(47,026)	–	(181,145)
Accumulated depreciation of disposed assets	–	121,478	11,036	83,846	–	216,360
At 31 December 2018	4,984	768,908	33,100	186,747	100,068	1,093,807
At 31 December 2018						
Cost	80,404	3,456,785	95,272	332,086	100,068	4,064,615
Accumulated depreciation	(75,420)	(2,687,877)	(62,172)	(145,339)	–	(2,970,808)
Net book value	4,984	768,908	33,100	186,747	100,068	1,093,807
Net book value						
At 1 January 2017	6,805	762,463	45,664	90,311	124,257	1,029,500
Translation adjustment	25	2,695	163	320	438	3,641
Additions	–	71,704	61	–	114,716	186,481
Transfers	–	51,310	–	–	(51,310)	–
Cost of disposed assets	(41)	(47,584)	(61)	(6,999)	–	(54,685)
Depreciation	(920)	(125,704)	(19,089)	(37,211)	–	(182,924)
Accumulated depreciation of disposed assets	34	42,722	–	6,999	–	49,755
At 31 December 2017	5,903	757,606	26,738	53,420	188,101	1,031,768
At 31 December 2017						
Cost	80,394	3,445,605	88,103	235,579	188,101	4,037,780
Accumulated depreciation	(74,491)	(2,687,999)	(61,365)	(182,159)	–	(3,006,012)
Net book value	5,903	757,606	26,738	53,420	188,103	1,031,768

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

The company also recognised in 2018 a Trinidad Nitrogen Co. Limited (Tringen) define 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 2017 revealed an ongoing deficit of $104.7 million 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 salaries until the next valuation date.

(a) Pension plan/post retirement healthcare plan

	2018			2017	
	Hydro Pension plan $'000	**Tringen 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 financial position					
Present value of defined benefit obligation	488,449	8,232	–	498,352	–
Fair value of plan assets	(372,100)	(8,550)	–	(359,153)	–
Present value of unfunded obligation	–	–	61,717	–	48,930
Benefit liability/(asset) in the statement of financial position	116,349	(318)	61,717	139,199	48,930

TRINIDAD NITROGEN CO. LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

6. **Employee benefits** (continued)

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

	2018			2017	
	Hydro Pension plan $'000	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**	**Hydro Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**
Movement in the present value of the defined benefit obligation during the year					
Defined benefit obligation at 1 January	498,352	8,735	48,930	465,244	47,823
Interest cost	24,920	449	2,450	24,369	2,493
Current service cost – employer	8,170	284	1,528	6,765	1,082
Current service cost – employee	2,249	63	–	3,524	–
Benefit payments	(23,296)	(224)	(2,179)	(22,706)	(1,851)
Actuarial losses/(gains) on obligation:					
- financial assumption changes	(19,630)	(845)	–	14,078	–
- demographic assumption changes	–	–	–	–	–
- obligation experience	(2,316)	(230)	10,988	7,078	(617)
Defined benefit obligation at 31 December	488,449	8,232	61,717	498,352	48,930

6. **Employee benefits** (continued)

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

	2018			2017	
	Hydro Pension plan $'000	**Tringen Pension plan $'000**	**Yara Post-retirement healthcare plan $'000**	**Hydro 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	359,153	7,503	–	345,253	–
Expected return on plan assets	17,966	326	–	18,130	–
Actuarial losses on assets	(5,365)	–	–	(4,367)	–
Employer contributions	20,111	882	–	19,319	–
Employee contributions	3,531	63	–	3,524	–
Benefit payments	(23,296)	(224)	–	(22,706)	–
Fair value of plan assets at 31 December	372,100	8,550	–	359,153	–

6. **Employee benefits** (continued)

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

	2018			2017	
	Hydro Pension plan $'000	**Tringen 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	8,170	284	1,528	6,765	1,082
Interest cost on benefit obligation	6,954	123	2,450	6,239	2,493
Net benefit expense	15,124	407	3,978	13,004	3,575
Actual return on plan assets	12,601	–	–	13,763	–

6. **Employee benefits** (continued)

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

The total net charge to the statement of income of $19,102,000 (2017: $16,581,000), was included in the cost of products sold and operating expenses as labour cost.

As mentioned in Note 2.10, actuarial gains or losses are recognized in full in the period in which they occur through the statement of other comprehensive income. They are recognized immediately in retained earnings as they are not permitted to be reclassified to profit or loss in a subsequent period. The cumulative actuarial gains/losses recognized in retained earnings as at 31 December 2018 amounted to $124,565,000 (2017: $128,898,000).

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

	2018	**2017**
Discount rate – pension plan	5.00%	5.00%
Future salary increases	5.00%	6.00%
Discount rate – post-retirement healthcare plan	5.00%	5.00%
Healthcare cost increases	5.00%	5.00%

6. Employee benefits (continued)

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

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

	2018		2017	
	$'000	%	$'000	%
Bank deposits	4,420	1	16,594	5
Equity instruments	95,205	25	92,478	26
Debt instruments	266,618	72	244,214	68
Other assets	5,855	2	5,867	1
	372,100	100	359,153	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.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 is as shown below:

		Impact on		
Assumptions	Sensitivity level	Pension plan $'000	Pension plan $'000	Post-retirement healthcare plan $'000
Discount rate	+.5%/-.5%	30,325/(33,967)	682/(781)	(4,834)/5,509
Future salary rate	+.5%/-.5%	(10,125)/9,520	(402)/366	–
Healthcare costs	+1%/-1%	–	–	11,685/(9,171)
Pension rate	+.5%/-.5%	(22,776)/ –	(340)/ –	–

6. **Employee benefits** (continued)

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

The best estimate of expected pension plan contributions and post-retirement healthcare premiums to be paid by the Company for the period 1 January 2019 to 31 December 2019 amounts to approximately $19,628,000 and $2,288,000, respectively.

The weighted average duration of the pension liability at 31 December 2018 is 15 years (2017: 15 years) and 15 years (2017: 15 years) for other postretirement healthcare plan.

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

	2018		**2017**	
	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 financial position				
Present value of defined benefit obligation	783,338	–	801,534	–
Fair value of plan assets	(596,745)	–	(577,654)	–
Present value of unfunded obligation	–	98,996	–	77,949
Benefit liability in the statement of financial position	186,593	98,996	223,880	77,949

6. **Employee benefits** (continued)

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

	2018		2017	
	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	801,534	77,949	746,549	75,920
Interest cost	40,045	3,907	39,097	3,956
Current service cost – employer	12,669	2,422	10,697	1,704
Current service cost – employee	5,559	–	5,592	–
Benefit payments	(37,909)	(3,269)	(36,320)	(2,779)
Actuarial loss/(gain) on obligation:				
- financial assumption changes	(32,803)	–	22,639	–
- obligation experience	(5,757)	17,987	13,280	(852)
Defined benefit obligation at 31 December	783,338	98,996	801,534	77,949
Movements in the fair value of plan assets during the year				
Fair value of plan assets at 1 January	577,652	–	554,007	–
Expected return on plan assets	28,837	–	29,232	–
Actuarial losses on assets	(7,938)	–	(11,191)	–
Employer contributions	30,544	–	36,332	–
Employee contributions	5,559	–	5,592	–
Benefit payments	(37,909)	–	(36,318)	–
Fair value of plan assets at 31 December	596,745	–	577,654	–

6. **Employee benefits** (continued)

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

	2018		2017	
	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	12,669	2,422	10,697	1,704
Net interest cost on benefit obligation	11,204	3,907	9,866	3,956
Net benefit expense	23,873	6,329	20,563	5,660
Actual return on plan assets	20,899	–	18,041	–

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

	2018		2017	
	$'000	**%**	**$'000**	**%**
Bank deposits	7,089	1	26,689	5
Equity instruments	152,683	26	148,742	26
Debt instruments	427,583	72	392,792	68
Other assets	9,390	1	9,431	1
	596,745	100	577,654	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 2018 is as shown below:

		Impact on	
Assumptions	**Sensitivity level**	**Pension plan $'000**	**Post-retirement healthcare plan $'000**
Discount rate	+.5%/-.5%	48,282/(54,044)	(7,649)/8,707
Future salary rate	+.5%/-.5%	(15,888)/14,948	–
Healthcare cost	+1%/-1%	–	18,458/(14,520)
Pension rate	+.5%/-.5%	(36,539)/ –	–

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 2019 to 31 December 2019 amount to approximately $30,479,000 and $3,432,000, respectively.

7. Inventories

	2018 $'000	2017 $'000
Finished products	25,612	26,535
Spare parts and supplies	170,787	162,721
Less: provision for obsolescence on spare parts	(27,579)	(27,017)
	168,820	162,239

8. 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 2018, the Company has not recorded any impairment of receivables relating to amounts owed by related parties nor has a provision been established (2017: Nil).

8. Related party disclosures (continued)

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

	Sales to related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Yara Switzerland Ltd. (Note i)*				
2018	1,308,757	1,494	99,929	–
2017	1,335,508	46,254	112,725	1,445
Yara Trinidad Ltd. (Note ii)				
2018	–	–	7,312	10,784
2017	–	–	5,219	33,827
Yara International ASA (Note iii)				
2018	–	4,747	81,645	1,248
2017	–	4,219	51,047	1,253
Yara Belgium SA				
2018	–	132	–	50
2017	–	26	–	50
Yara Belle Plaine				
2018	–	–	–	–
2017	–	1	–	–
Yara Caribbean				
2018	507	–	10	–
2017	–	–	–	–
Other				
2018	–	–	–	–
2017	–	–	–	–
Total				
2018	1,309,264	6,373	188,896	12,082
2017	1,335,508	50,500	168,991	36,575

* Represents transactions of a trade nature.

8. **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 $173,563,000 in 2018 (2017: $198,182,000).

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

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

(b) **Transaction 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 *				
2018	–	715,745	–	127,284
2017	–	628,226	–	140,427

8. Related party disclosures (continued)

(b) Transaction 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*				
2018	–	33,695	–	3,394
2017	–	25,802	–	2,691
Trinidad and Tobago Electricity Commission *				
2018	–	15,400	–	867
2017	–	21,078	–	1,503
Total				
2018	–	764,840	–	131,545
2017	–	675,106	–	144,621

* Represents transactions of a trade nature.

(c) Transactions with owners

There were no transactions with the shareholders of the Company except for the declaration and payment of dividends as follows:

	2018 $'000	2017 $'000
Dividends payable to shareholders at 1 January	–	–
Exchange difference on beginning balance	–	–
Dividend proposed and approved:		
In respect of prior year	27,049	54,095
In respect of current year	–	20,286
Total dividend declared	27,049	74,381
Dividend paid to shareholders during the year	–	(74,381)
Dividends payable to shareholders at 31 December	27,049	–

8. Related party disclosures (continued)

(d) Key management compensation

Compensation of key management personnel of the Company:

	2018 $'000	2017 $'000
Short-term employee benefits	11,801	12,223
Post-employment benefits	1,496	1,520
	13,297	13,743

9. Financial instruments

(a) Financial instruments by category

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

Financial assets	2018 $'000	2017 $'000
Amounts due from related companies		
Trade	99,929	112,725
Other	88,967	56,266
Cash and cash equivalents	7,526	2,850
Total	196,422	171,841
Financial liabilities		
Long term loan	139,966	167,831
Trade payable	42,098	90,247
Accrued liabilities	27,550	18,117
Short term loan	366,287	169,047
Amounts due to related parties		
Trade	131,545	146,066
Other	12,082	35,130
Dividend Payable	27,049	–
Total	746,577	626,438

9. Financial instruments (continued)

(b) Fair values of financial instruments

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

(c) Credit quality of financial assets

Receivables
Receivables comprise of amounts due from related parties – trade and other receivables.

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2018, there were no trade receivables past due (2017: 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 8). There has been no history of default.

The aging analysis of trade receivables is as follows:	**2018 $'000**	**2017 $'000**
Up to 3 months	99,929	112,725
The aging analysis of other receivables is as follows:		
Up to 3 months	88,967	56,266
Over three month	–	–
	88,967	56,266
Cash and cash equivalents		
Group 1	1,059	1,053
Group 2	6,467	1,797
Total	7,526	2,850

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.

9. **Financial instruments** (continued)

(d) **Borrowings**

	2018 $'000	2017 $'000
Long term loan		
Scotia Bank of (T&T) (SBTT) Non revolving (i)	169,058	169,048
Less Short-term portion of Non revolving	(28,172)	–
	140,886	169,048
Less: Unamortised cost of borrowing	(920)	(1,217)
Net long term loan	139,966	167,831
Short term loan		
ANSA Merchant Bank Limited (ii)	169,058	169,047
SBTT No Revolving (i)	28,171	–
SBTT Revolving (i)	169,058	–
Total	366,287	169,047

(a) In November 2016, SBTT made available to the Company US$50,000,000 (TT$338,115,000) loan to be apportioned between a non-revolver loan (US$25,000,000 or TT$169,057,500) and a revolving loan (US$25,000,000 or TT$169,057,500). No collateral is provided for this loan but interest is charged at a rate linked to LIBOR + margin (currently at 4.78%). The non-revolver loan is due to be repaid in six equal semi-annual instalments beginning 30 months after the first draw down. US$25,000,000 (TT$169,057,500) was withdrawn for the Revolving Facility as at 31 December 2018.

The Company incurred US$461,012 (TT$3,118,610) to secure this loan facility, 50% relating to the revolving portion was written off immediately. However the other 50% is being written off over the life of the non-revolving portion. The long term loan balance reflects the long term portion of the loan less the unamortised portion of the cost of borrowing.

The loan agreements require the Company to comply with certain financial covenants. Breaches in meeting the financial covenants would permit the bank to immediately call the loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing as at 31 December 2018.

9. Financial instruments (continued)

(d) Borrowings (continued)

(b) In April 2015, the Company issued a one year revolving commercial paper facility in the amount of US$25,000,000 (TT$169,057,500) which attracts interest at a rate linked to three (3) months US$ LIBOR. During 2018, the maturity of this loan was extended for another twelve (12) months up to April 2019.

10. Cash and cash equivalents	**2018 $'000**	**2017 $'000**
Cash on hand and at banks	7,526	2,850

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

11. Share capital and translation difference reserve

Share capital		**$'000**
The authorised, issued and fully paid capital of the Company consists of:		
Class "A" shares –no par value held by National Enterprises Limited		
At 1 January 2018	306,000 shares	79,636
At 31 December 2018	306,000 shares	79,636
Class "B" shares –no par value held by Yara Caribbean (2002) Ltd.		
At 1 January 2018	294,000 shares	76,514
At 31 December 2018	294,000 shares	76,514
Total		
At 1 January 2018		156,150
At 31 December 2018		156,150

Translation difference reserve

This reserve is used to record exchange differences arising from the translation of the functional currency (US$) financial statements to the presentation currency. (Refer to Note 2.2 a).

12. Taxation

(a) Deferred tax

At 31 December 2018

	At 1 January 2018 $'000	Translation adjustment $'000	Recognized in other comprehensive income $'000	(Charge)/ credit to income statement $'000	At 31 December 2018 $'000
Deferred tax asset					
Pension liability	48,719	2	(1,784)	(6,215)	40,722
Provision for property taxes	818	–	–	(818)	–
Provision for vacation	3,577	–	–	(88)	3,489
Provision for inventory obsolescence	7,046	–	–	2,603	9,649
Accrued severance	60	–	–	–	60
Post retirement healthcare plan	17,128	4	(630)	5,099	21,601
	77,348	6	(2,414)	581	75,521
Deferred tax liability					
Accelerated tax depreciation	(154,650)	(123)	–	(29,527)	(184,300)
Pension Asset	–	–	80	(187)	(107)
	(154,650)	(123)	80	(29,714)	(184,407)
Total charge to the income statement	–	–	–	(29,133)	–

12. Taxation (continued)

(a) Deferred tax (continued)

At 31 December 2017

	At 1 January 2017 $'000	Translation adjustment $'000	Recognized in other comprehensive income $'000	(Charge)/ credit to income statement $'000	At 31 December 2017 $'000
Deferred tax asset					
Pension liability	41,999	148	8,932	(2,360)	48,719
Provision for property taxes	–	–	–	818	818
Provision for vacation	3,403	12	–	162	3,577
Provision for inventory obsolescence	6,369	21	–	656	7,046
Accrued severance	59	1	–	–	60
Post retirement healthcare plan	16,740	62	(215)	541	17,128
	68,570	244	8,717	(183)	77,348
Deferred tax liability					
Accelerated tax depreciation	(158,671)	(551)	–	4,572	(154,650)
Total charge to the income statement	–	–	–	4,389	–

12. Taxation (continued)

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

	2018 $'000	2017 $'000
Current tax charge	7,820	66,866
Deferred tax credit	29,134	(4,389)
Income tax expense	36,954	62,477

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

	2018	2017
Profit before tax	80,631	153,849
Corporation tax at statutory rate @ 35%	28,220	53,847
Business Levy	7,820	–
Effect of disallowable expenses and tax allowances	81	3,273
Prior years adjustment to corporation tax	(169)	108
Other differences	1,002	5,249
Income tax expense	36,954	62,477

13. Cost of products sold and operating expenses

	2018	2017
Changes in inventory of finished goods	56	(13,748)
Raw materials and consumables used	750,141	719,420
Repairs and maintenance	34,131	39,913
Labour expenses (excluding storage and shipping and president's office expenses)	135,259	124,800
Depreciation	180,429	182,923
Insurance costs	4,920	6,444
Other operating expenses	44,960	43,933
Cost of sales - ammonia	1,149,896	1,103,685
Storage and shipping expenses	11,926	14,957
President's office expenses	3,271	3,151
Total production costs and operating expenses	1,165,093	1,121,793

	2018	2017
14. Finance cost-net	**$'000**	**$'000**
Interest income	7,679	1,142
Interest expense	(19,065)	(13,524)
Total finance cost-net	(11,386)	(12,382)

15. 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 2018 was approximately $31,106,580 (2017: $158,014,000).

(c) Contingent liabilities

i. Under the terms of the supply contract with the National Gas Company (NGC) of Trinidad and Tobago Limited, there are certain minimum purchase obligations for natural gas. If these quantities are not taken, the Company is obligated to pay NGC for the undrawn quantities at specified prices, which can be utilised in subsequent periods. At the end of the reporting period, there are no circumstances which indicate that minimum quantities will not be consumed in 2018.

ii. In respect of a dispute against NGC for various breaches of the gas supply agreement, Notice of Arbitration was given to NGC on 27 March 2017. However TNC intends to resolve the matter amicably through negotiation. No further steps have been taken to appoint an arbitrator, nor has any specific relief been demanded or damages quantified.

15. Commitments and contingencies (continued)

(c) Contingent liabilities (continued)

(iii) The Board of Inland Revenue has conducted audits in respect of fiscal years 2006, 2007, 2008, 2009, 2010, 2011 and 2012 and has raised additional assessments on withholding tax totalling $163.7 million. The 2011 and 2012 tax assessments are under objection. Until the matters are determined, the assessments raised are not considered final.

No material unrecorded additional liabilities are expected to crystallise.

(iv) The Company has various legal matters pending in the Industrial Court of the Republic of Trinidad and Tobago. Though the Company is defendant in a number of these cases, no provision was recorded in the financial statements as a realistic probable outcome cannot be determined at present.

16. NGC Gas Contract

The company has separate contracts with NGC for the provision of gas for its Tringen 1 & 2 plants both contracts commenced on 1 January 2015 and expires on 31 December 2019. The company is currently in negotiations with NGC on the renewal of these contracts.