



Chartered Accountants
& Business Advisors

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017



Chartered Accountants
& Business Advisors

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

Building 2A, Christina Court, 33 – 35 Boissiere No. 1, Maraval
Republic of Trinidad and Tobago Phone: 1.868.622.4942

Statement of Management Responsibilities

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Union Estate Electricity Generation Company Limited, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

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

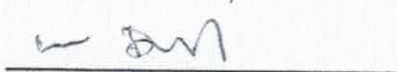
Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

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



Director

Date: July 18, 2018



Director

Date: July 18, 2018



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INDEPENDENT AUDITORS' REPORT

The Shareholder
Union Estate Electricity Generation Company Limited

Opinion

We have audited the consolidated financial statements of Union Estate Electricity Generation Company Limited, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Union Estate Electricity Generation Company Limited as at 31 December 2017 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 *Auditors' Responsibilities for the Audit of the Consolidated 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.

Other information included in the Company's 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we concluded that there is a material misstatement of this other information, we are required to communicate the matter to the Board of Directors.

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Mailing Address: PO Box 10205 Eastern Main Road, San Juan

Partners: Renée-Lisa Philip Mark K. Superville



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated 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 Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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.

PKF

Port-of-Spain
TRINIDAD
18 July 2018

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Trinidad and Tobago Dollars)

ASSETS

	<u>Notes</u>	31 December	
		<u>2017</u> (\$'000)	<u>2016</u> (\$'000) (Restated)
Current Assets:			
Cash resources	6	840,290	1,301,031
Trade and other receivables	7	258,724	138,520
Net investment in leased assets (current)	8	35,817	31,944
Inventories	9	88,506	72,489
Tax recoverable		<u>544</u>	<u>6,753</u>
Total Current Assets		1,223,881	1,550,737
Non-Current Assets:			
Intangible asset	10	79,056	79,056
Deferred tax asset	11	502,595	549,467
Property, plant and equipment	12	378,145	238,255
Net investment in leased asset (non-current)	8	<u>4,862,720</u>	<u>4,886,503</u>
Total Assets		<u><u>7,046,397</u></u>	<u><u>7,304,018</u></u>

LIABILITIES AND EQUITY

Current Liabilities:			
Trade and other liabilities	13	<u>104,218</u>	<u>84,023</u>
Total Current Liabilities		104,218	84,023
Non-Current Liabilities:			
Long-term bond	14	3,935,004	3,916,799
Amounts due to related parties	15	-	398
Deferred tax liabilities	11	<u>1,522,999</u>	<u>1,482,567</u>
Total Liabilities		<u>5,562,221</u>	<u>5,483,787</u>
Equity:			
Stated capital and capital contributions	16	1,399,684	1,399,684
Accumulated surplus		<u>84,492</u>	<u>420,547</u>
Total Equity		<u>1,484,176</u>	<u>1,820,231</u>
Total Liabilities and Equity		<u><u>7,046,397</u></u>	<u><u>7,304,018</u></u>

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 18 July 2018 and signed on their behalf by:

Director: Sandra P. Jones

Director: [Signature]

(The accompanying notes are an integral part of these consolidated financial statements.)

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in Trinidad and Tobago Dollars)

	<u>Notes</u>	For the year ended 31 December	
		<u>2017</u> (\$'000)	<u>2016</u> (\$'000) (Restated)
Revenue:			
Finance lease income		679,134	671,103
Other revenue	18	<u>18,545</u>	<u>33,093</u>
Total Revenue		<u>697,679</u>	<u>704,196</u>
Expenditure:			
Administrative expenses	19	141,103	108,297
Finance cost	20	261,601	233,375
Operating expense	21	<u>49,562</u>	<u>64,924</u>
		<u>452,266</u>	<u>406,596</u>
Operating profit before interest income		245,413	297,600
Interest income		<u>9,630</u>	<u>7,045</u>
Net profit before taxation		255,043	304,645
Taxation	22	<u>(89,566)</u>	<u>(296,986)</u>
Net profit for the year		165,477	7,659
Other Comprehensive Income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Foreign currency translation adjustment		<u>5,686</u>	<u>124,000</u>
Total Comprehensive Income		<u><u>171,163</u></u>	<u><u>131,659</u></u>
Attributable to:			
Equity holders		<u><u>171,163</u></u>	<u><u>131,659</u></u>

(The accompanying notes are an integral part of these consolidated financial statements)

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017
(Expressed in Trinidad and Tobago Dollars)

	<u>Stated Capital</u> (\$'000)	<u>Capital Contributions</u> (\$'000)	<u>Accumulated Surplus</u> (\$'000)	<u>Total Equity</u> (\$'000)
Balance as at 1 January 2016	5,007	1,394,684	288,888	1,688,579
Total Comprehensive Income (Restated)	-	-	131,659	131,659
Difference on exchange	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>(7)</u>
Balance as at 31 December 2016 (Restated)	<u>5,000</u>	<u>1,394,684</u>	<u>420,547</u>	<u>1,820,231</u>
Balance as at 1 January 2017	5,000	1,394,684	420,547	1,820,231
Total Comprehensive Income	-	-	171,163	171,163
Issue of share capital	225,227	(225,227)	-	-
Dividends	<u>-</u>	<u>-</u>	<u>(507,218)</u>	<u>(507,218)</u>
Balance as at 31 December 2017	<u>230,227</u>	<u>1,169,457</u>	<u>84,492</u>	<u>1,484,176</u>

(The accompanying notes are an integral part of these consolidated financial statements)

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in Trinidad and Tobago Dollars)

	For the year ended 31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000) <u>(Restated)</u>
<u>OPERATING ACTIVITIES</u>		
Net profit before taxation	255,043	304,645
Adjustment for:		
Depreciation	45,327	21,557
Unamortized discount and transaction cost	-	(62,801)
Amortized discount and transaction cost	8,463	1,381
Difference on exchange	7,524	73,477
Interest income net of interest expense	(8,288)	115,062
Loss on disposal of property, plant and equipment	4,167	3,553
Finance lease collection	<u>31,980</u>	<u>30,580</u>
Net profit before changes in working capital	344,216	487,454
Net change in trade and other receivables	(122,766)	(65,439)
Net change in trade and other liabilities	20,195	39,368
Net change in inventories	(16,017)	(12,126)
Change in net investment in leased asset	<u>-</u>	<u>(218,917)</u>
Interest received/paid (net)	225,628	230,340
Tax (paid)/refund	9,111	5,140
	<u>1,520</u>	<u>(4,569)</u>
Cash provided by Operating Activities	<u>236,259</u>	<u>230,911</u>
<u>INVESTING ACTIVITIES</u>		
Net change in intangible asset	-	(3,825)
Net change in property, plant and equipment	(189,384)	(94,783)
Due to related party	<u>(398)</u>	<u>(1,631,336)</u>
Cash used in Investing Activities	<u>(189,782)</u>	<u>(1,729,944)</u>
<u>FINANCING ACTIVITIES</u>		
Net change in stated capital	225,227	(7)
Net change in short term loans	-	(1,927,401)
Net change in long term bond	-	3,916,799
Dividends paid	(507,218)	-
Net change in capital contributions	<u>(225,227)</u>	<u>-</u>
Cash (used in)/provided by Financing Activities	<u>(507,218)</u>	<u>1,989,391</u>
Net change in cash and cash equivalents	(460,741)	490,358
Net cash and cash equivalents, beginning of year	<u>1,301,031</u>	<u>810,673</u>
Net cash and cash equivalents, end of year	<u>840,290</u>	<u>1,301,031</u>
Represented by:		
Cash resources	<u>840,290</u>	<u>1,301,031</u>
(The accompanying notes are an integral part of these consolidated financial statements)		

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017

1. **Principal Business Activities:**

Union Estate Electricity Generation Company Limited (UEEGCL) was incorporated on 26 February 2008 to hold equity on behalf of the Government of Trinidad and Tobago, in the acquisition, construction, ownership, sale, and the operation, management and maintenance of power generation facilities. The registered office of UEEGCL is located at Level 15, Eric Williams Financial Complex, Independence Square, Port of Spain.

Trinidad Generation Unlimited is wholly owned by UEEGCL, an entity controlled by the Government of the Republic of Trinidad and Tobago ("GORTT").

The purposes of Trinidad Generation Unlimited are limited to engaging in the acquisition, construction, lease, ownership and sale, and the operation, management, maintenance, financing and re-financing of power generation facilities., contracting for the output of power from such facilities, and all actions incidental, necessary or appropriate to the foregoing that may be engaged in by an unlimited liability company formed under the Act.

The operations of Trinidad Generation Unlimited have been consolidated into these consolidated financial statements.

2. **Summary of Significant Accounting Policies:**

(a) **Basis of preparation -**

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) and are stated in Trinidad and Tobago dollars. The consolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000. These consolidated financial statements have been prepared on the historical cost basis. The accounting policies used are consistent with those of previous year.

(b) **Use of estimates -**

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017

2. Significant Accounting Policies (Cont'd):

c) **New Accounting Standards and Interpretations -**

The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

- IFRS 1 First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 2 Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 4 Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 9 Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 9 Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019).
- IFRS 12 Disclosure of Interest in Other Entities - Amendments regarding the specification of the disclosure requirements for an entity's interest classified as held-for-sale, held for distribution or as a discontinued operation (effective for accounting periods beginning on or after 1 January 2017).
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019).
- IFRS 17 Insurance Contracts (effective for accounting periods beginning on or after 1 January 2021).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017

2. Summary of Significant Accounting Policies (Cont'd):

(c) **New Accounting Standards and Interpretations (cont'd) –**

- IAS 7 Statement of Cash Flows - Amendments resulting from disclosure initiative (effective for accounting periods beginning on or after 1 January 2017).
- IAS 12 Income Taxes - Amendments resulting from recognition of deferred tax assets for unrealised losses (effective for periods beginning on or after 1 January 2017).
- IAS 28 Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
- IAS 40 Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

(d) **Financial assets -**

Financial assets are classified into the following categories – loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market and which UEEGCL does not intend to sell in the short-term or which it has not designated as fair value through profit and loss, available for sale or held to maturity. Loans and receivables are carried at amortized cost using the effective interest method.

Available for sale

Investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rate are classified as available for sale. These investments are carried at fair value with realized gains and losses being taken to the profit and loss account and unrealized gains and losses being shown in equity.

Held to maturity

Investments with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised costs.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017

2. Summary of Significant Accounting Policies (Cont'd):

(e) Comparative information -

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(f) Cash and cash equivalents -

Cash at bank in the Consolidated Statement of Financial Position comprises of cash held in depository bank accounts as at the reporting date.

For the purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents consist of cash at bank and deposits in banks with an original maturity of three months or less.

(g) Property, plant and equipment -

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

Capital work in progress represents milestone payments to contractors under an Engineering Procurement and Supply Contract and other direct costs incurred in constructing the power plant that meet the recognition criteria. The plant will be brought into operation in three phases, Phase 1A, Phase 1B and Phase 2 in accordance with the Power Purchase Agreement (PPA). Capital work in progress has been allocated to the components of plant and equipment that are commissioned under each of the phases.

The PPA was evaluated in accordance with the provisions of IFRIC 4. This evaluation has resulted in the recognition of a leased asset related to the power plant.

Depreciation is charged from the month in which the equipment is purchased. Depreciation is provided on a straight line basis, per annum.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

	%
Computer equipment	33.3
Machinery and equipment	25
Furniture and fixtures	25
Capital spares	3.3 – 11.9

Capital work-in-progress is not depreciated.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017

2. Summary of Significant Accounting Policies (Cont'd):

(g) Property, plant and equipment (cont'd) -

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

(h) Consolidation -

A subsidiary is an entity over which UEEGCL has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether UEEGCL controls another entity. Trinidad Generation Unlimited, in which UEEGCL has a 100% interest, is a subsidiary. The Subsidiary is fully consolidated from the date on which control is transferred to UEEGCL. It de-recognises the assets and liabilities of a former subsidiary from the date on which control ceases.

UEEGCL uses the purchase method of accounting to account for the acquisition of the subsidiary. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of UEEGCL's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income. All intercompany transactions and balances are eliminated on consolidation.

(i) Stated capital -

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

(j) Intangible asset -

Premium of share purchase

This represents the excess of the purchase price of a share acquisition over its book value. Although not subject to amortization, its value will be tested for impairment on an annual basis or more frequently if events or circumstances indicate.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017

2. **Summary of Significant Accounting Policies (Cont'd):**

(k) **Foreign currency translation -**

Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

Transactions and balances

Foreign currency transactions are translated into the presentation currency, Trinidad and Tobago dollars, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

(l) **Taxation -**

UEEGCL is subject to Corporation Tax, as it does not meet the criteria of an Investment Company as defined by the Corporation Tax Act, Section 6(3). Tax on profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment to tax payable for previous year.

Deferred tax is calculated using the liability method whereby liabilities are recognised for temporary differences arising between the carrying amount of assets and liabilities in the Statement of Financial Position and their tax basis, using tax rates that have been enacted or substantially enacted by the reporting date, which result in taxable amounts in future period. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent it is probable that sufficient taxable profits will be available against which the unused tax losses can be utilised.

(m) **Provisions -**

Provisions are recognised when UEEGCL has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any other item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures 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 the passage of time is recognised in the profit and loss account.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2017

2. Summary of Significant Accounting Policies (Cont'd):

(n) Revenue recognition -

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of activities. Revenue is shown net of value-added-tax, rebates and discounts and after eliminating intergroup sale. Interest income is recognised on the accruals basis and dividend income is accrued for when the right to receive payment is established.

(o) Foreign currency translation -

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in thousands of United States dollars, which is UEEGCL's functional and presentation currency.

3. Financial Risk Management:

Financial risk factors

On account of Trinidad Generation Unlimited, UEEGCL as a consolidated entity is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by UEEGCL to manage these risks are discussed below:

Financial Instruments

	2017	
	Carrying Value	Fair Value
	(\$'000)	(\$'000)
Financial Assets		
Cash resources	840,290	840,290
Trade and other receivables	258,724	258,724
Net investment in leased assets	4,898,537	4,898,537
Financial Liabilities		
Trade and other liabilities	104,218	104,218
Amounts due to related parties	-	-

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3. Financial Risk Management (Cont'd):

Financial Instruments

	2016	Fair
Financial Assets	Carrying Value (\$'000)	Value (\$'000)
Cash resources	1,301,031	1,301,031
Trade and other receivables	138,520	138,520
Net investment in leased assets	4,918,447	4,918,447
Financial Liabilities		
Trade and other liabilities	84,023	84,023
Amounts due to related parties	398	398

The fair value of the leased asset was estimated using relevant industry and market observable data to arrive at a proxy for fair value at year end.

(a) Interest rate risk -

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

UEEGCL as a consolidated entity is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

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3. Financial Risk Management (Cont'd):

Financial Instruments

	<u>Effective Rate</u>	<u>Up to 1 year (\$'000)</u>	<u>1 to 5 years (\$'000)</u>	<u>2017 Over 5 years (\$'000)</u>	<u>Non-Interest Bearing (\$'000)</u>	<u>Total (\$'000)</u>
Financial Assets						
Cash resources	1.65%	107,426	-	-	732,864	840,290
Trade and other receivables	0.0%	-	-	-	258,724	258,724
Net investment in leased assets	0.0%	-	-	-	4,898,537	4,898,537
		<u>107,426</u>	<u>-</u>	<u>-</u>	<u>5,890,125</u>	<u>5,997,551</u>
Financial Liabilities						
Trade and other liabilities	0.0%	-	-	-	104,218	104,218
		<u>-</u>	<u>-</u>	<u>-</u>	<u>104,218</u>	<u>104,218</u>
Financial Assets						
	<u>Effective Rate</u>	<u>Up to 1 year (\$'000)</u>	<u>1 to 5 years (\$'000)</u>	<u>2016 Over 5 years (\$'000)</u>	<u>Non-Interest Bearing (\$'000)</u>	<u>Total (\$'000)</u>
Cash resources	1.65%	511,920	-	-	789,111	1,301,031
Trade and other receivables	0.0%	-	-	-	138,520	138,520
Net investment in leased assets	0.0%	-	-	-	4,918,447	4,918,447
		<u>511,920</u>	<u>-</u>	<u>-</u>	<u>5,846,078</u>	<u>6,357,998</u>
Financial Liabilities						
Trade and other liabilities	0.0%	-	-	-	84,023	84,023
Amounts due to related parties	0.0%	-	-	-	398	398
		<u>-</u>	<u>-</u>	<u>-</u>	<u>84,421</u>	<u>84,421</u>

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3. **Financial Risk Management (Cont'd):**

(b) **Credit risk -**

Credit risk arises when failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. UEEGCL as a consolidated entity has policies in place to control and monitor risk on a continuous basis.

(c) **Liquidity risk -**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

UEEGCL as a consolidated entity has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Risk Management -

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of UEEGCL. UEEGCL as a consolidated entity employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of UEEGCL's assets.

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3. **Financial Risk Management (Cont'd):**

(c) **Liquidity risk -**

To manage and reduce liquidity risk UEEGCL's management actively seeks to match cash inflows with liability requirements.

ii. **Liquidity Gap**

	2017			
	<u>Up to</u> <u>1 year</u> (\$'000)	<u>1 to</u> <u>5 years</u> (\$'000)	<u>Over</u> <u>5 years</u> (\$'000)	<u>Total</u> (\$'000)
Financial Assets				
Cash resources	840,290	-	-	840,290
Trade and other receivables	258,724	-	-	258,724
Net investment in leased assets	<u>35,817</u>	<u>194,936</u>	<u>4,667,784</u>	<u>4,898,537</u>
	<u>1,134,831</u>	<u>194,936</u>	<u>4,667,784</u>	<u>5,997,551</u>
Financial Liabilities				
Trade and other liabilities	<u>104,218</u>	-	-	<u>104,218</u>
	<u>104,218</u>	-	-	<u>104,218</u>
	2016			
	<u>Up to</u> <u>1 year</u> (\$'000)	<u>1 to</u> <u>5 years</u> (\$'000)	<u>Over</u> <u>5 years</u> (\$'000)	<u>Total</u> (\$'000)
Financial Assets				
Cash resources	1,301,031	-	-	1,301,031
Trade and other receivables	138,520	-	-	138,520
Net investment in leased assets	<u>31,944</u>	<u>173,347</u>	<u>4,713,156</u>	<u>4,918,447</u>
	<u>1,471,495</u>	<u>173,347</u>	<u>4,713,156</u>	<u>6,357,998</u>
Financial Liabilities				
Trade and other liabilities	84,023	-	-	84,023
Amounts due to related parties	<u>398</u>	-	-	<u>398</u>
	<u>84,421</u>	-	-	<u>84,421</u>

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3. **Financial Risk Management (Cont'd):**(d) **Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not UEEGCL's measurement currency. UEEGCL's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(e) **Operational risk -**

Operational risk is the risk derived from deficiencies relating to UEEGCL's information technology and control systems, as well as the risk of human error and natural disasters. UEEGCL's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error.

(f) **Compliance risk -**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited by the monitoring controls applied by UEEGCL.

(g) **Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to UEEGCL's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against UEEGCL. UEEGCL applies procedures to minimize this risk.

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4. Critical Accounting Estimates and Judgements:

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying UEEGCL's accounting policies.

Estimates and judgements 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. UEEGCL makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk or causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- (i) Whether investments are classified as available for sale, held to maturity or loans and receivables.
- (ii) Whether leases are classified as operating leases or finance leases.
- (iii) Which depreciation method for property, plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the year-end date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

Impairment of assets

Management assesses at each year-end date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

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5. Restatement:

(a) **Major maintenance cost -**

The Plant is equipped with six (6) gas turbine generators and two (2) steam turbine generators that can be operated in a combined-cycle mode. Each gas turbine is expected to undergo major maintenance upon achieving a defined number of firing hours as established by the Manufacturer. In 2016, two (2) of the six (6) gas turbines achieved the required firing hours and each underwent major maintenance. As at 31 December 2017, the remaining four (4) turbines underwent similar major maintenance.

In the prior year, the Company expensed in full, the costs relating to major maintenance of the Gas Turbines as described above. The accounting treatment of major maintenance costs was revisited in 2017, and all related costs have been capitalized in accordance with IAS 16 'Property, Plant and Equipment'. This has been applied retrospectively, and accordingly the 31 December 2016 financial statements were restated.

Major maintenance costs amounted to **\$31.4 million** for the year ended 31 December 2016, respectively. The adjustment had a resulting impact on the depreciation charge and deferred taxation recorded in the Statement of Comprehensive Income for the year ended 31 December 2016 of **\$4.7 million** and **\$7.9 million**, respectively. These costs will be amortized on a straight line basis over three (3) to four (4) years, which represent the average expected life between each major maintenance cycle for the respective gas turbines.

(b) **Deferred taxation -**

The Company recognizes deferred tax assets on all temporary differences relating to unutilized tax losses, capital spares and interest payable and deferred tax liabilities on all temporary differences relating to the finance lease and property, plant and equipment. Refer to Note 18.

As explained in Note 2 (c), the Company's functional currency is United States dollars. However, since the Company is resident in Trinidad and Tobago, it is subject to income taxes in Trinidad and Tobago. Under the laws of Trinidad and Tobago, the tax return filed with the Board of Inland Revenue for each year of income is prepared in Trinidad and Tobago dollars. In accordance with IAS 12 'Income Taxes', the deferred tax assets and deferred tax liabilities as at 31 December 2016 have been adjusted using the year end foreign exchange rate to translate the tax base, as this rate provides the best measure of the reporting currency amount that will be taxable or deductible in future periods.

Accordingly, this resulted in a decrease to the deferred tax assets reported in the statement of financial position as at 31 December 2016 by **\$44.5 million**, an increase to the deferred tax liabilities reported in the Statement of Financial Position as at 31 December 2016 by **\$4.0 million**, with a net increase in the deferred tax charge reported in the Statement of Comprehensive Income for the year ended 31 December 2016 of **\$47.8 million**.

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5. Restatement (Cont'd):

(c) **Green Fund Levy -**

Green Fund Levy amounting to **\$2.2 million** included as part of taxation in the Statement of Comprehensive Income for the year ended 31 December 2016 has been reclassified to administrative expenses in the Statement of Comprehensive Income for that prior year. This change is to allow consistency of presentation of the Green Fund Levy within administrative expenses in the current year. This change has no effect on the previously reported net profit for the year ended 31 December 2016. This change has resulted in a reduction of the previously reported taxation for 2016 by **\$2.2 million** and a corresponding increase in administrative expenses as a result of the reclassification. The Statement of Cash Flows as at 31 December 2016 has also been adjusted to reflect this reclassification.

The tables below illustrate the impact of the above-mentioned adjustments for the year ended 31 December 2016 on the Statement of Comprehensive Income:

	For the year ended 31 December 2016 as previously reported (\$'000)	Impact of adjustment for major maintenance costs (\$'000)	Impact of adjustment to Deferred Taxation (\$'000)	Impact of reclassification of Green Fund Levy (\$'000)	For the year ended 31 December 2016 (Restated) (\$'000)
For the year ended 31 December 2016					
Impact on the Statement of Comprehensive Income:					
Administrative expenses	102,927	1,614	-	2,218	106,759
Operating expenses	92,817	(27,905)	-	-	64,912
Profit before tax	284,964	26,291	-	(2,218)	309,037
Taxation	243,547	7,889	47,768	(2,218)	296,986
Net profit for the year	41,417	18,402	(47,768)	-	12,051

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5. Restatement (Cont'd):

(c) Green Fund Levy (cont'd) -

The tables below illustrate the impact of the above-mentioned adjustments for the year ended 31 December 2016 on the Statement of Changes in Equity and Statement of Financial Position:

	For the year ended 31 December 2016 as previously reported (\$'000)	Impact of adjustment for major maintenance costs (\$'000)	Impact of adjustment to Deferred Taxation (\$'000)	Impact of reclassification of Green Fund Levy (\$'000)	For the year ended 31 December 2016 (Revised) (\$'000)
For the year ended 31 December 2016					
Impact on the Statement of Changes in Equity:					
Retained earnings	58,537	18,402	(47,768)	-	29,171
Foreign currency translation reserve	183,652	292	(757)		183,187
Impact on the Statement of Financial Position:					
Property, Plant and Equipment	211,546	26,708	-	-	238,254
Deferred tax assets	594,807	(850)	(44,490)	-	549,467
Deferred tax liabilities	1,471,368	7,164	4,035	-	1,482,567

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6. Cash Resources:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Cash at bank	732,864	789,111
Short term deposit	<u>107,426</u>	<u>511,920</u>
	<u><u>840,290</u></u>	<u><u>1,301,031</u></u>

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

Short-term deposits include US dollar and TT dollar denominated deposits with maturity dates of one (1) year (2016: one (1) to two (2) years with interest rates ranging from 1.4% to 1.9% per annum (2016: 0.80% per annum to 1.9% per annum).

7. Trade and Other Receivables:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Trade receivables	196,151	75,377
Accrued revenue	55,212	56,590
Prepayments and other receivables	<u>7,361</u>	<u>6,553</u>
	<u><u>258,724</u></u>	<u><u>138,520</u></u>

8. Investment in Leased Assets:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Finance lease – gross investment	16,802,207	17,470,972
Less: Unearned finance income	<u>(11,903,670)</u>	<u>(12,552,525)</u>
Net investment in leased asset	4,898,537	4,918,447
Less amounts due within one year	<u>(35,817)</u>	<u>(31,944)</u>
	<u><u>4,862,720</u></u>	<u><u>4,886,503</u></u>

Trinidad Generation Unlimited has entered into a Power Purchased Agreement (PPA) for the supply of capacity and associated energy generated for a term of thirty (30) years from the commencement of Phase 1A commercial operations.

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8. Investment in Leased Assets (Cont'd):

The power plant will be brought into operation in three phases. Each phase will provide incremental capacity for power generation as follows:

Phase 1 A commissioned on 31 July 2011	225MW
Phase 1B commissioned on 20 December 2011	225MW
Phase 2 commissioned on 18 December 2012	270MW

The provision of the PPA were evaluated in accordance with IFRIC 4: "Determining whether an arrangement contains a lease" and IAS 17: "Leases." Phase 1B were commissioned during 2011 and Phase 2 in 2012. Their related costs were transferred from capital work in progress and an investment in these assets was recognized in the respective years.

As at 31 December, the gross investment and present value of receivables relating to future minimum lease payments were distributed as follows:

	2017		2016	
	Gross investment (\$'000)	Present value of receivable \$'000	Gross investment (\$'000)	Present value of receivable \$'000
Within 1 year	712,045	35,817	710,281	31,944
1 to 5 years	2,850,130	194,936	2,843,071	173,347
Over 5 years	<u>13,240,032</u>	<u>4,667,784</u>	<u>13,917,620</u>	<u>4,713,156</u>
	<u>16,802,207</u>	<u>4,898,537</u>	<u>17,470,972</u>	<u>4,918,447</u>

9. Inventories:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Spare parts	87,078	71,749
Materials in transit	<u>1,428</u>	<u>740</u>
	<u>88,506</u>	<u>72,489</u>

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10. **Intangible Asset:**

This represents a premium calculated as the excess of the purchase price of the minority interest in Trinidad Generation Unlimited over the book value of the shares purchased.

11. **Deferred Taxation:**

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000) (Restated)
Significant components of deferred tax are as follows:		
Deferred tax asset:		
Tax losses	490,064	531,854
Capital spares	-	5,113
Interest payable	<u>12,531</u>	<u>12,500</u>
	<u>502,595</u>	<u>549,467</u>
Deferred tax liabilities:		
Finance lease	1,495,658	1,482,567
Property, plant and equipment	<u>27,341</u>	<u>-</u>
	<u>1,522,999</u>	<u>1,482,567</u>

Trinidad Generation Unlimited has unutilized tax losses of **\$1,632 million** (2016: **\$1,745 million**) that are available indefinitely for offset against future taxable profits. Deferred tax assets have been recognized for the carry forward of these unused tax losses to the extent that it is possible that future tax profits will be available against which the tax losses can be utilized. There are no unrecognised deferred tax assets for the current year or prior year.

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12. Property, Plant and Equipment:

Cost	Computer Equipment † (\$'000)	Furniture & Fixtures (\$'000)	Machinery and Equipment \$('000)	Other Assets (\$'000)	Capital Work in Process (\$'000)	Capital Spares (\$'000)	<u>Total</u> (\$'000)
Balance as at 1 January 2017 (Restated)	131	38	100,473	47,460	5,076	149,429	302,607
Additions	93	15	1,102	54,392	10,016	130,974	196,592
Transfer from CWIP	-	-	12,443	372	(12,815)	-	-
Adjustment – Major maintenance (Note 5)	-	-	-	-	-	-	-
Transfer to finance lease	-	-	-	-	-	-	-
Foreign exchange differences	-	-	436	437	(876)	(19,328)	(19,328)
Balance as at 31 December 2017	<u>224</u>	<u>53</u>	<u>114,454</u>	<u>102,661</u>	<u>1,401</u>	<u>261,107</u>	<u>479,900</u>
Accumulated Depreciation							
Balance as at 1 January 2017 (Restated)	131	37	6,474	12,053	-	45,657	64,352
Charge for the year	31	4	5,937	21,734	-	17,621	45,327
Adjustment – Major maintenance (Note 5)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Foreign exchange differences	-	-	(11)	344	-	(7,585)	7,585
Balance as at 31 December 2017	<u>162</u>	<u>41</u>	<u>12,400</u>	<u>34,131</u>	<u>-</u>	<u>55,021</u>	<u>101,755</u>
Net Book Value							
Balance as at 31 December 2017	<u>62</u>	<u>12</u>	<u>102,054</u>	<u>68,530</u>	<u>1,401</u>	<u>206,086</u>	<u>378,145</u>
Balance as at 31 December 2016	<u>-</u>	<u>1</u>	<u>93,999</u>	<u>35,407</u>	<u>5,076</u>	<u>103,772</u>	<u>238,255</u>

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12. Property, Plant and Equipment (Cont'd):

Cost	Computer Equipment (\$'000)	Furniture & Fixtures (\$'000)	Machinery and Equipment (\$'000)	Other Assets (\$'000)	Capital Work in Process (\$'000)	Capital Spares (\$'000)	Total (\$'000)
Balance as at 1 January 2016	131	38	10,178	14,386	49,470	125,955	200,158
Additions	-	-	4,398	31,770	37,744	20,083	93,995
Transfer from CWIP	-	-	85,539	-	(85,539)	-	-
Disposals	-	-	-	-	-	-	-
Foreign exchange differences	-	-	358	1,304	3,401	(3,603)	(3,603)
Balance as at 31 December 2016	131	38	100,473	47,460	5,076	149,429	302,607
Accumulated Depreciation							
Balance as at 1 January 2016	131	38	2,552	6,618	-	30,226	39,565
Charge for the year	-	(1)	3,693	657	-	12,584	16,933
Foreign exchange differences	-	-	229	4,778	-	2,847	7,854
Balance as at 31 December 2016	131	37	6,474	12,053	-	45,657	64,352
Net Book Value							
Balance as at 31 December 2016	-	1	93,999	35,407	5,076	103,772	238,255
Balance as at 31 December 2015	-	-	7,626	7,768	49,470	95,729	160,593

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13. Trade and Other Liabilities:

	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Trade payable	5,636	5,744
Other payable	<u>98,582</u>	<u>78,279</u>
	<u>104,218</u>	<u>84,023</u>

Trade payables are non-interest bearing and are normally on 30-day terms.

14. Long -Term Bond:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Bond proceeds	3,979,600	3,979,600
Unarmortised discount and transaction costs	(54,481)	(62,801)
Foreign exchange translation difference	<u>9,885</u>	<u>-</u>
	<u>3,935,004</u>	<u>3,916,799</u>

Trinidad Generation Unlimited issued a 5.250% 144A/REG S Senior Unsecured Notes valued at US\$600,000,000 on 4 November 2016 with a maturity date of 4 November 2027 listed on the Singapore Stock Exchange with a minimum denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof. Gross proceeds of the bond totalled US\$589,920,000 (TT\$3,979,000,000) with an issue price of 98.320% of the principal amount.

The proceeds from the bond were utilized to extinguish a US\$600,000,000 Syndicated Bridge Facility issued by Credit Suisse on 7 July 2016 maturing on 5 July 2017.

Interest payment dates will be made at six month intervals on 4 May and 4 November of each year commencing 4 May 2017. Principal of the notes will be repaid in six equal, consecutive, semi-annual instalments commencing on 4 May 2025.

Individual ratings of BBB and BBB- for the bond was presented by both Standard and Poor's (S&P) and Fitch Ratings respectively. For the duration of the bond, U.S. Bank National Association would act as Trustee, Paying Agent, Transfer Agent and Registrar.

Under the terms of the Indenture the Company is required to comply with certain restrictions relating to the issuance of the long term bond as follows, but not limited to:

- Certain limitations on sale and leaseback transactions;
- Certain limitations on the amendment of the PPA;
- The company shall be required to repurchased its notes upon change of control.

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15. Amounts Due To Related Parties:

UEEGCL is ultimately owned by the Government of Trinidad and Tobago (GORTT). In the ordinary course of its business, UEEGCL enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under the common control of the GORTT include National Energy Corporation of Trinidad and Tobago Limited and Trinidad and Tobago Electricity Commission.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for amounts due to or from related parties. The following table provides the total amount of transactions that have been entered into with related parties for the year.

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Due to related parties		
Government of the Republic of Trinidad and Tobago	-	398
National Energy Corporation	-	-
	<u>-</u>	<u>-</u>
Purchase from related parties		
National Energy Corporation		
- Lease rental and premium	2,214	2,214
	<u>2,214</u>	<u>2,214</u>
Due from related parties		
Trinidad and Tobago Electricity Commission	251,363	131,967
	<u>251,363</u>	<u>131,967</u>
Sales to related parties:		
Trinidad and Tobago Commission	732,921	734,776
	<u>732,921</u>	<u>734,776</u>
Compensation of key management personnel		
Short-term employee benefits	7,409	7,569
	<u>7,409</u>	<u>7,569</u>

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16. **Stated Capital and Capital Contributions:**

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Authorised		
Unlimited ordinary shares at par value		
Issued and fully paid		
230,226,822 ordinary shares at TTD\$1 each	230,227	5,000
Capital Contributions (Note 17)	<u>1,169,457</u>	<u>1,394,684</u>
	<u>1,399,684</u>	<u>1,399,684</u>

An additional 225,226,812 Ordinary Shares of no par value was issued to the Minister of Finance and Corporation Sole as representative of the Government of the Republic of Trinidad and Tobago GORTT). US\$33.125 million (TT\$225,226,812) recorded as capital contributions from the GORTT has been transferred to increase Stated Capital.

17. **Capital Contributions:**

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Balance, beginning of year	1,394,684	1,394,684
Transfer to stated capital	<u>(225,227)</u>	<u>-</u>
Balance, end of year	<u>1,169,457</u>	<u>1,394,684</u>

18. **Other Revenue:**

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Capacity revenue - CPI adjustment	15,718	26,611
Energy delivered revenues	2,776	2,361
Miscellaneous	<u>51</u>	<u>4,121</u>
	<u>18,545</u>	<u>33,093</u>

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19. Administrative Expenses:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000) (Restated)
Accounting and audit	316	352
Depreciation	45,327	21,557
Directors fees	364	330
Events and community work	3,124	5,506
Insurance	15,894	18,266
Internet	10	7
IT expenses	4,030	1,865
Legal and professional	8,655	9,979
Medical insurance	24	-
Office expenses	24	27
Other	3,262	2,808
Outsourced personnel services	8,349	-
Overseas travel	68	-
Penalties and interest	2	-
Rent	2,951	3,127
Salaries and wages	44,691	39,716
Stationery	9	12
Subscriptions	157	-
Telephone	10	6
Travelling	2,829	2,902
Utilities	1,007	1,837
	<u>141,103</u>	<u>108,297</u>

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20. Finance Cost:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000)
Bank charges	106	335
Bond amortisation	8,463	1,381
Financing fees	-	94,951
Interest expense	212,750	133,623
Loss on foreign exchange	-	-
Other	-	-
	<u>40,282</u>	<u>3,085</u>
Balance, end of the year	<u><u>261,601</u></u>	<u><u>233,375</u></u>

21. Operating Expense:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000) <u>(Restated)</u>
Contract labour	17,127	19,203
Contract services	5,860	12,372
Inspection	2,947	6,794
Other	5,567	7,322
Repairs and maintenance	3,453	3,986
Parts and supplies	9,165	9,297
Safety and security	3,541	4,436
Training	1,902	1,514
	<u>1,902</u>	<u>1,514</u>
	<u><u>49,562</u></u>	<u><u>64,924</u></u>

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22. Taxation:

	31 December	
	<u>2017</u> (\$'000)	<u>2016</u> (\$'000) <u>(Restated)</u>
Components of the taxation credit for the year:		
Business Levy	(4,687)	(4,427)
Deferred tax	<u>(84,879)</u>	<u>(292,559)</u>
	<u><u>(89,566)</u></u>	<u><u>(296,986)</u></u>
A reconciliation of the expected income tax expense determined using the statutory tax rate the effective income tax expense is as follows:		
Net profit before taxation	<u>255,043</u>	<u>304,645</u>
Income taxes thereon at the statutory rate	(76,462)	(76,161)
Non-deductible expenses	(6,349)	(23,895)
Exempt income	1,776	10,024
Business Levy	(4,687)	(4,427)
Green Fund Levy	-	-
Deferred tax impact of change in tax rate	-	(153,092)
Other	<u>(3,844)</u>	<u>(49,435)</u>
	<u><u>(89,566)</u></u>	<u><u>(296,986)</u></u>

Effective 1 January 2017, the corporation tax structure changed whereby profits up to and equal to **TT\$1 million** was taxed at 25% while all profits in excess of **TT\$1 million** incurred a tax charge of 30%. 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 reporting date.

As disclosed in Note 5, the financial statements include a reclassification of 2016 comparative information in respect of the green fund levy amount of **\$2.2 million**. In accordance with IAS 12 – Income Taxes, the green fund levy expense of **\$2.2 million** for 2016 has been reclassified to administrative expenses which are consistent with the 2017 presentation. The financial statements also include an adjustment to the deferred tax charge in respect of a change in the foreign exchange rate used to translate the tax base.

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23. Capital Commitments:

At 31 December 2017, the Company had no major capital commitments (2016: \$9.124 million).

24. Operating Lease Commitments:

Trinidad Generation Unlimited has entered into a 30 year lease agreement commencing 15 January 2009 with the National Energy Corporation of Trinidad and Tobago for the lease of 149.955 hectares of land situated in La Brea, Trinidad. The rental lease expense of \$2,255,135 is recorded in administrative expenses for the year ended 31 December 2017 (2016: \$2,212,630).

Trinidad Generation Unlimited also holds operating leases for its motor vehicles. The motor vehicle lease expense of \$1,334,352 is recorded in administrative expenses for the year ended 31 December 2017 (2016: \$1,781,353).

Future minimum rentals payable under the operating leases as at 31 December are as follows:

	31 December	
	<u>2017</u>	<u>2016</u>
	(\$'000)	(\$'000)
Within one year	3,801	3,110
After one year but not more than five years	11,575	10,537
More than five years	<u>38,335</u>	<u>38,290</u>
	<u>53,711</u>	<u>51,937</u>

25. Contractual Commitments:

- a. On 15 September 2009, Trinidad Generation Unlimited entered into a Power Purchase Agreement for 30 years with Alutrint Limited (Alutrint) and the Trinidad and Tobago Electricity Commission (T&TEC) as buyers in which each of the buyers are jointly and severally obligated to fulfilling the terms and conditions of the agreement which provides *inter alia* for sale of the maximum available output of the plant. In accordance with the power purchase agreement these obligations would commence once Phase 1A of the plant is operational. Phase 1A became operational on 31 July 2011, Phase 1B on 20 December 2011 and Phase 2 became operational on 18 December 2012.

In 2011, the agreement to deliver output to Alutrint was discontinued, resulting in the full output of the plant being designated to T&TEC. The obligations of T&TEC under the Power Purchase Agreement are unconditionally guaranteed by the Government of Trinidad and Tobago. The total capacity of the plant is dedicated to T&TEC.

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26. Contractual Commitments (Cont'd):

b. *FirstCaribbean International Bank (Trinidad and Tobago) Limited agreement*

By a resolution in writing dated 10 May 2017 and on further instruction from the Government of Trinidad and Tobago enunciated by the Honorable Prime Minister in Parliament, a decision was made to divest 49% of the equity of the Company. As part of this proposed transaction, the parent company, UEEGCL, duly authorized the Company to act on its behalf and to execute and deliver an agreement with FirstCaribbean International Bank (Trinidad & Tobago) Limited (CIBC FirstCaribbean). Effective 3 July 2017, the Company engaged CIBC FirstCaribbean as the Company's exclusive financial advisor and agent. This agreement expires on 31 March 2018.

As per the agreement, if the proposed transaction does not occur and the divestment of 10% or more of UEEGCL's equity of the Company occurs during the term of the agreement or during the 12 month period following expiry or termination of the agreement, a minimum alternative transaction fee of **US\$1 million** is payable to CIBC FirstCaribbean. On 13 July 2017 the Company terminated the engagement with CIBC FirstCaribbean. The committed period under the CIBC FirstCaribbean arrangement will end on 13 July 2018. Any amount payable to CIBC FirstCaribbean is rechargeable to UEEGCL.

27. Financing Commitment:

On 30 September 2015 and on 21 December 2015 respectively, Trinidad Generation Unlimited entered into one (1) year loan agreement for bridge facilities to the intended long-term financing. On 7 July 2016, another short term loan of **US\$600 million** was secured and the proceeds used to repay in full the two previous loans, and to settle the balance of **TT\$1,528 million** due to Union Estate Electricity Generation Company Limited.

In October 2016, the Board of Directors approved the initiative for the issue of a 144A/REG S Senior Unsecured Bond Offering for the purpose of repaying the **US\$600 million** short term bridge financing facility maturing on 5 July 2017.

A strategic partnership between Credit Suisse, Scotiabank, RBC Capital Markets and TGU resulted in a successful bond offering which raised a **TT\$4,047 million (US\$600 million)** 5.25% 144A REG S Unsecured Bond Offering on 4 November 2016 fully maturing in November 2027. The facility was underwritten and arranged by Credit Suisse, Scotiabank, RBC Capital Markets and CIBC Capital Markets.

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28. Financial Liabilities:

Financial Liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transactions costs.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance expenses in the statement of comprehensive income.

	<u>Interest Rate</u>	<u>Maturity</u>	<u>2017</u> (\$)	<u>2016</u> (\$)
Non-current interest-bearing loans and borrowings				
5.25% unsecured bond of TT\$4,047,600,000/(US\$600,000,000)	5.25%	3 November 27	4,047,600	4,047,600
Total non-current interest-bearing loans and borrowings			<u>4,047,600</u>	<u>4,047,600</u>

29. Dividends:

An interim dividend of US\$75,000,000 (TT\$507,217,500) was paid to the Government of the Republic of Trinidad and Tobago in 2017. This interim dividend was charged against retained earnings for the year ended 31 December 2017.

30. Subsequent Events:

Subsequent to the reporting date, UEEGCL transferred 100% of its shareholding in TGU to the National Investment Fund Holding Company Limited (NIFHCL). The share transfer form was executed on 4 July 2018. This event has had no impact on the reported balances as at 31 December 2017.