THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

ANNUAL REPORT 2016

Charting a New Course

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VISION

To be a valued partner in the global energy business.

MISSION

To create exceptional national value from natural gas and energy businesses.

Contents

Corporate Profile

Established by the Government of Trinidad and Tobago in August 1975, The National Gas Company of Trinidad and Tobago Limited (NGC) is an internationally investment-graded company that plays a key role in the continued development of the natural gas based energy sector of Trinidad and Tobago. NGC is strategically positioned in the midstream of the local natural gas value chain and through its subsidiaries and investments, has strong linkages in the upstream and downstream sectors.

The NGC parent company is the sole aggregator of the natural gas supplied and sold domestically for power and electricity generation, petrochemicals, and in the light manufacturing/commercial sector. The core business of the Group is in natural gas-based development and promotion, Liquefied Natural Gas (LNG) production, marketing and shipping, NGLs, and offshore oil and natural gas production.

In the course of its history, NGC has invested in over 1,000 km of pipeline infrastructure, both on land and offshore. Currently there is an installed pipeline capacity of 4.4 Billion standard cubic feet of gas per day (Bscf/d), transporting approximately 1,400 Million standard cubic feet of gas per day (MMscf/d), excluding the amount of natural gas supplied for LNG production.

The four principal subsidiaries comprise: Phoenix Park Gas Processors Limited (PPGPL); Trinidad and Tobago NGL Limited (TTNGL); NGC CNG Company Limited (NGC CNG); and, National Energy Corporation of Trinidad and Tobago Limited (National Energy).

- PPGPL, a world-class cryogenic natural gas processing facility, is engaged in natural gas processing and the aggregation, fractionating, marketing and export of Natural Gas Liquids (NGLs) from Savonetta, Point Lisas;

- TTNGL was incorporated for the purpose of holding 39 per cent shareholding in PPGPL (90 per cent owned by NGC) in the form of Phoenix Park Class B Shares. Since being listed on the local stock exchange in October 2015, TTNGL has maximized value and delivered earnings, allowing nationals of Trinidad and Tobago to own a stake in the gas based sector;

- NGC CNG has been mandated to promote and expand the use of Compressed Natural Gas (CNG) as a major alternative transportation fuel and so provide the travelling population with the option of choosing a cost effective and environmental-friendly fuel;

- National Energy promotes and facilitates the development of gas-based downstream industry, as well as the development and management of industrial estates at the La Brea and Union sites, and management of port and marine infrastructure at the Ports of Point Lisas, Galeota and Brighton;

With over 1,100 highly-trained and experienced staff able to deliver projects on time and within budget, and in accordance with international standards of excellence, the NGC Group is well-positioned for growth domestically, global expansion in jurisdictions where its strengths are valued and competitive, and strengthening its contribution to national development.

Chairman's Review

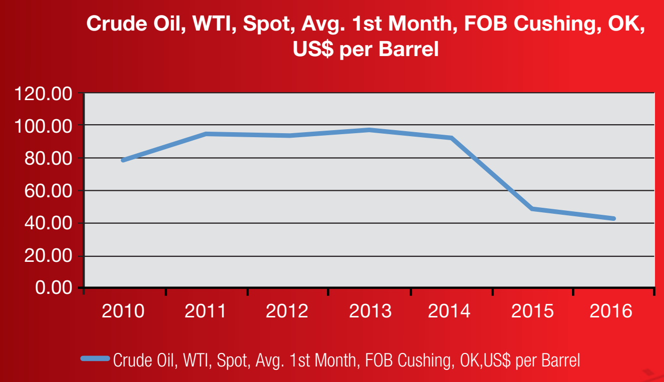
Gerry C. Brooks

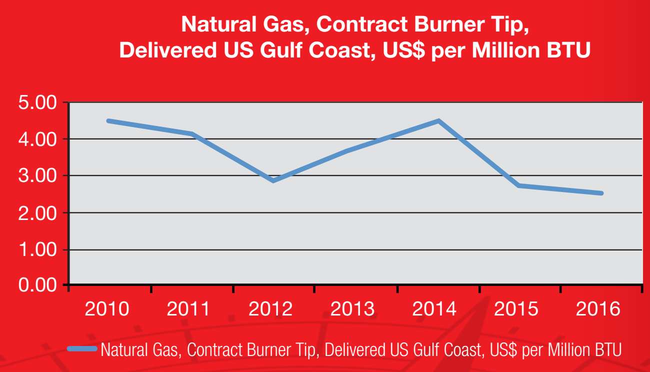
International Context

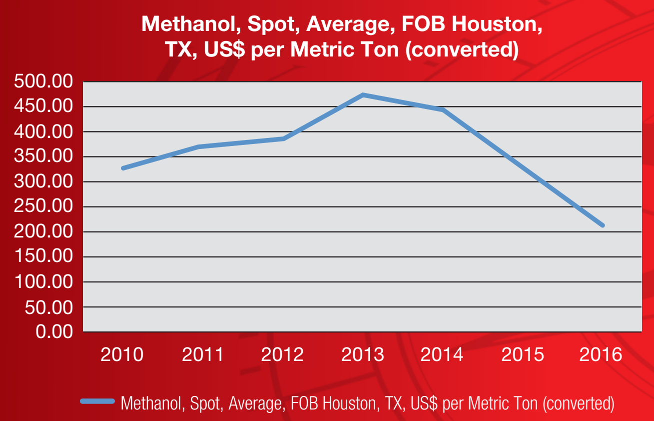
The National Gas Company of Trinidad and Tobago Limited's (NGC) current earnings and long-term sustainability were impacted by several interrelated developments in the local and international commodity markets and the global energy sector. Prices of all commodities directly related to the business, remained depressed for most of 2016.

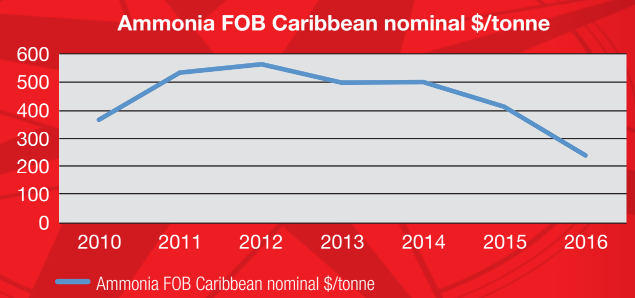
OPEC's refusal to yield market share to the US shale oil producers has resulted in an oversupply of crude oil. In the context of relatively flat demand, oil prices plummeted to record lows - US$27.67 (Brent Crude) - in February 2016. Despite the belated, subsequent agreement by OPEC to cut output by 1.2 million barrels per day in November, oil prices averaged US$43.19 per bbl. for all of 2016, representing a 54 per cent decline compared to the previous year.

Conversely, the shale gas revolution in the US stimulated major structural shifts in the global natural gas sector. Shale natural gas now constitutes over 50 per cent of US supply, and has been the principal factor driving the growth in US natural gas reserves and production. Since 2015, the USA has transitioned from being the largest importer in the Atlantic basin to being a net exporter of LNG. The abundance of natural gas has led to lower prices globally. In the US, benchmark Henry Hub prices plummeted to below US$2.00 per MMbtu, in the first quarter before recovering to reach an annual average of $2.49/MMbtu, the lowest since 2012. Sharp declines were also experienced in Europe and Japan, where natural gas prices linked to oil averaged US$4.56 and US$6.98 respectively. This depressed price scenario is expected to continue over the medium term.









Global price trends in energy markets

The petrochemical markets were not immune from the general downtrend in the commodity markets. Oversupply caused by the commissioning of several production plants during the year, depressed ammonia prices for most of 2016. Prices averaged US$238 per tonne, a 42 per cent decline when compared with that of 2015. Despite relatively strong demand for methanol and its derivatives, and an earlier recovery in methanol prices, the average price of methanol in 2016 was US$178 per tonne, still 31 per cent lower than the average of $285 per tonne recorded in 2015.

Domestic Context

The relatively weak international market conditions were compounded by a long-term decline in oil production and a prolonged period of natural gas curtailment in the local energy sector. The fall in oil production which began in 2006 continued unabated. Natural gas supply and delivery problems were partly due to maintenance activities, infrastructure upgrades, an unrealised major upstream development project and inadequate pre-emptive planning to replace naturally declining reserves. The enduring supply shortfall has impacted negatively on output from the downstream sector with declines in output of methanol (-12.6 per cent), Ammonia (-2 per cent), and LNG (-17.8 per cent)

The fortunes of the local energy sector have always been closely correlated to the state of Trinidad and Tobago's economy. The fall in prices and output across the value chain is reflected in declines in local GDP, government revenues and foreign exchange earnings. The latest available data suggests that the economy declined a further 2.3 per cent in 2016. The Government therefore faces severe fiscal constraints, no doubt aggravated by the reduced contribution of the local energy sector in terms of Taxes and Dividends.

Compounding the sectoral challenges was the discovery of approximately $4.5 billion of claims caused by curtailments during the 2010 to 2015 period. Additionally, a number of key upstream and downstream contracts had expired or were about to expire. These circumstances exacerbated revenue and fiscal challenges. Moreover several projects including the Liquid Fuel Pipeline Project (LFPP) and the Phoenix Park Valve Station (PPVS) upgrade were the subject of recurring cost overruns in the order of approximately $1 billion jointly. The Company also lost its focus by engaging in several ill-advised projects, including the beautification of the Couva/Preysal Interchange and the Beetham Water Reuse Plant. With the change of government in 2015, the newly formulated Board of Directors set out to correct and reverse the missteps. The attention of the NGC Executive was refocussed on the critical matters of gas supply certainty, contract negotiations and the elimination of several legacy issues which were a critical precondition to claims resolution and contract negotiations.

Group Financial Highlights

Despite the challenges experienced in both the global and local energy sectors, the NGC Group managed to deliver improved financial performance. In 2016, NGC Group assets grew to $42 billion up from $39 billion the previous year. However, sales fell by 34 per cent to $10.9 billion reflecting both the fall in price and volume. Group after-tax profit increased by 28 per cent to $721 million and is indicative of nascent recovery. The improved profitability was partly due to Group wide initiatives including rationalising of costs by 20 per cent; optimizing several work flow processes; the successful leasing of the Teak, Samaan and Poui (TSP) assets; and successful reconstituting of the investment portfolio. In this context, the performance of the TTNGL share is commendable. It buoyed the Trinidad and Tobago Stock Exchange (TTSE) registering capital appreciation of 17 per cent and a dividend yield of 6.5 per cent – the highest yield locally.

Looking ahead

Amid the turbulence in the market and the economy, the NGC Group has proactively taken steps to re-engineer the Group to achieve sustained growth and improved profitability while supporting sector-wide development. The Group undertook and completed the formulation of its strategic plan for the period 2016-2020. This process enjoyed the active support and participation of the NGC Group-wide Leadership Team and Board. The plan is being rolled out to all staff and did not involve any additional consultancy costs to the Group. In the prior administrative period, NGC expended $90 million on this exercise. The resulting cost containment is a testimony to the talent and commitment within NGC. The NGC Group Strategic Plan 2016-2020 is informed by and in sync with the Natural Gas Master Plan 2015, which underscores the importance of NGC to the national interest in the local gas value chain.

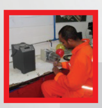
The NGC Group strategy is predicated on four pillars –

- Developing the Organization
- Securing the Current Business
- Grow Locally and Internationally
- Strengthening National Contribution

Negotiations and Internationalisation

I am pleased to report that in the context of the pressing issues of natural gas curtailments and associated contractual matters, negotiations on both matters are at an advanced stage. Top priority has been placed on stemming the deterioration on the supply side and restoring gas supply certainty, while completing complex negotiations with both suppliers and consumers. Simultaneously, the Company is pursuing medium

Strategic Pillars: NGC Group



Develop Organisation

- To match the new level of dynamism required of NGC to manoeuver in a more complex, internationally competitive arena

- Refresh Role Mandate
- Formalize NGC Grp Structure to leverage strengths

Secure Current Business

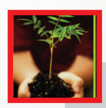
- To safeguard current business returns in challenging supply and demand environment

- Secure gas supply
- Contract Optimisation
- Operational Excellence

Grow Locally & Internationally

- To diversify by expanding into adjacent segments of the energy value chain locally, and investing to capture value from global discontinuities

- Geographic Diversification
- Increased Commodity Trading



Strengthen National Contribution

- To deepen our contribution to the country through both financial and non-financial activities

- FDI/Econ Stimulation
- Alternative Energy
- Lower Carbon Footprint
- Corporate Social Responsibility

and long-term options for securing and stabilizing the natural gas supply. These options include conventional and non-conventional solutions. The commissioning of the Trinidad Offshore Compression project (TROC) and the planned start-up of Juniper platform will contribute to mitigating the supply shortfall by quarter three of 2017. Other ongoing initiatives include further negotiations with the exploration and production (E&P) companies, discussions among the parties for supplies from Venezuela's Dragon and Loran Manatee fields, possible importation/regas of LNG and gas swap options.

With the local natural gas sector approaching maturity, NGC's strategy is to internationalize the Company's business beyond the merchant/transporter role inside and outside T&T borders. NGC thus revived its thrust into Ghana, which is expected to serve as a platform to other key jurisdictions in continental Africa.

In this regard, MOUs have already been signed for NGC's involvement in a pipeline, gas processing facility with the Bulk Oil Storage and Transportation Company (BOST) and the Ghana National Petroleum Corporation. Via these initiatives the Group seeks opportunities to market Trinidad and Tobago's competencies, including energy skills training and platform fabrication. Similar international initiatives are ongoing in Mozambique, as well as closer to home in Guyana and Cuba.

In the course of the year, NGC has been growing its trading business through the sale of its own LNG cargoes. NGC is now well placed to utilise skills and exploit synergies within the Group, by expanding its business as a commodity trader for LNG, crude oil and LPG. During 2016, the NGC trading arm has delivered third-party cargoes to Egypt under a Government to Government agreement. These initiatives have proven extremely profitable for NGC.

NGC is also seeking upstream and downstream opportunities to ensure that our group is involved in all aspects of the value chain. In 2016, NGC made made strides towards finalizing a strategic investment to acquire Petrotrin's share of marine acreage -Blocks 1a - to add to its current upstream holdings located in the Angostura Field. Possible upstream investment in shale gas is also being actively considered.

During 2016, and after deliberate efforts with senior Government Ministers, NGC revised several agreements relative to its 20 per cent equity stake in the Caribbean Gas Chemical Limited (CGCL). The consortium (comprised of Mitsubishi Corporation, Mitsubishi Gas Chemical Company, Inc., Mitsubishi Heavy Industries Limited, Massy Holdings Limited and NGC) is currently building a $6 billion dollar Petrochemicals Complex in La Brea. This is the first NGC investment in a downstream petrochemical facility. This project will bring tremendous economic benefits, including: increased export earnings; Government revenues; employment of approximately 600 persons: as well as positively contribute to the economic development of the host community of La Brea, the entire south-western peninsula, and by extension the national community.

Success in the new and emerging business environment requires the NGC Group to adopt and execute transformative business strategies in the pursuit of profitability. In 2016, NGC focused on capturing synergies within the Group and approaching business opportunities as a single, integrated entity. The Group hosted its vendors and contractors in an inaugural Vendor's Forum, aimed at strengthening the Group's commercial partnerships. The forum sensitized suppliers of the new challenges in the new business environment and the adjustments required to maintain competitiveness of the business and the country. The unique initiative and objectives of this Forum have been embraced by other state-owned companies. This strategic initiative is expected to significantly reduce costs via economies of scale, reduce risks, improve stakeholder alignment, and expand opportunities. Another element of this approach is the sharing of key services across the NGC Group as the Company seeks to improve operational efficiency and effectiveness.

Our new corporate strategy, structure and business model will enhance employee development options. The shared services model and the global thrust opens opportunities for employees in terms of mobility – lateral and vertical -across the group. Our strategy will require new skill sets and processes to meet the demands of the international business and remain competitive. In that context, employees across the Group can expect a renewed focus on skills development, talent management, performance management, and work life balance as we shape a culture of performance excellence in the NGC Group.

Acknowledgements

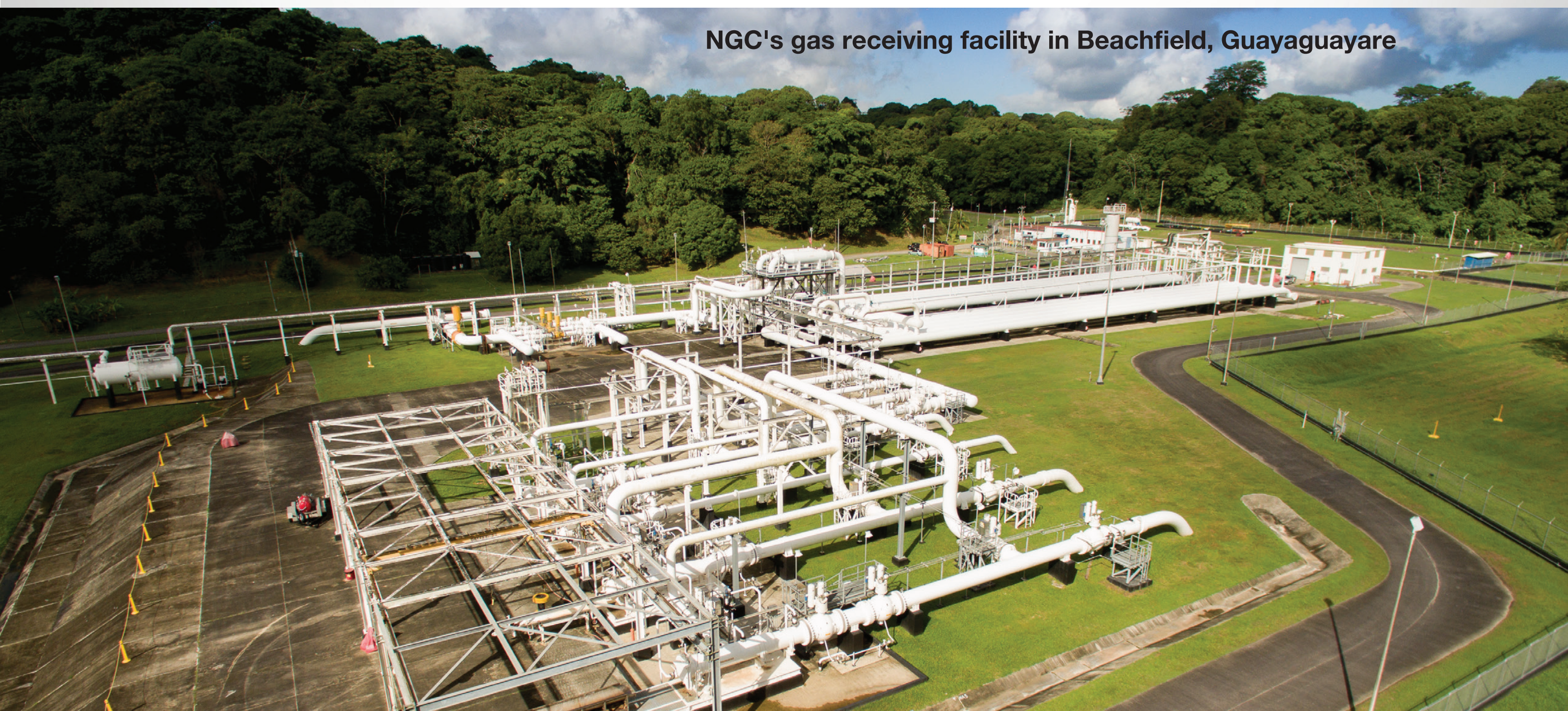
2016 has been a defining year for NGC and the Group. The Board of Directors has been courageous, decisive, yet thoughtful in making the tough decisions needed to realign and refocus the NGC

Group of Companies. On behalf of the Board I congratulate the new president Mark Loquan on his appointment and the other executives who were appointed in 2016. May I take this opportunity to thank the members of the Board of Directors for the support and dedication they have shown throughout the past year. Also, I must acknowledge the new executive and the hard working staff for their understanding, support and diligence. Their commitment to NGC's ongoing transformation has been integral to the Company's continual successes. We have now laid the foundation for growth and sustainability, and I remain optimistic that our best days lie ahead.

2016 Major Accomplish ments

- NGC Group assets grew to $42 billion up from $39 billion in 2015
- NGC Group after tax profits increased by 28 per cent to $721 million
- Total operational cost reduction from 2015 to 2016 for the NGC Group was $486 million which represents a 28 per cent cost reduction
- The Group undertook and completed its strategic plan for the period 2016 – 2020 and has begun the roll out to staff
- TTNGL shares registered a capital appreciation of 17 per cent and paid dividends of 6.5 per cent
- The Commodity Trading Desk initiative delivered third-party cargoes to Egypt under a Government to Government agreement
- The lease agreement surrounding NGC's Teak and Poui platforms has saved the Company $143 million
- Revised project agreements were executed relative to NGC's 20 per cent equity stake in the Caribbean Gas Chemical Limited (CGCL)
- The NGC Group hosted its 1st Vendor's Forum in an effort to ensure greater collaboration and sustainability for both the NGC Group and its Vendors. A key objective coming out of the Forum was to realise a 20 per cent cost savings as evidenced in the $12.7 million the Group saved after negoitaions with its insurance provider, representing a 21 per cent reduction of cost for that service.
- Mark Loquan was appointed as NGC's new president in September 2016 to be at the helm of NGC and Executive Management Team.

Gerry C. Brooks
Chairman


NGC's gas receiving facility in Beachfield, Guayaguayare

President's Report

Mark Loquan

2016 was arguably one of the most challenging years in NGC's history. The Company had to grapple with significant challenges, such as:

- Natural gas curtailment issues
- Expiring contracts on both the purchasing and sales ends of the business
- Lowered commodity prices, particularly for ammonia, methanol and oil, and the consequential fall in revenue.

Challenges notwithstanding, NGC recorded several noteworthy accomplishments in 2016. A combination of efficiency improvements and cost management initiatives enabled the company to improve profitability relative to 2015. Significant progress was made in negotiations for future gas purchases and sales. We have laid the foundation for continuous improvements in safety culture, asset integrity, project management, procurement, governance and ethics. Moreover, true to our mission of creating national value from the natural gas and energy businesses, NGC commenced the implementation of a new 'Strategic Plan 2016-2020', designed to transform and prepare the organization to overcome current and future challenges.

Financial Performance

In 2016, NGC's financial performance was impacted by continuing natural gas shortages and depressed commodity prices. NGC's ability to meet its downstream contractual obligations, was constrained by a supply shortfall of approximately 150 MMscf/d-which was 1 per cent less than in 2015.

Natural gas sales to the ammonia and methanol plants account for over 70 per cent of NGC's sales volume and 73 per cent of its revenue. The price of natural gas to these industries is linked to the market price of ammonia and methanol, which fell by 42 per cent and 37 per cent respectively from 2015. In addition, a further 11 per cent drop in oil prices also impacted NGC's other income from its upstream crude oil assets. Due to these contributing factors sales revenue for 2016 amounted to TT$7.9 billion, representing a 40 per cent fall from 2015. For the financial year, NGC recorded a Net Profit of TT$1.75 billion which was TT$1.15 billion or 190 per cent greater than the 2015 reported profit. Whilst Gross Profit margins declined significantly as a result of the lower prices, the Company's performance benefitted from lower impairment provision and operational cost savings.

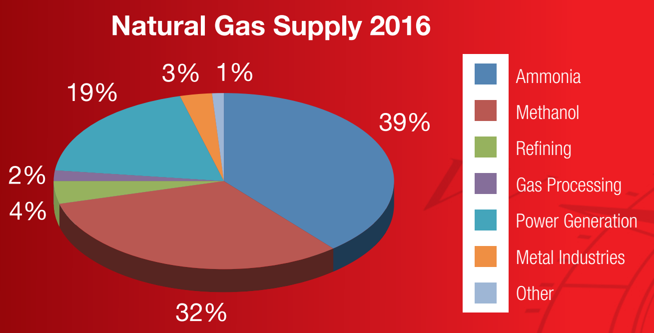
At a Consolidated level, the NGC Group reported a profit of TT$721 million which represents a 28 per cent increase compared with the previous year.

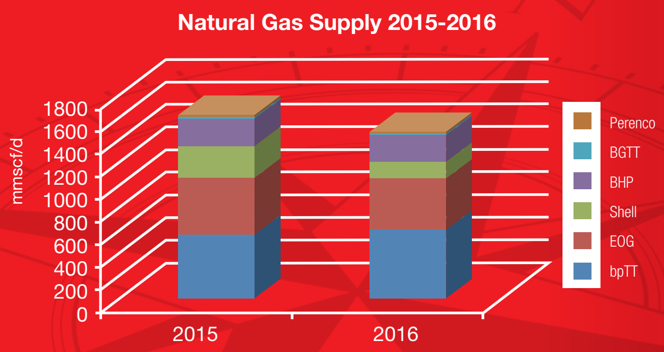
Our Response to Supply Shortfall

The factors affecting our performance are by no means short-term. They represent an enduring shift in market conditions and therefore required deliberate, and systematic actions to return our company to a path of growth and sustainability. Our immediate imperative was, and remains: to solve the gas supply shortage issue, as expeditiously as possible. Negotiations with upstream companies, for future supplies of gas to the petrochemical, power and other industrial sectors, are at various stages of completion. Several supply assurance initiatives were executed in 2016, some of which are ongoing. NGC also worked collaboratively with the upstream companies to reduce incidences of unplanned disruptions in supply. Some incremental supplies are expected to come in late 2017 from Perenco from the TSP (Teak, Samaan, Poui) asset, and De Novo from the Gulf of Paria Blocks 1a and 1b in 2018. Another example of collaboration is the Trinidad Offshore Compression project (TROC), to be commissioned in March 2017. TROC will allow for greater stability and consistency in delivering the natural gas supply to the system with some expected increase in volumes to the petrochemical sector.

Greatly anticipated is BP's Juniper platform, which has a production capacity of 590 MMscf/d and scheduled to provide first gas in the third quarter of 2017. The first well of the Sercan field, a joint development block between bpTT and EOG Resources, was brought on at the end of 2016. These projects are likely to arrest the decline in production, increase capacity in the system, and greatly improve stability in supply.

Aerial view of ALNG facilities and harbour at Point Fortin, south Trinidad





We are aggressively pursuing several other initiatives. These include discussions on natural gas supply from the Dragon Field among PDVSA, the Venezuelan Government, Trinidad and Tobago's Government, Shell and NGC. An MOU between the Government of Venezuela and Trinidad and Tobago was signed in 2016. NGC is also studying other short-term supply options such as LNG importation and natural gas swaps. Marginal fields near shore and on land also provide options that are being explored over the medium term. An important lesson learnt from this shortfall experience is that our ability to reduce or minimize upstream supply risks depends significantly on the level and timing of upstream investments.

Growing the Business

One of the pillars in our Strategic Plan is to grow the business locally and internationally. This involves several components. One is to increase the volumes of commodities marketed in-house to capture greater value. This activity started in 2012 when NGC became involved in marketing its own cargoes of LNG, thus expanding to include the sale of equity oil in 2014. By 2016, revenue from the trading business had grown to TT$889.3 Million or 8.2 per cent of total revenue of the NGC Group.

In 2016, trading activities took another step forward, when our trading arm TTLNG entered into third-party sales of LNG, by supplying LNG cargoes to Egypt under a Government to Government arrangement. It is our aspiration to partner with established traders in the industry as we develop our in-house capabilities, exploit synergies within the group, and boost trading activities by including liquid petroleum gas (LPG) and Government share of equity crude.

We are also seeking to exploit external commercial opportunities along the gas value chain. A consultant has been commissioned to study opportunities for investments in shale assets that can yield potential returns with minimal risks. Upstream options in Guyana and value chain prospects in Africa are also under consideration.

Getting key fundamentals right

It is our aim to provide a solid organizational and operational platform for international growth. Such aspirations need to be supported by robust policies, procedures and behaviours that are consistent with industry best practice. There are six important areas for improvement:

1. **Safety:** We have placed renewed emphasis on improving the safety culture of the organization. NGC has signed the STOW-charter to be readmitted into the programme. This now requires all contractors doing business with NGC to be STOW-certified. Moreover, a newly appointed Senior Manager of HSE and

The Poui Platform

Security, reporting directly to the President, has been charged with the responsibility of supporting the line management's drive to improve safety performance. A Group safety statement has been developed and deployed.

2. **Asset Integrity:** In a recent 2015 National Facilities Audit (NFA) of the oil and gas sector, NGC received a below average rating. This ranking was disappointing since the Company had been executing an asset integrity project since 2011. While this programme may have had some positive impact, it clearly was not sufficient to improve NGC rank or rating. An Asset Integrity Steering Committee with senior executives across the Group of companies is to be convened to review and implement NGC's Asset Integrity Plan to improve our ranking (on the NFA) to above the national average, while monitoring progress on the goals set for the organisation in 2017.

3. **Cost Management:** To improve the Company's competitiveness, decisions were taken in 2016 to optimize assets by reducing costs and increasing value added. The offshore compression assets at Teak and Poui fields have been successfully leased, resulting in a cost saving of TT$143 million for the Company. Some 82 per cent of the displaced staff were offered alternative positions within the NGC Group. Sixty-nine (69) employees were redeployed to other units within the NGC Group of which thirty (30) were afforded opportunities to enhance their technical skills and capabilities provided by a partnership with The University of Trinidad and Tobago (UTT). These certified programmes are NGC-funded and will span a twelve to eighteen month period. This deliberate retraining effort was required to 'upskill' employees for the new challenges and opportunities in the Group.

4. **Procurement and Project Management:** A new Projects and Procurement Division has been established to bring greater efficiency to the company and ensure compliance with the new Procurement Legislation. The lessons of past experience with capital projects have informed the corrective actions taken. A stage gate process for evaluating, sanctioning and managing new projects has been introduced. The Group is moving towards implementing the shared services model in order to capitalize on synergies within the Group.

5. **Governance:** Governance practices in state enterprises have come under close scrutiny in recent times. Thus, we have taken a proactive approach by establishing a new department, 'Corporate Compliance and Governance' which reports to the President. This function is expected to reform and modernize the relationship between Board and Shareholder while making NGC more efficient and globally competitive. Review of NGC's policies with an eye on compliance has been undertaken. Among the policies that have been reviewed, approved, and implemented for the NGC Group of Companies, are the ethics, conflict of interest and whistle-blowing policies.

6. **Enterprise Risk Management (ERM):** The Company has established an ERM framework and has taken a group perspective for managing risk. This allows all companies across the Group to mitigate the negative risk and exploit the positive risk within specific parameters. In addition to the holistic group risk approach, each subsidiary company also maintains, monitors and mitigates their company's risk by reporting to their respective Risk Councils. This process is enforced by the Board of Directors and filtered through to the operational levels. The framework was designed to ensure NGC's sustainability by allowing for more informed decision-making to execute strategy and annual plans, as well as to survive any turbulent economic conditions through operational efficiency.

Other Operational Highlights

CNG

Extensive work continued in 2016 to equip new-to-market and existing service stations with CNG equipment. Twenty-four sets of CNG compressors, storage and dispensers bought by NGC CNG Company Limited (NGC CNG), were in the process of being installed and maintained at stations across the country. Three stations with this new equipment were commissioned and opened in 2016 while work continued on other stations. The groundwork to supply CNG at other stations in 2017 was also being undertaken. Thirteen new supply points are planned to be opened in 2017.

CNG-fuelled Maxi-Taxis

On the demand side, the transition to CNG took a significant leap forward with the licensing of CNG Maxi taxis in 2016. The grant application process to dispose of diesel powered maxis to be replaced by CNG powered maxis started with the first two recipients successfully starting to operate their new CNG vehicles in September 2016. The bi-fuel CNG-Joylong 18-seater maxis supplied by the commercial arm of the Maxi Taxi Association, Routes Auto Limited, became the newest vehicle supplier in the country. Two other suppliers of CNG Omnibuses also began marketing their vehicles in 2016. (Pic of CNG Maxi Taxi filling up)
An Expression of Interest (EOI) was invited from companies which have heavy duty and extra heavy duty vehicles in their fleet, to obtain assistance in converting those vehicles to CNG. Nine companies responded, and the award of assistance is expected in the 2nd quarter 2017.

NGC CNG continues to engage stakeholders in building a sustainable CNG industry in Trinidad and Tobago. In 2016, discussions with Government led to an agreement to extend concessions which eliminate VAT and Motor Vehicle tax on new and up to four year old OEM CNG vehicles to December 31st 2020. Further, an MOU was signed with the Private School Transport Association of Trinidad and Tobago to encourage their purchase of new CNG school buses and or conversion to CNG.

NGC CNG also chaired a CNG Standards Committee of the Trinidad & Tobago Bureau of Standards (TTBS), which completed extensive work on drafting a new national CNG standard. The standard is expected to be proclaimed in 2017.

Light Industrial Commercial Sector (LIC)

The Light Industrial and Commercial (LIC) sector has always been an important segment of NGC's customer base as a means of promoting clean energy usage while providing a competitively priced energy alternative in Trinidad and Tobago. Although LIC represents a relatively small percentage of natural gas consumption, the sector employs over 10,000 persons and many of the products manufactured are exported (e.g. bottled beverages, processed meats, building materials) which results in the sector earning significant foreign exchange for the country. NGC is placing a renewed focus on the LIC sector in 2017.

A family gets a new home thanks to NGC's partnership with Habitat for Humanity

Corporate Social Responsibility

NGC's Corporate Social Responsibility (CSR) programme is designed to provide value to the people of Trinidad and Tobago. The CSR programme remains focused on the areas Sport, Arts & Culture, Education, Empowerment and Youth Development and Environmental Preservation. In 2016, the company established an objective basis for evaluating requests for funding. Given resource constraints, the Company embraced a strategy of partnership with civic organizations and people. We are proud to partner with Habitat for Humanity (HFHTT) as we seek to change lives and make Trinidad and Tobago a better place. In 2016, thirteen families benefited from the first year of a three-year sponsorship.

For many years, education has been an axis of NGC's CSR programme because we understand its centrality to human and national development. NGC has been actively engaged with the University of the West Indies (UWI) since 1994, through a combination of sponsorships and grants to students and departments. In 2016, NGC continued to fund the Chair in Innovation and Entrepreneurship and the Trevor Boopsingh Energy Research Endowment – which provide scholarships to students in the Petroleum Engineering Programme.

NGC also seeks to empower the youth through avenues of artistic expression. NGC is the proud title sponsor of the NGC Bocas Lit Fest, and its year-round activities, hosted both locally and abroad. NGC's support has helped to propel the careers of many local and regional authors. This was evidenced yet again as three Caribbean writers who had excelled at the Bocas Lit, walked away with three prestigious awards for writers from the Commonwealth. NGC is also the proud Title Sponsor of Sanfest - The San Fernando Junior Arts Festival, which over the years has provided the perfect springboard for young performers.

We are committed to partnering in a broader, deeper manner with stakeholders, to facilitate the pooling of knowledge to create greater value and greater employee engagement. NGC is the title sponsor of three steelbands, NGC Steel Xplosion, NGC La Brea Nightingales and NGC Couva Joylanders, and provides support to the Gonzales Sheikers. However, NGC goes beyond budgetary support. We seek to build member capacity and institutional sustainability. For example, in 2016, NGC partnered with the University of the West Indies (UWI) to score the music repertoires of the sponsored steel bands. NGC continues its collaboration with the Police Youth Clubs in providing young people with alternative avenues for positive self development.

NGC has also established strong partnerships with national sporting bodies like the National Association of Athletics Administrators (NAAA) and the Trinidad and Tobago Cricket Board.

Empowering our people

None of the above can be accomplished without people. We aim to establish NGC as the employer of choice for the best talent in Trinidad and Tobago and beyond. In 2016, we commenced an organization redesign exercise aimed primarily at ensuring that the structure and capabilities are in sync with the requirements of our strategy. A skills audit in each department will identify competency gaps and a comprehensive talent management plan would be implemented to build those capabilities required to implement our strategy. NGC is committed to offering employees increased opportunities for technical and professional development consistent with the organization's needs. As we proceed through greater alignment in the organisation and across the Group to implement our transformative strategy, employees can look forward to individual development plans, technical training, bonuses and rewards tied to key performance areas. Employees are kept abreast of plans and performance highlights through the Employee Forum and real time information channels.

Looking ahead

I am proud to be at the helm of NGC at this most challenging yet critical period of our history. Thanks to the sterling contributions of the NGC staff, management and Board, we have endured the storm thus far, but we are far from finished. The journey ahead requires ongoing commitment to the imperatives expressed in our strategy. It is that commitment that will drive NGC forward to 2020, when we would have demonstrated significant progress in overcoming the challenges at home, while establishing NGC as a valued partner in external markets. It would also require a greater level of collaboration by all stakeholders in the energy industry to remain solution oriented and create value for the good of Trinidad and Tobago.

Mark Loquan

Mark Loquan
President, NGC

Board Of **Directors**

As at December 31, 2016

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

1 **Mr. Kenneth Allum**
Director

2 **Professor Andrew Jupiter**
Director

3 **Mr. Gerry C. Brooks**
Chairman

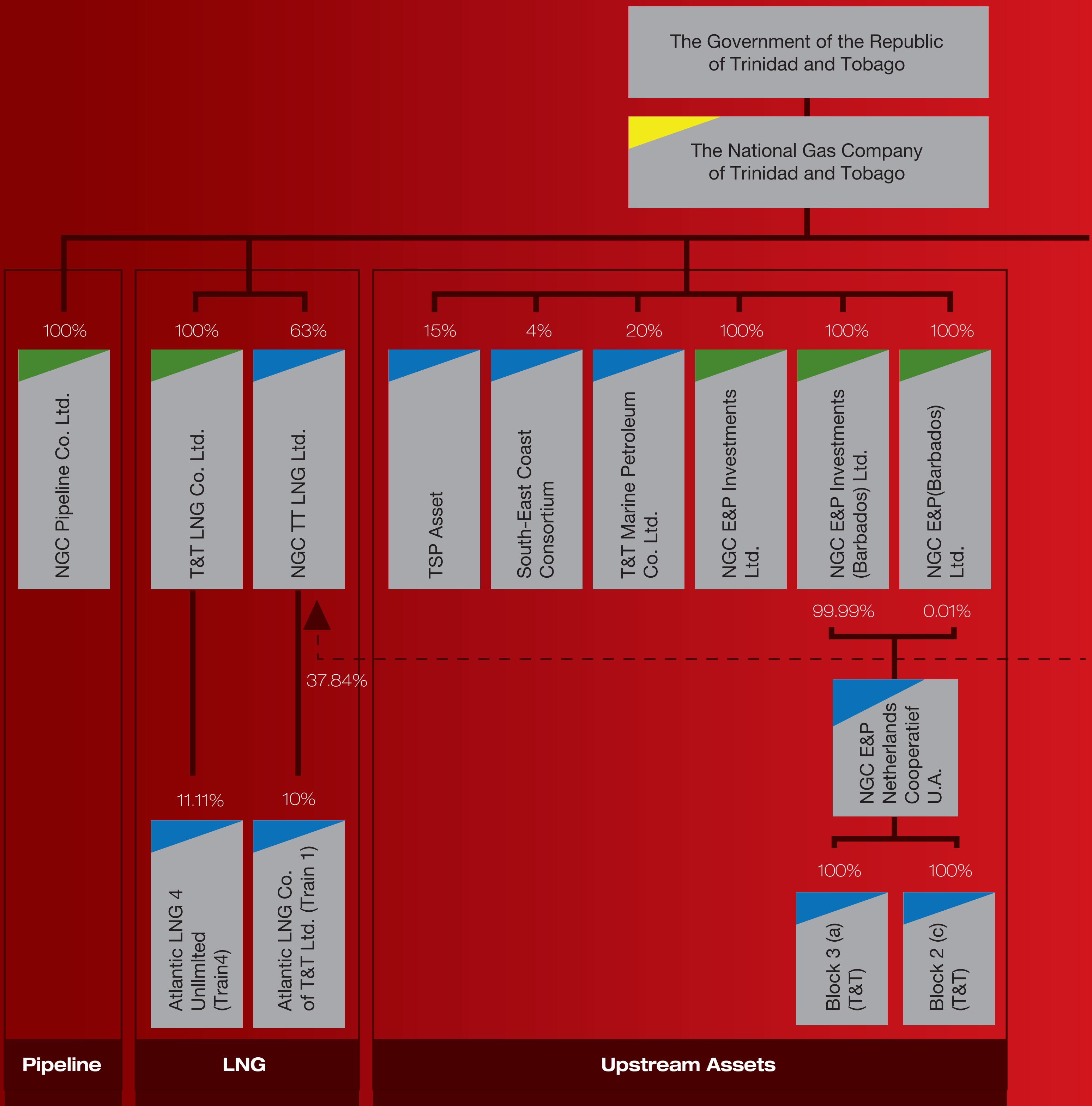
4 **Mr. Hadyn A. Gittens**
Director

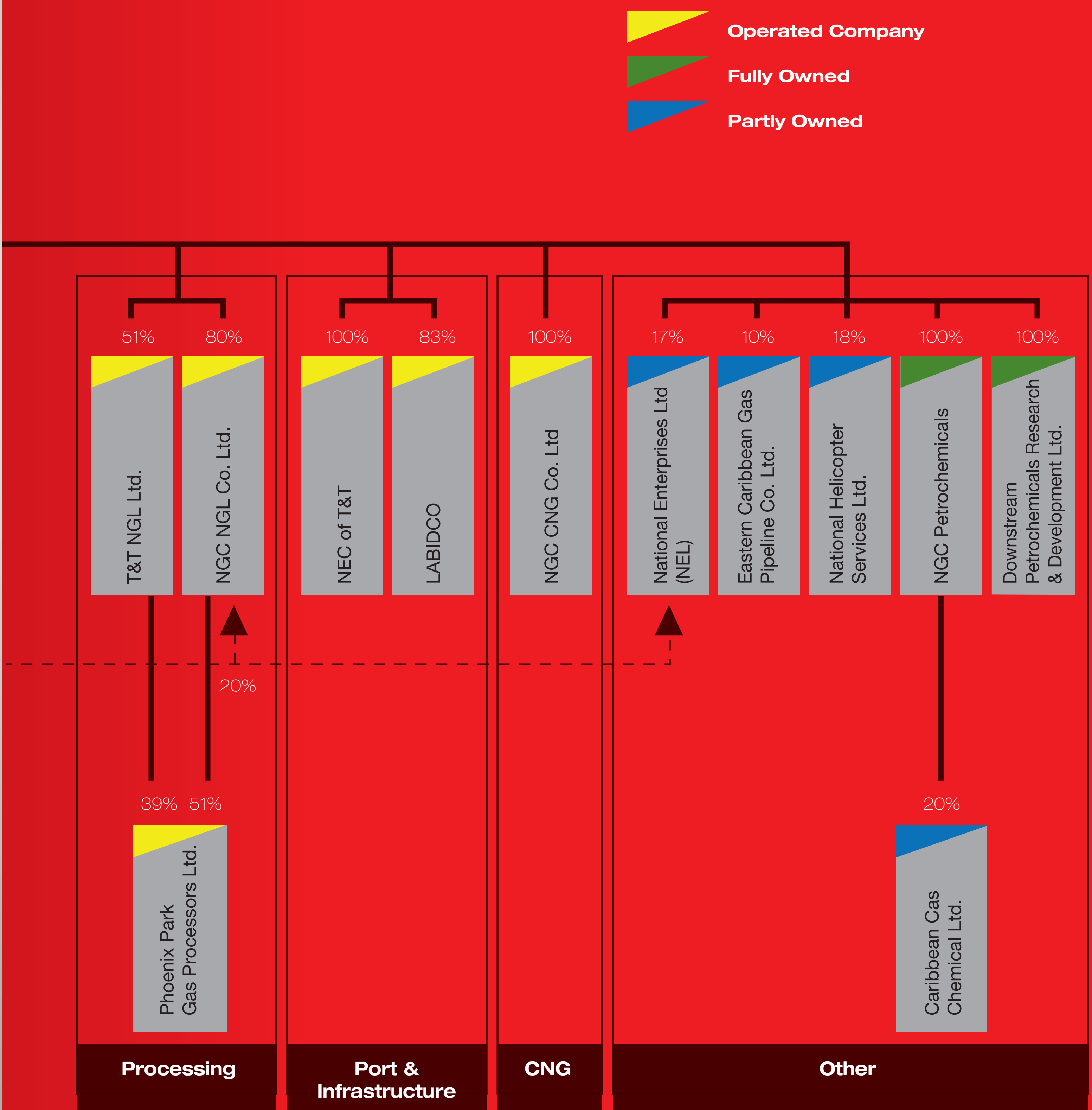
5 **Mr. Sham Mahabir**
Director

6 **Mr. Marcus Ganness**
Director

7 **Ms. Olave Maria Thorne**
Company Secretary

NGC Group Of Companies: Legal Structure





Operated Company
Fully Owned
Partly Owned
51%
80%
T&T NGL Ltd.
NGC NGL Co. Ltd.
20%
39%
51%
Phoenix Park Gas Processors Ltd.
Processing
100%
83%
NEC of T&T
LABIDCO
Port & Infrastructure
100%
NGC CNG Co. Ltd
CNG
17%
10%
18%
100%
100%
National Enterprises Ltd (NEL)
Eastern Caribbean Gas Pipeline Co. Ltd.
National Helicopter Services Ltd.
NGC Petrochemicals
Downstream Petrochemicals Research & Development Ltd.
20%
Caribbean Cas Chemical Ltd.
Other

Directors' Report

For The Year Ended 31 December 2016

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December 2016.

1. BUSINESS ACTIVITIES

During 2016 the Company continued to diligently pursue its core business of the purchase, compression, transportation, distribution and sale of natural gas to industrial and commercial users. The company also has strategic investments in the downstream and upstream segments of the natural gas value chain.

2. FINANCIAL RESULTS

The National Gas Company of Trinidad and Tobago Limited (NGC) recorded a net profit after tax of TT$1.755 billion representing an increase of TT$1.150 billion or 190.1% from the previous year profit of TT$605 million.

The NGC Group recorded a net profit after tax of TT$720.7 million representing an increase of TT$159.7 million or 28.4% from the 2015 profit of TT$561 million.

For the year 2016, dividends of TT$1.585 billion were paid by the NGC to shareholders as compared to TT$6.837 billion in 2015.

2. FINANCIAL RESULTS

An unconsolidated statement of Profit or Loss and Other Comprehensive Income of the Parent Company for the year ended 31 December 2016 is set out below:

	2016	**2015**
	$'000	**$'000**
Sales	7,886,933	13,156,475
Cost of sales	(7,568,941)	(10,804,860)
Gross profit	317,992	2,351,615
Other operating income	440,699	398,157
Interest and other investment income	1,722,678	2,386,839
Administrative and general expenses	(626,146)	(792,889)
Impairment	45,479	(2,648,218)
Other expenses	(29,553)	(218,941)
Finance costs	(205,367)	(176,322)
Profit on foreign exchange transactions	(4,698)	(22,761)
Profit before taxation	1,661,084	1,277,480
Income tax expense	93,913	(672,400)
Profit for the year after taxation	**1,754,997**	**605,080**

2. FINANCIAL RESULTS (continued)

	2016 $'000	2015 $'000
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of net defined benefit liability	(17,628)	321,508
Income tax relating to net defined benefit liability	6,170	(108,978)
Revaluation surplus on pipeline (net of income tax)	1,867,206	-
Foreign currency translation differences	853,409	217,079
	2,709,157	429,609
Items that may be reclassified subsequently to profit or loss		
Net loss on available-for-sale financial assets	(513,571)	(222,519)
Other comprehensive income for the year, net of tax	2,195,586	207,090
Total comprehensive income for the year	**3,950,583**	**812,170**

A Statement of Retained Earnings of the Parent Company as at 31 December 2016 is set out below:

Retained earnings -		
At beginning of year	12,265,840	18,249,052
Transfer of depreciation for offshore plant, equipment and pipelines	38,889	37,015
Profit for the year after taxation	1,754,997	605,080
Other Comprehensive income	(11,458)	212,530
Total income/expense for the year	1,782,428	854,625
Dividends	(1,410,000)	(6,837,837)
Retained earnings – at end of year	**12,638,268**	**12,265,840**

2. FINANCIAL RESULTS

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended

31 December 2016 is set out below:

	2016 $'000	2015 $'000
Sales	10,903,340	16,623,353
Cost of sales	(8,846,781)	(12,093,890)
Gross profit	2,056,559	4,529,463
Other operating income	410,216	389,371
Interest and other investment income	480,206	641,402
Administrative, maintenance & general expenses	(1,192,656)	(1,487,260)
Impairment expense	(202,537)	(2,415,677)
Finance costs	(240,217)	(281,770)
Share of loss from associate	(16,866)	-
Other expenses	(26,934)	(219,708)
Loss of foreign exchange transactions	(47,261)	(32,843)
Profit for the year before taxation	1,220,510	1,122,978
Income tax expense	(499,817)	(561,986)
Profit for the year after taxation	720,693	560,992
Other comprehensive income, net of taxes:		
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of net defined benefit liability	(17,628)	321,508
Income tax relating to net defined benefit liability	6,170	(108,978)
Revaluation surplus on pipeline (net of income tax)	2,207,474	-
Foreign currency translation differences	1,092,271	225,200
	3,288,287	437,730
Items that may be reclassified subsequently to profit or loss		
Net loss on available-for-sale financial assets	(513,571)	(222,519)
Total other comprehensive income for the year, net of tax	2,774,716	215,211
Total comprehensive income for the year, net of tax	**3,495,409**	**776,203**

3. DIRECTORS

The Board of Directors of NGC comprised the following members during the period:

January 1, 2016 to December 31, 2016

- Mr. Gerry C. Brooks - Chairman
- Professor Andrew Jupiter
- Mr. Kenneth Allum
- Mr. Sham Mahabir
- Mr. Marcus Ganness
- Mr. Hayden A. Gittens (effective November 21, 2016)

The NGC Board held eleven (11) meetings for the period 01 January to 31 December, 2016.

Also, the following Board Sub-Committees continued to assist in formulating and guiding the business and policies of the Company.

(a) **The Audit Committee** comprised the following members during the period:

January 1, 2016 to December 31, 2016

- Mr. Sham Mahabir - Chairman
- Mr. Kenneth Allum
- Mr. Lester Herbert (Representative from the Ministry of Finance).

The Audit Committee held seven (7) meetings in 2016.

(b) **The Finance and Investment Committee** comprised the following members during the period:

January 1, 2016 to December 31, 2016

- Mr. Gerry C. Brooks - Chairman
- Mr. Kenneth Allum
- Mr. Marcus Ganness
- Mr. Hayden A. Gittens (effective November 21, 2016)

The Finance and Investment Committee held seven (7) meetings in 2016.

(c) **The Tenders Committee** comprised the following members during the period:

January 1, 2016 to December 31, 2016

- Mr. Kenneth Allum - Chairman
- Professor Andrew Jupiter
- Mr. Marcus Ganness

The Tenders Committee held nine (9) meetings in 2016.

(d) **The Human Resources Committee** comprised the following members during the period:

January 1, 2016 to December 31, 2016

- Professor Andrew Jupiter - Chairman
- Mr. Kenneth Allum
- Mr. Sham Mahabir

The Human Resources Committee held eight (8) meetings in 2016.

(e) **The Operations Committee** comprised the following members during the period:

January 1, 2016 to December 31, 2016

- Mr. Kenneth Allum - Chairman
- Mr. Marcus Ganness
- Mr. Sham Mahabir

The Operations Committee held nine (9) meetings in 2016.

4. AUDITORS

The Auditors, Deloitte & Touche, retired and being eligible, have expressed their willingness to be re-elected.

Dated this 20th day of April, 2017

By ORDER OF THE BOARD

Maria Thorne
Company Secretary

Consolidated Financial Statements

Statement of management's responsibilities

It is the responsibility of management to prepare consolidated financial statements for each financial year which present fairly, in all material respects, the state of affairs of The National Gas Company of Trinidad and Tobago Limited and its subsidiaries ('the Group') as at the end of the financial year and the operating results of the Group for the year. It is also management's responsibility to ensure that the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. Management is also responsible for safeguarding the assets of the Group.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ('IFRS'). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS. Management is of the opinion that the consolidated financial statements present fairly, in all material respects, the state of the financial affairs of the Group and of its operating results. Management further accepts responsibility for the maintenance of accounting records which are relied upon in the preparation of consolidated financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for at least the next twelve months from the date of this statement.

Mark Loquan	
President	Vice President, Finance and Information Management
21 March 2017	21 March 2017

Independent auditor's report

to the shareholder of The National Gas Company of Trinidad and Tobago Limited

Report on the audit of consolidated financial statements

Opinion

We have audited the consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of The National Gas Company of Trinidad and Tobago Limited and its subsidiaries as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS').

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

Information other than the consolidated financial statements

Management is responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors report thereon.

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

In connection with the audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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 obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance 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.

Continued…

Responsibilities of management and those charged with governance for the consolidated financial statements (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's 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 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 judgement and maintain professional skepticism 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 Group'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 Group'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 Group to cease to continue as a going concern.

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

Deloitte & Touche

Deloitte & Touche
Derek Mohammed, (ICATT # 864)

Port of Spain
Trinidad
24 March 2017

Consolidated statement of financial position

as at 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,783,425	14,865,793
Capital assets and licenses	6	2,513,564	1,839,571
Investment properties	7	583,150	542,932
Goodwill	8	2,407,897	2,264,941
Other intangible assets	9	7,256	15,211
Investment in associate	10	308,367	185,338
Other financial assets	11	2,521,017	2,924,887
Financial assets at fair value through profit or loss	12	475,809	343,962
Loans receivable	13	538,826	865,128
Net investment in leased assets	14	530,135	582,478
Deferred tax asset	15	907,557	771,216
Deferred expenses	16	785,333	846,099
Debt reserve funds	17	114,867	109,073
Total non-current assets		29,477,203	26,156,629
Current assets			
Cash and cash equivalents	18	4,551,557	6,373,130
Short-term investments	19	1,243,082	441,769
Loans receivable	13	381,117	362,682
Net investment in leased assets	14	95,778	60,129
Accounts receivable	20	5,203,752	4,133,975
Sundry debtors and prepayments	21	626,546	825,248
Inventories	22	214,636	242,701
Deferred expenses	16	95,505	196,303
Income taxes receivable		291,982	330,828
Total current assets		12,703,955	12,966,765
Total assets		**42,181,158**	**39,123,394**

Continued…

The accompanying notes on pages 36 to 133 form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)

as at 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	23	1,855,266	1,855,266
Reserve fund	24	438,192	438,192
Other reserves	25	5,425,791	2,720,150
Retained earnings		17,008,162	17,788,895
Total equity attributable to owners of the parent		24,727,411	22,802,503
Non-controlling interest	43(d)	2,106,648	2,169,237
Total shareholder's equity		26,834,059	24,971,740
Non-current liabilities			
Deferred tax liability	15	5,354,765	3,931,089
Borrowings	26	2,881,050	2,915,633
Deferred income	27	138,439	153,963
Provisions	28	954,962	877,367
Post retirement, medical and group life obligation	29	167,234	162,453
Pension obligation	30	103,889	319,036
Take-or-pay liability	31	782,162	808,473
Total non-current liabilities		10,382,501	9,168,014
Current liabilities			
Trade payables	32	2,822,944	2,819,133
Sundry payables and accruals	33	1,793,737	1,706,579
Borrowings	26	183,691	171,082
Deferred income	27	146,239	76,298
Provisions	28	-	1,405
Dividends payable		3,373	181,420
Income taxes payable		14,614	27,723
Total current liabilities		4,964,598	4,983,640
Total liabilities		15,347,099	14,151,654
Total equity and liabilities		**42,181,158**	**39,123,394**

The accompanying notes on pages 36 to 133 form an integral part of these consolidated financial statements.

The consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited were authorised for issue by the Board of Directors on 21 March 2017.

____________________: Chairman ____________________: Director

5

The National Gas Company of Trinidad and Tobago Limited

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
Sales	34	10,903,340	16,623,353
Cost of sales	34	(8,846,781)	(12,093,890)
Gross profit		2,056,559	4,529,463
Other operating income	35	410,216	389,371
Interest, investment and other income	36	480,206	641,402
Administrative, maintenance & general expenses	37	(1,192,656)	(1,487,260)
Impairment expense	38	(202,537)	(2,415,677)
Finance costs	39	(240,217)	(281,770)
Share of loss from associate	40	(16,866)	-
Other expenses		(26,934)	(219,708)
Loss on foreign exchange transactions		(47,261)	(32,843)
Profit for the year before taxation		1,220,510	1,122,978
Taxation	41	(499,817)	(561,986)
Profit for the year after taxation		720,693	560,992
Other comprehensive income, net of taxes:			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability	29/30	(17,628)	321,508
Income tax relating to net defined benefit liability		6,170	(108,978)
Revaluation surplus on pipeline (net of income tax)		2,207,474	-
Foreign currency translation differences		1,092,271	225,200
		3,288,287	437,730
Items that may be reclassified subsequently to profit or loss			
Net loss on available-for-sale financial assets		(513,571)	(222,519)
Total other comprehensive income for the year, net of tax		2,774,716	215,211
Total comprehensive income for the year		**3,495,409**	**776,203**

The accompanying notes on pages 36 to 133 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income (continued)

for the year ended 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

	2016 $'000	2015 $'000
Profit for the year after tax attributable to:		
- Owners of the parent	599,090	479,493
- Non-controlling interests	121,603	81,499
	720,693	**560,992**
Total comprehensive income for the year net of tax attributable to:		
- Owners of the parent	3,334,908	685,057
- Non-controlling interests	160,501	91,146
	3,495,409	**776,203**

The accompanying notes on pages 36 to 133 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

	Share capital $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 January 2016	1,855,266	438,192	2,720,150	17,788,895	22,802,503	2,169,237	24,971,740
Profit for the year after taxation	-	-	-	599,090	599,090	121,603	720,693
Other comprehensive income for the year, net of tax	-	-	2,747,276	(11,458)	2,735,818	38,898	2,774,716
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(41,635)	41,635	-	-	-
Dividends (Note 52)	-	-	-	(1,410,000)	(1,410,000)	(223,090)	(1,633,090)
Balance as at 31 December 2016	**1,855,266**	**438,192**	**5,425,791**	**17,008,162**	**24,727,411**	**2,106,648**	**26,834,059**
Balance as at 1 January 2015	1,855,266	438,192	2,766,744	23,720,064	28,780,266	1,037,999	29,818,265
Profit for the year after taxation	-	-	-	479,493	479,493	81,499	560,992
Other comprehensive income for the year, net of tax	-	-	(6,966)	212,530	205,564	9,647	215,211
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(39,628)	39,628	-	-	-
Disposal of partial interest in subsidiary	-	-	-	175,017	175,017	1,358,339	1,533,356
Dividends (Note 52)	-	-	-	(6,837,837)	(6,837,837)	(318,247)	(7,156,084)
Balance as at 31 December 2015	**1,855,266**	**438,192**	**2,720,150**	**17,788,895**	**22,802,503**	**2,169,237**	**24,971,740**

The accompanying notes on pages 36 to 133 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash generated from operations	42	1,604,469	2,954,596
Pension and other post-retirement contributions paid		(49,673)	(66,769)
Income taxes paid		(571,555)	(1,146,356)
Income taxes paid by Ministry of Energy & Energy Affairs		(1,323)	(83,458)
Income tax refunds received during the year		226	113
Interest paid		(194,384)	(249,839)
Interest received		440,665	385,774
Net cash generated from operating activities		1,228,425	1,794,061
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(241,212)	(663,807)
Purchase of capital assets and licences		(327,681)	(254,280)
Purchase of investment property		(39,317)	(28,527)
Proceeds from disposal of property plant and equipment		5,537	2,189
Net change in short-term investments		(769,038)	2,337,665
Proceeds from sale/redemption of investments		11,309	1,861,055
Repayment of loans receivable		331,987	310,663
Dividends received		164,492	199,780
Purchase of long-term investments		-	(125,056)
Net cash (used in)/generated from investing activities		(863,923)	3,639,682
Cash flow from financing activities			
Repayment of borrowings		(176,978)	(97,526)
(Decrease)/increase in debt reserve funds		(239)	123,194
Dividends paid	52	(1,810,727)	(7,155,280)
Net cash used in financing activities		(1,987,944)	(7,129,612)
Net decrease in cash and cash equivalents		(1,623,442)	(1,695,869)
Net foreign exchange difference on cash balances		(198,131)	40,029
Cash and cash equivalents at beginning of year		6,373,130	8,028,970
Cash and cash equivalents at end of year	18	**4,551,557**	**6,373,130**

The accompanying notes on pages 36 to 133 form an integral part of these consolidated financial statements.

1. Corporate information

The National Gas Company of Trinidad and Tobago Limited (the 'Company or 'NGC') and subsidiaries (together the 'Group') is a diversified group primarily engaged in the purchase, transmission, distribution, processing and sale of natural gas and the aggregation, fractionation and marketing of natural gas liquids in Trinidad and Tobago, oil and gas exploration, the management of certain infrastructural facilities and the promotion and development of the Union Industrial Estate ('UIE') at La Brea. The National Gas Company of Trinidad and Tobago Limited is wholly owned by the Government of the Republic of Trinidad and Tobago (the 'GORTT'). The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas, Trinidad.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

2.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost basis, except for offshore plant and equipment, pipelines & related facilities and financial assets at FVTPL, available-for-sale investments, which have been measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 'Share-based Payment', leasing transactions that are within the scope of IAS 17 'Leases', and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 'Inventories' or value in use in IAS 36 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2. **Significant accounting policies (continued)**

2.3 **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances which indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

<u>Changes in the Group’s ownership interest in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

2. **Significant accounting policies (continued)**

2.4 **Business combinations**

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 'Income Taxes' and IAS 19 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

2. **Significant accounting policies (continued)**

2.4 **Business combinations (continued)**

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', or IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.5 **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, (see note 2.4 above), if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2. **Significant accounting policies (continued)**

2.5 **Goodwill (continued)**

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described at note 2.6 below.

2.6 **Investment in associates and joint ventures**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

2. **Significant accounting policies (continued)**

2.6 **Investment in associates and joint ventures (continued)**

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When an entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2.7 **Interest in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When an entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

2. **Significant accounting policies (continued)**

2.7 **Interest in joint operations (continued)**

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When a Group entity transacts with a joint operation in which an entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When an entity transacts with a joint operation in which an entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

2.8 **Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with IAS 39 ‘Financial Instruments: Recognition and Measurement’ unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy 2.6 regarding investments in associates and joint ventures above).

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2. **Significant accounting policies (continued)**

2.9 **Foreign currencies**

The functional currency of the Group is the United States dollar ('US$') because the US$ is the currency of the primary economic environment in which the Group operates. The Group statutory financial statements are required to be presented in Trinidad & Tobago dollars ('TT$'), therefore the presentation currency is the TT$. All statement of financial position amounts have been translated using exchange rates in effect at the reporting date and statement of profit or loss and other comprehensive income amounts have been translated using average exchange rates for the year. The closing rate at the reporting date was TT$6.74596 to US$1 (2015: TT$6.4196 to US$1) and the average exchange rate was TT$6.6408 to US$1 (2015: TT$6.3535 to US$1). Gains and losses resulting from this process have been recorded in translation reserve as a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Resulting exchange differences are recognised in income/expense for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions.

2.10 **Property, plant and equipment**

Pipelines & related facilities are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Generally, valuations are performed every five to seven years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount.

The pipelines and related facilities were revalued at 31 December 2016. Effective 1 January 2017 these assets will be depreciated over their remaining useful lives varying from 5 to 60 years, but not exceeding 31 December 2076.

Any revaluation increase arising on the revaluation of such pipelines and related facilities is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such pipelines and related facilities is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and intended for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

2. **Significant accounting policies (continued)**

2.10 **Property, plant and equipment (continued)**

Depreciation on revalued pipelines & related facilities is recognised in profit or loss. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

All other gas assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

All property, plant and equipment (except for oil and gas exploration, development and production assets) are depreciated using the straight-line method at the following rates.

Machinery and equipment	- 5% - 20%
Marine infrastructural assets	- 2.5%
Other assets	- 12.5% - 33.3%

Leasehold property is amortised as follows:

Land	-	over the term of the lease.
Buildings	-	over fifty (50) years or the term of the lease, whichever is shorter.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as a difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2. **Significant accounting policies (continued)**

2.10 **Property, plant and equipment (continued)**

Oil and gas exploration, development and production assets

The Group accounts for its natural gas and crude oil exploration, development and production activities under the successful efforts method of accounting. Under this method all costs associated with the exploration for and development of oil and gas reserve are capitalised.

These costs include land acquisition costs, geological and geophysical costs, interest and the carrying costs of non-producing properties, cost of drilling productive and non-productive wells, administration costs related to exploration and development activities and related plant and equipment costs, but do not include any costs related to production, general corporate overheads or similar activities. The cost also includes the estimated cost of dismantlement, asset removal and site restoration.

The charge for depletion and amortisation is determined using the unit-of-production method based upon the estimated proved developed reserves of oil and gas, as determined by an independent qualified petroleum consultant. Costs associated with the acquisition and evaluations of significant unproved properties are excluded from amounts subject to depletion until such time as the properties are proven or become impaired.

2.11 **Intangible assets**

a) **Intangible assets acquired separately**

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

b) **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

c) **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2. **Significant accounting policies (continued)**

2.12 **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.13 **Investment properties**

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs and subsequently stated at cost less accumulated depreciation less impairment. Depreciation is provided on a straight line basis over the estimated economic useful lives of the assets at the following rates:

Fabrication yard	3.33%
Development cost	10.00% - 33.33%
Buildings	3.33%

No depreciation is provided on freehold land.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2. **Significant accounting policies (continued)**

2.14 **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a) **Current tax**

Current tax receivable and payable are based on taxable profit for the current and prior years. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

b) **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. **Significant accounting policies (continued)**

2.15 **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) **The Group as a lessor**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

b) **The Group as a lessee**

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. **Significant accounting policies (continued)**

2.16 **Financial instruments**

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

a) **Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ('FVTPL'), 'held-to-maturity' investments, 'available-for-sale' ('AFS') financial assets, loans and receivables, cash and cash equivalents, short-term investments and sundry debtors. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Group re-evaluates the classification of financial assets at each financial year-end where allowed and appropriate.

b) **Effective interest method**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

c) **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Group has not designated any financial assets as held for trading.

2. **Significant accounting policies (continued)**

2.16 **Financial instruments (continued)**

c) **Financial assets at FVTPL (continued)**

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'interest, investment and investment income' line item. Fair value is determined in the manner described in note 51.

d) **Held to maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

e) **Available-for-sale financial assets**

Available-for-sale ('AFS') financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because management consider that fair value can be reliably measured). Fair value is determined in the manner described in note 51. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

2. **Significant accounting policies (continued)**

2.16 **Financial instruments (continued)**

e) **Available-for-sale financial assets (continued)**

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

f) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

g) **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2. **Significant accounting policies (continued)**

2.16 **Financial instruments (continued)**

g) **Impairment of financial assets (continued)**

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of other reserves. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2. **Significant accounting policies (continued)**

2.16 **Financial instruments (continued)**

h) **Derecognition of financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

2.17 **Financial liabilities and equity instruments**

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

a) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a Group entity are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

2. **Significant accounting policies (continued)**

2.17 **Financial liabilities and equity instruments (continued)**

b) **Other financial liabilities**

Other financial liabilities including long term debt, take-or-pay liability, dividends payable, trade and sundry payables and accruals are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

c) **Derecognition of other financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.18 **Derivative financial instruments and hedging**

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Group does not carry any financial instrument which meets the strict criteria for hedge accounting.

2.19 **Take-or-pay**

The Group has take-or-pay contracts with various upstream producers. A liability is recognised in the year in which the Group has to pay for volumes contractually committed to but not yet taken. The expenditure is recognised on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period. If management determines that they will not be able to take the volumes before the expiration of the deficiency recovery period, the amount is immediately recognised as an expense within cost of sales.

The Group also has take-or-pay contracts with its major customers. Deferred income is recorded in the year in which the customers have to pay for volumes contractually committed to but not yet taken. The revenue is recognised at the earlier of the expiration of the customer’s deficiency period and when the volumes are taken.

2. **Significant accounting policies (continued)**

2.20 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

a) Liquefied natural gas ('LNG')

Inventories of LNG are valued at the lower of cost and net realisable value. The cost of LNG inventories consists of feed gas costs.

b) Natural gas liquids ('NGLs')

Inventories are measured at the lower of cost and net realisable value. Cost of NGLs is determined using the first-in-first-out principle and includes a proportion of plant overheads.

c) Spares

Cost of spares is determined using the weighted average cost basis.

d) Crude Oil

Inventories are measured using the weighted average cost basis (the Group's monthly entitlement expenses divided by the barrels of oil allocated to the Group).

2.21 **Cash and cash equivalents**

Cash on hand, in banks and short-term deposits that are held to maturity are carried at cost.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks and short-term deposits with an original maturity of three months or less.

2.22 **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Present values are determined using a current pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage in time is recognised as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The expense relating to any provision is presented in the profit and loss net of any reimbursement if the effects of the time value of money is material.

2. **Significant accounting policies (continued)**

2.22 **Provisions (continued)**

a) **Asset retirement obligation**

The Group has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment and its proportionate share of the Teak, Samaan and Poui ('TSP') assets, South-East Coast Consortium ('SECC') assets and Blocks 2c and 3a in the Angostura Field at the end of their useful lives. The related fixed assets are increased in an amount equivalent to the provision and subsequently depreciated as part of the capital costs of the plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset unless related to the time value of money. However, the ultimate amount and timing of the cost may vary from the original estimate. The unwinding of the discount on the provision is included in finance costs in the consolidated statement of profit or loss.

b) **Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

c) **Provision for re-forestation**

The Group has recorded a provision for the cost of reforestation. These estimated costs of replacing forest cleared in the construction of its pipelines and development of estates were included in the related fixed asset and are to be depreciated as part of the capital cost of the assets.

2.23 **Pension and other post-employment benefits**

a) **Defined benefit plan**

The Group maintains a defined benefit pension plan which covers all of its permanent employees effective 1 May 1977. The funds of the plan are held separately from the Group and are administered by Trustees. The plan is funded by payments from employees and the Group, taking into account the recommendations of independent qualified actuaries. A full valuation of the plan is made every three years. The last full valuation was done as at 31 December 2015. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and remeasurement

2. **Significant accounting policies (continued)**

2.23 **Pension and other post-employment benefits (continued)**

a) **Defined benefit plan (continued)**

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'administrative, maintenance and general expenses'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for an additional post-employment medical and group life benefits to retirees is recognised at the earlier of when the entity can no longer withdraw the offer of the benefits and when the entity recognises any related restructuring costs.

b) **Defined contribution plan**

In one of the subsidiaries of the Group, the pension plan was converted from a defined plan to a defined contribution plan effective 1 January 2003. A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity (Republic Bank Limited) and has no legal or constructive obligation to pay future amounts.

The plan covers all full time employees of the subsidiary and is funded by payments from employees and a subsidiary taking into account the recommendations of independent qualified actuaries. The subsidiary's contributions to the defined contribution plan are charged to profit or loss in the period to which the contributions relate. At the end of 2016, there was no liability outstanding.

2.24 **Non-refundable capital contribution**

The Group recognises a non-refundable capital contribution ('NRCC') when payment is received from industrial users as part of a condition of their connection to the pipeline network which provides them with continuous access to a supply of gas for use in their respective industries.

The contribution is recorded as deferred NRCC income in the statement of financial position in the year received. The contribution is then amortised on a monthly basis and taken to the profit or loss over the period of the industrial user's sales contract.

2.25 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. **Significant accounting policies (continued)**

2.26 **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.27 **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

- Revenues associated with the sale of gas, oil, natural gas liquids and condensate are recognised when title and the related rights pass to the customer.
- Revenue associated with services and marine infrastructure income is recognised upon performance of the services.
- Lease rental and service charge from operating leases on investment properties are recognised as revenue in the period in which they are earned. Premiums on leases are recognised as revenue in the initial year of the lease.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- Management fees earned on government funded projects are accounted for on the accruals basis.

3. Application of new and revised International Financial Reporting Standards ('IFRS')

3.1 Amendments to IFRS and new interpretations that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRS and new Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

- **Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations***

  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

  A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

  The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The management of the Group has assessed that the application of these amendments to IFRS 11 does not have a material impact on the consolidated financial statements.

- **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances;

  a) when the intangible asset is expensed as a measure of revenue; or

  b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

  Currently, the Group uses the straight-line method for depreciation and amortisation of its property, plant and equipment, and intangible assets respectively. The management of the Group believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the management of the Group has assessed that the application of these amendments to IAS 16 and IAS 38 does not have a material impact on the consolidated financial statements.

- **Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants***

  The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.1 **Amendments to IFRS and new interpretations that are mandatorily effective for the current year (continued)**

- **Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (continued)**

  The management of the Group has assessed that the application of these amendments to IAS 16 and IAS 41 does not have an impact on the consolidated financial statements as the Group is not engaged in agricultural activities.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 *(Investment Entities: Applying the Consolidation Exception)***

  Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

  a) The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

  b) A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

  c) When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

  d) An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

  The management of the Group has assessed that the application of these amendments will not have a significant impact on the consolidated financial statements.

- ***Annual Improvements 2012 – 2014***

  The *Annual Improvements to IFRS 2012-2014* include a number of amendments to various IFRS, which are summarised below.

  IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

  IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

  IAS 19 — Clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.1 **Amendments to IFRS and new interpretations that are mandatorily effective for the current year (continued)**

- ***Annual Improvements 2012 – 2014 (continued)***

  IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

  The management of the Group has assessed that the application of these amendments will not have a significant impact on the consolidated financial statements.

- **Amendment to IAS 1*: Disclosure Initiative***

  Amendments were made to IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

  a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

  b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

  c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

  The management of the Group has assessed that the application of these amendments will not have a significant impact on the consolidated financial statements.

- **Amendments to IAS 27: *Equity Method in Separate Financial Statements***

  Amendments were made to IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. Consequently, an entity is permitted to account for these investments either:

  (i) at cost; or

  (ii) in accordance with IFRS 9 (or IAS 39); or

  (iii) using the equity method.

  This is an accounting policy choice for each category of investment.

  The Group presently accounts for initial investments at cost, subjected to any impairment gain/loss at subsequent reporting periods; therefore amendments to IAS 27 will have no impact on the Group's reporting.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.2 **New and revised IFRS in issue but not yet effective**

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

• IFRS 9	Financial instruments (2)
• IFRS 15	Revenue from Contracts with Customers (2)
• IFRS 16	Leases (3)
• Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (2)
• Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between and Investor and its Associate or Joint Venture (4)
• Amendments to IAS 7	Disclosure initiative (1)
• Amendments to IAS 12	Recognition of Deferred Tax Assets Unrealised Losses (1)

[1] Effective for annual periods beginning on or after 1 January, 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January, 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January, 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

- **IFRS 9 *Financial Instruments***

  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of this IFRS was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

  Key requirements of IFRS 9:

  – All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.2 **New and revised IFRS in issue but not yet effective (continued)**

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

Key requirements of IFRS 9: (continued)

- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected loss model, as opposed to an incurred loss model under IAS 39. The expected loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.2 **New and revised IFRS in issue but not yet effective (continued)**

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

Classification and measurement

– Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortised cost as disclosed. These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

– Listed redeemable notes classified as available-for-sale investments carried at fair value. These are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified;

– Unlisted shares classified as available-for-sale investments carried at fair value. These shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS, which is different from the current treatment. This will affect the amounts recognised in the Group's profit or loss and other comprehensive income but will not affect total comprehensive income;

– Redeemable cumulative preference shares issued by the Group designated as at FVTPL. These financial liabilities qualify for designation as measured at FVTPL under IFRS 9; however, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss.

– All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

Impairment

Financial assets measured at amortised cost. (see Classification and measurement section), finance lease receivables, amounts due from customer under construction contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

The management of the Group anticipates that the application of IFRS 9 in the future may not have a material impact on the amounts reported in respect of the Group financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.2 **New and revised IFRS in issue but not yet effective (continued)**

- **IFRS 15 *Revenue from Contracts with Customers***

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The management of the Group anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

- **IFRS 16 *Leases***

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The management of the Group anticipate that the application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.2 **New and revised IFRS in issue but not yet effective (continued)**

- **Amendments to IFRS 2 *Classification and measurement of the Share-Base Payment Transactions***

  The amendments clarify the following:

  1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payment.
  2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employees tax obligation to meet the employees tax liability which is then remitted to the tax authority, i.e. the share base payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
  3. A modification of a share based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
     i. The original liability is recognised;
     ii. The equity-settled share-based payment is recognised at the modification date fair value of equity instrument granted to the extent that services have been rendered up to the modification date; and
     iii. Any difference between the carrying amount of the modification date and the amount recognised in equity should be recognised in profit and loss immediately.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The management of the Group do not anticipate that the application of the amendments in the future will have a significant impact on the Group's financial statements as the Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

- **Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

  The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interest in that associate or joint venture.

3. **Application of new and revised International Financial Reporting Standards ('IFRS') (continued)**

3.2 **New and revised IFRS in issue but not yet effective (continued)**

- **Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)***

  Similarly, gains and losses resulting from the measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interest in the new associate or joint venture.

  The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The management of the Group do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.

- **Amendments to IAS 7 *(Disclosure Initiative)***

  Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

  The management of the Group do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.

- **Amendments to IAS 12 *(Recognition of Deferred Tax Assets for Unrealised Losses)***

  Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

  The carrying amount of an asset does not limit the estimation of probable future taxable profits.

  Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

  An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  The management of the Group do not anticipate that the application of these amendments will have a significant impact on the consolidated financial statements.

4. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 2, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 **Critical judgements in applying accounting policies**

The following are the critical judgements, apart from those involving estimations (note 4.2), that the management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Recognition of Block 2c and Block 3a

In 2013 the Group acquired NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. which hold 30% and 8.5% participating interests in Block 2c and Block 3a respectively. The acquisition of these interests is treated as an asset purchase. The fair value of these assets has been disclosed in capital assets and licences in note 6.

4. **Critical accounting judgements and key sources of estimation uncertainty (continued)**

4.2 **Key sources of estimation uncertainty**

The following are the key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting period date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

- *Impairment of non-financial assets*

  (Refer to note 5 - Property, plant and equipment and note 7 – Investment properties)

- *Impairment of available-for-sale investments*

  (Refer to note 11 (b) – Other financial assets: Available-for-sale financial assets)

- *Tax assessments*

  (Refer to note 45 (a) – Contingent liabilities: Taxes)

- *Asset retirement obligation*

  (Refer to note 28 (a) – Provisions: Asset retirement obligation)

- *Take-or-pay*

  (Refer to note 31 – Take-or-pay liability)

- *Revaluation*

  (Refer to note 5 (b) – Property, plant and equipment: Revaluation of pipelines and related facilities)

- *Carrying value of exploration and production assets*

  (Refer to note 5 – Property, plant and equipment: Carrying value of exploration and production assets)

- *Useful lives of investment property*

  (Refer to note 7 – Investment properties)

- *Impairment of goodwill*

  (Refer to note 8 – Goodwill)

- *Litigation matters*

  (Refer to note 45 (b) – Contingent liabilities: Litigation matters)

- *Pension and other post-employment benefits*

  (Refer to note 30 – Pension obligation)

5. Property, plant and equipment

	Freehold land $'000	Leasehold property $'000	Develop-ment costs $'000	Machinery & equipment $'000	Pipeline & related facilities $'000
Year ended 31 December 2016					
Opening net book value	25,082	188,342	735	21,127	8,567,734
Additions	-	1,351	-	6,086	9,396
Transfers	-	-	-	6,256	3,106
Disposals	-	(27)	-	(71)	-
Revaluation increase	-	-	-	-	3,399,716
Depreciation for year	-	(3,691)	(235)	(7,067)	(197,552)
Impairment	-	-	-	-	(729,294)
Foreign exchange difference	1,188	9,141	-	672	401,939
Closing net book value	**26,270**	**195,116**	**500**	**27,003**	**11,455,045**
At 31 December 2016					
Cost	26,270	271,929	2,562	168,027	11,504,959
Accumulated depreciation/impairment	-	(76,813)	(2,062)	(141,024)	(49,914)
Net book value	**26,270**	**195,116**	**500**	**27,003**	**11,455,045**

Exploration & production assets	Gas plant & other related assets	Offshore plant & equipment	Marine infra-structural assets	Other assets	Assets under construction	Total
$'000	$'000	$'000	$'000	$'000	$'000	$'000
45,103	4,490,062	-	432,513	48,134	1,046,961	14,865,793
13,421	-	1,859	11,544	9,134	188,175	240,966
-	4,439	-	4,367	6,861	(60,143)	(35,114)
-	-	-	(5)	(1,241)	-	(1,344)
-	-	-	-	-	-	3,399,716
(7,716)	(344,099)	-	(30,456)	(20,494)	-	(611,310)
99,261	-	(1,859)	-	-	(15,165)	(647,057)
18,401	91,918	-	-	1,613	46,903	571,775
168,470	**4,242,320**	**-**	**417,963**	**44,007**	**1,206,731**	**17,783,425**
1,021,635	5,433,234	493,532	926,733	187,743	2,175,449	22,212,073
(853,165)	(1,190,914)	(493,532)	(508,770)	(143,736)	(968,718)	(4,428,648)
168,470	**4,242,320**	**-**	**417,963**	**44,007**	**1,206,731**	**17,783,425**

5. Property, plant and equipment (continued)

	Free-hold land $'000	Lease-hold property $'000	Develop-ment costs $'000	Machinery & equipment $'000	Pipeline & related facilities $'000
Year ended 31 December 2015					
Opening net book value	24,486	178,218	982	18,327	8,627,939
Additions	370	12,031	–	8,586	20,288
Transfers	–	–	–	1,090	31,702
Disposals	–	–	–	(33)	–
Depreciation for year	–	(3,569)	(247)	(6,984)	(192,168)
Adjustment	–	–	–	–	–
Impairment	–	–	–	–	–
Foreign exchange difference	226	1,662	–	141	79,973
Closing net book value	**25,082**	**188,342**	**735**	**21,127**	**8,567,734**
At 31 December 2015					
Cost	25,082	261,464	2,562	155,084	9,468,926
Accumulated depreciation/impairment	–	(73,122)	(1,827)	(133,957)	(901,192)
Net book value	**25,082**	**188,342**	**735**	**21,127**	**8,567,734**

Exploration & production assets $'000	Gas plant & other related assets $'000	Offshore plant & equipment $'000	Marine infra-structural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
27,927	4,698,634	–	443,479	44,804	1,571,830	15,636,626
48,234	83	479	5,178	19,115	544,952	659,316
–	114,571	–	11,556	3,158	(162,077)	–
–	–	–	(200)	(1,271)	–	(1,504)
(12,263)	(324,590)	–	(27,175)	(19,740)	–	(586,736)
(15)	–	–	–	–	–	(15)
(25,646)	–	(479)	(325)	–	(953,551)	(980,001)
6,866	1,364	–	–	2,068	45,807	138,107
45,103	**4,490,062**	–	**432,513**	**48,134**	**1,046,961**	**14,865,793**
989,813	5,336,879	491,673	910,827	171,377	2,000,514	19,814,201
(944,710)	(846,817)	(491,673)	(478,314)	(123,243)	(953,553)	(4,948,408)
45,103	**4,490,062**	–	**432,513**	**48,134**	**1,046,961**	**14,865,793**

5. **Property, plant and equipment (continued)**

a) **Impairment of offshore plant and equipment**

The Group revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Group revalued its offshore plant and equipment at an amount of $139 million, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of $90.3 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would be immaterial, as at 31 December 2016.

The offshore plant and equipment was fully impaired in 2005 and conditions resulting in impairment have remained unchanged.

b) **Revaluation of pipelines and related facilities**

The Group revalues its pipelines every five to seven years. The Directors approved an independent valuation, performed by PricewaterhouseCoopers Limited, at 31 December 2016 of the pipelines and related facilities owned by the Group.

The valuation was conducted using the depreciated replacement cost basis assuming the facilities will continue to be used for the purpose for which they were designed and intended. For valuation purposes, the pipelines have been assessed to have a maximum useful life not extending 60 years. The estimated useful life is based on current and estimated future gas reserves as well as other factors.

The revaluation resulted in a net revaluation surplus of $2,670.4 million, which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of $729.3 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the statement of profit or loss. The difference between depreciation based on the revalued carrying amount of the pipelines and the depreciation based on the original cost of the pipelines will be transferred from revaluation surplus to retained earnings.

c) **Pipelines and related facilities**

i) Included in ‘Pipelines and related facilities’ is the Trinidad and Tobago Electricity Commission (‘T&TEC’) pipeline system which was acquired by the Group from T&TEC with effect from 1 January 1977. However, the Group has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired.

ii) As at 31 December 2016, the Group has recorded a provision of $39.8 million (2015 $37.9 million) for compensation payable to owners of land along Rights of Way of the Group’s pipelines.

5. **Property, plant and equipment (continued)**

d) **Assets under construction**

Included under assets under construction are costs relating to the Phoenix Park Valve Station Upgrade and Beetham Waste Water Reuse Project (BWWRP). Costs incurred on these projects as at 31 December 2016 are $412.3 million (2015: 453.2 million) and $958.9 million (2015: 943.7 million) respectively. The full cost of BWWRP was impaired as at 31 December 2016.

Details of the Group's pipeline and related facilities assets which are measured at fair value and information about the fair value hierarchy are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2016	**-**	**11,455,045**	**-**	**11,455,045**
At 31 December 2015	**-**	**8,567,734**	**-**	**8,567,734**

There were no transfers between Levels 1 and 2 during the year.

The net carrying amount of the pipelines, if they were carried at cost rather than at the revalued amount, would have been $4,941.6 million as at 31 December 2016 (2015: $5,041.7 million).

6. **Capital assets and licenses**

	Block 2c $'000	Block 3a $'000	Total $'000
Year ended 31 December 2016			
Balance at 1 January	1,839,571	-	1,839,571
Additions	313,695	13,986	327,681
Depreciation, depletion and amortisation expense	(172,591)	-	(172,591)
Impairment expense (note 38 (c))	479,631	-	479,631
Foreign exchange gain	39,052	220	39,272
Closing net book value	**2,499,358**	**14,206**	**2,513,564**
At 31 December 2016			
Cost	4,095,276	55,879	4,151,155
Accumulated depreciation, depletion and amortisation expense	(1,595,918)	(41,673)	(1,637,591)
Net book value	**2,499,358**	**14,206**	**2,513,564**
Year ended 31 December 2015			
Balance at 1 January	2,889,104	37,006	2,926,110
Additions	254,280	-	254,280
Depreciation, depletion and amortisation expense	(85,856)	(3,364)	(89,220)
Impairment expense (note 38 (c))	(1,305,407)	(33,642)	(1,339,049)
Foreign exchange gain	87,450	-	87,450
Closing net book value	**1,839,571**	**-**	**1,839,571**
At 31 December 2015			
Cost	3,742,529	41,673	3,784,202
Accumulated depreciation, depletion and amortisation expense	(1,902,958)	(41,673)	(1,944,631)
Net book value	**1,839,571**	**-**	**1,839,571**

In 2013 the Group acquired NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. which together hold a 30% and 8.5% participating interest in Block 2c and Block 3a respectively. These investments were treated as an asset acquisition, since the Group does not have joint control in the operations of the respective blocks and the arrangement also does not meet the definition of 'business combination' under IFRS 3 'Business Combinations'.

Licences are amortised over the useful economic life currently estimated at ten (10) years on a straight line basis.

The depreciation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category, consistent with the function of the intangible asset.

a) Impairment reversal was recognised in the year (Refer to note 38 – Impairment expense).

Notes to the consolidated financial statements
for the year ended 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

7. Investment properties

	Buildings $'000	Freehold land $'000	Development costs $'000	Fabrication Yard $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2016						
Opening net book value	86,255	46,465	373,616	28,823	7,773	542,932
Additions	717	-	11,550	-	27,050	39,317
Transfers	26,432	-	8,577	-	(8,577)	26,432
Depreciation for year	(3,710)	-	(20,283)	(1,538)	-	(25,531)
Closing net book value	**109,694**	**46,465**	**373,460**	**27,285**	**26,246**	**583,150**
At 31 December 2016						
Cost	599,444	46,465	594,384	45,174	26,246	1,311,713
Accumulated depreciation/impairment	(489,750)	-	(220,924)	(17,889)	-	(728,563)
Net book value	**109,694**	**46,465**	**373,460**	**27,285**	**26,246**	**583,150**
Year ended 31 December 2015						
Opening net book value	90,155	46,465	371,037	30,362	1,816	539,835
Additions	(120)	-	21,560	-	7,087	28,527
Transfers	-	-	1,130	-	(1,130)	-
Depreciation for year	(3,409)	-	(18,779)	(1,539)	-	(23,727)
Impairment (note 38)	(371)	-	(1,332)	-	-	(1,703)
Closing net book value	**86,255**	**46,465**	**373,616**	**28,823**	**7,773**	**542,932**
At 31 December 2015						
Cost	572,295	46,465	574,257	45,174	7,773	1,245,964
Accumulated depreciation/impairment	(486,040)	-	(200,641)	(16,351)	-	(703,032)
Net book value	**86,255**	**46,465**	**373,616**	**28,823**	**7,773**	**542,932**

7. **Investment properties (continued)**

	2016 $'000	2015 $'000
Amounts recognised in the statement of profit or loss		
Rental income from investment properties	**29,659**	**40,212**
Direct operating expenses	**2,469**	**3,654**

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment and investment property policies above. These rates and the residual lives of the assets are reviewed annually taking cognisanceof the forecast commercial and economic realities and through benchmarking of accounting treatments within the port and marine operations industry.

The Group assesses whether there are indicators of impairment for all non-financial assets at each reporting date. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Investment properties comprise the lands at Union Industrial Estate ('UIE') and a warehousing facility which was constructed on the UIE. The Group has applied for a reclamation licence in respect of the land on which the warehouse facility sits.

The fair value was based on the investment property value in use. The recoverable amount of the lands at UIE and the warehousing facility constructed at UIE has been determined based on a value-in-use calculation using cash flow projections from lease agreements and the Board approved business development, at a discount rate of 6.05%. As a result of this analysis, no impairment was recognised by Management for 2016. (2015: charge of $0.4 million) on its investment properties in the statement of profit or loss.

The fair value of the land on which the fabrication yard at La Brea Industrial Estate was also based on value-in-use. The recoverable amount of these lands was based on a value-in-use calculation using cash flow projections from the 2017 financial budgets prepared by Management and approved by the Board of Directors and extrapolated for a four year period, at a discount rate of 4.94%. As a result of this analysis, no impairment was recognised by Management for 2016. (2015: reversal of $1.332 million) on its investment properties in the statement of profit or loss.

The fair values of investment properties were estimated as follows:

	2016 $'000	2015 $'000
Union Industrial Estate	273,999	347,885
Brighton Materials Storage and Handling Warehouse Facility	82,860	86,255
Land situated at fabrication yard	83,547	106,449
At 31 December	**440,406**	**540,589**

8. Goodwill

	2016 $'000	2015 $'000
Balance at beginning of the period	2,264,941	2,269,617
Effects of movement in foreign exchange rates	142,956	(4,676)
Balance at end of the period	**2,407,897**	**2,264,941**

NGC acquired 100% of the shares of Trinidad and Tobago Holdings LLC. (formerly Conoco Phillips Inc.) on 16 August 2013. At the date of acquisition, Trinidad and Tobago Holdings LLC. ('TTHLLC') held 39% of the issued share capital of Phoenix Park Gas Processors Limited ('PPGPL') which increased the Group's total investment in PPGPL to 79.8% of the issued share capital. This shareholding together with other considerations resulted in the Group obtaining control over PPGPL. Following the disposal of 49% of the Parent's investment in Trinidad and Tobago NGL Limited on the Trinidad and Tobago Stock Exchange, the Group currently holds a 60.69% shareholding in PPGPL.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual cash flows are less than expected, a material impairment loss may arise.

a) *Goodwill impairment test*

The smallest identifiable group of assets that generates cash inflows to which goodwill is allocated is deemed to be the entity acquired (PPGPL).

This cash-generating unit was tested for impairment at year end. The test showed that goodwill was deemed not to be impaired.

The carrying amount of goodwill allocated to the cash generating unit amounted to $2,407.9 million. The recoverable amount was determined by the value in use method.

The recoverable amount has been based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a seventeen-year period to the year 2033, and a discount rate of 11.9% per annum which was based on an estimate of the weighted average cost of capital. Cash flows beyond the seventeen-year period have been extrapolated assuming no growth rate after year 2033. The key assumptions used in the value in use calculations are as follows:

- Discount rate of 11.9%
- It is anticipated that the current downward trend of NGL selling prices will be reversed in 2017 with a minimal increase, which progressively improves until 2027. After 2027, prices are projected to continue their upward trend but revenues dip from 2028 to 2035, due to a reduction in production volumes.

Holding all other assumptions constant, an increase or decrease in the discount rate by +/-1%, would result in a surplus and no goodwill impairment.

9. **Other intangible assets**

	2016 $'000	2015 $'000
Opening net book value	15,211	1,566
Additions/transfers at cost	246	16,555
Disposals	(2)	-
Depreciation expense	(8,836)	(2,923)
Foreign exchange difference	637	13
Closing net book value	**7,256**	**15,211**
Cost	132,049	129,481
Accumulated depreciation	(124,793)	(114,270)
Net book value	**7,256**	**15,211**

Software is amortised over the useful economic life currently estimated at two (2) years.

The depreciation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category, consistent with the function of the intangible asset.

10. **Investment in associate**

	2016 $'000	2015 $'000
Caribbean Gas Chemical Limited	**308,367**	**185,338**

NGC Petrochemicals Limited, is a fully owned subsidiary of the Parent. The subsidiary was incorporated in Trinidad and Tobago on the 22 April 2015 and holds 20% of the issued share capital of Caribbean Gas Chemical Limited (CGCL). CGCL was established as the project Company to construct a natural gas to Petrochemicals Complex at Union Industrial Estate, La Brea. The first stage of the Complex is the installation and operation of Methanol and Dimethyl Ether ('DME') plant to produce initially twenty thousand (20,000) metric tons per year (MTPY) of DME.

11. Other financial assets

	2016 $'000	2015 $'000
Investments comprise the following:		
Held-to-maturity investments (note 11 (a))	262,534	254,392
Available-for-sale financial assets (note 11 (b))	2,257,518	2,665,978
Other	965	4,517
	2,521,017	**2,924,887**

a) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity dates which the Group intends to hold to maturity and comprises the following:

	2016 $'000	2015 $'000
Petrotrin bonds	30,116	33,456
Government of Trinidad and Tobago bonds	21,708	20,419
Home Mortgage Bank Limited bonds	210,710	200,517
	262,534	**254,392**

b) Available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movement in their fair value in other comprehensive income. When fair value declines management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss.

These are equity securities and bonds that the Group is holding for some purpose other than short-term trading, that are held for an unspecified period.

	2016 $'000	2015 $'000
First Citizens Bank Limited – shares	30,162	29,887
Petrotrin bonds	150,523	166,056
Corporate bonds/ shares	732,636	632,183
Other listed shares	1,085,379	1,591,543
Shares – unlisted	258,818	246,309
	2,257,518	**2,665,978**

Other listed shares

Available-for-sale financial assets consist of investments in ordinary shares and the first unit scheme of The Trinidad & Tobago Unit Trust Corporation (a mutual fund) and therefore have no fixed maturity date or coupon rate. The fair value of the listed ordinary shares is determined by reference to published price quotations in an active market.

11. **Other financial assets (continued)**

b) **Available-for-sale financial assets (continued)**

Unlisted

For investments where there is no active market, the fair value estimates cannot be reasonably assessed due to the unavailability of information and as such these investments are measured at cost. The investment comprises:

Unlisted

	2016 $'000	**2015 $'000**
Atlantic 1 Holdings LLC	63,310	60,259
Atlantic LNG 4 Group of Trinidad and Tobago Unlimited	188,866	179,730
National Helicopter Services Limited	6,642	6,320
	258,818	**246,309**

12. **Financial assets at fair value through profit and loss**

In 2006, the Group issued a $2,509 million (US$400 million) bond to be repaid via a bullet payment in January 2036. To meet 50% of the liability, in 2008 the Group invested $225.69 million (US$35.50 million) in two (2) single tranche credit linked notes at a cost of $112.84 million (US$17.75 million) each. During the first ten (10) years of the investment, the notes will be subject to the credit events of a basket of securities. At the end of the ten (10) year period, the note will then be subject to the credit event of a single entity only. Upon maturity in 2035, the credit linked notes, will have a value of US$100 million each subject to any loss in value arising from credit events over the tenor of the investment.

The fair value of the credit linked investment as at 31 December 2016 was $475.80 million (US$70.50 million) (2015: $344.00 million (US$53.60 million)). The fair value gain/loss in respect of this investment is credited/charged to the statement of profit or loss and presented within finance income or finance expense.

13. **Loans receivable**

	2016 $'000	2015 $'000
Trinidad and Tobago Electricity Commission (T&TEC) (note 13 (a))	462,142	732,980
Less: Impairment of T&TEC	(17,474)	(41,209)
	444,668	691,771
Atlantic LNG 4 Group of Trinidad and Tobago Limited (note 13 (b))	365,741	362,315
Atlantic LNG Group of Trinidad and Tobago Unlimited (note 13 (c))	109,534	173,724
	919,943	1,227,810
Current portion	(381,117)	(362,682)
Long-term portion	**538,826**	**865,128**

a) **Trinidad and Tobago Electricity Commission ('T&TEC')**

The Group has converted trade receivables in the amount of US$282.8 million for unpaid gas sales for the period July 2005 to September 2009 together with related interest of US$36.8 million to a medium-term loan receivable of US$319.7 million with an effective date of 1 December 2009. The respective loan agreement was executed on 9 March 2012. The loan is for a period of 7 years with interest payable at a fixed rate of 3% per annum (market rate 7%) with semi-annual installments which commenced on 1 December 2011.

The impairment allowance on the loan has decreased by $23.7 million during 2016 to $17.5 million (US$2.6 million) at 31 December 2016.

The fair value of the long-term loan receivable was $444.7 million at 31 December 2016 (2015: $691.8 million).

b) **Atlantic LNG 4 Group of Trinidad and Tobago Limited**

Pursuant to the Atlantic LLC Agreement, the members were obligated to make members loans and working capital contributions in proportion to each member's percentage interest to fund the construction, commissioning and operations of the ALNG Train 4. The maximum aggregate principal amount of the long-term members' loan is US$1.2 billion of which Trinidad and Tobago LNG Limited's proportion is 11.11% (US$133.3 million). As at 31 December 2016, the Group has contributed US$112.0 million (2015: US$112.0 million) which represents its share of the long-term members' loan.

This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of LIBOR plus a margin which ranges from 1.125% to 2.125% per annum. The effective interest rate at the reporting date was 2.8977% (2015: 2.3044%). This loan is expected to mature on 15 December 2020.

Loan re-payments of US$2.2 million (2015: nil) were made during the year. The loan balance at 31 December 2016 is US$54.2 million (TT $365.7 million), (2015: US$56.4 million/TT$362.3 million).

13. **Loans receivable (continued)**

c) **Atlantic LNG Group of Trinidad and Tobago Unlimited**

Atlantic LNG Group of Trinidad and Tobago Unlimited has secured financing in the amount of US$270.6 million. The National Gas Company of Trinidad and Tobago Limited ('NGC') has provided financing of US$27.1 million which represents ten percent (10%) of the total loan facility.

The term facility was funded on 30 August 2011. The loan is repayable in five (5) consecutive semi-annual installments in equal principal amounts, commencing on the date which is sixty (60) months after the closing date of 30 August 2011 and ending on the seventh (7th) anniversary of the closing date in 2018. The loan bears interest at a rate per annum equal to the LIBOR rate plus the applicable margin of 1.10%. The effective interest rate at 31 December 2016 was 1.7056% (2015: 1.3315%).

14. **Net investment in leased assets**

	2016 $'000	**2015 $'000**
Finance lease - gross investment	1,194,645	1,382,764
Less: unearned finance charges	(568,732)	(740,157)
	625,913	**642,607**
Gross investment in leased assets has the following maturity profile:		
Within 1 year	265,741	246,736
1 to 5 years	724,222	908,058
Over 5 years	204,682	227,970
	1,194,645	**1,382,764**
Net investment in leased assets has the following maturity profile:		
Within 1 year	96,286	60,129
1 to 5 years	428,421	484,503
Over 5 years	101,206	97,975
	625,913	**642,607**
Current	95,778	60,129
Non-current	530,135	582,478
	625,913	**642,607**

In December 2010, NGC acquired the 58.8 mile 24 inch diameter offshore subsea pipeline and related facilities. BG/Chevron Texaco has entered into a Gas Transportation Agreement ('GTA') with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85% of the pipeline capacity.

An assessment of the transaction was made under IFRIC 4 'Determining Whether an Arrangement Contains a Lease' to determine whether the arrangement contains a lease and also IAS 17 'Leases'. Consequently, the pre-transfer and capacity payments received from BG/Chevron during the period April 2006 to December 2010 were offset against the acquisition cost of the pipeline and set up as the net investment in a leased asset.

15. **Deferred tax**

Significant components of deferred tax asset and liability are as follows:

	2016 $'000	2015 $'000
Deferred tax asset:		
Asset retirement obligation	447,573	412,033
Post-retirement medical and group life and pension obligation	105,108	171,199
Property, plant and equipment (net of valuation allowance)	81,804	85,705
Tax losses	211,786	-
Accrued interest expense	32,959	31,005
Other	28,327	71,274
	907,557	**771,216**
Deferred tax liability:		
Property, plant and equipment	5,354,765	3,931,089
	5,354,765	**3,931,089**
Movement in net deferred tax balance		
Balance at 1 January	3,159,873	3,601,154
Tax (credit)/charge recognised in profit or loss	21,361	(562,868)
Charge recognised in other comprehensive income	1,186,073	108,978
Fair value measurement of net assets acquired:		
- in profit or loss	(71,164)	(67,722)
Foreign exchange translation	(151,065)	(80,331)
Balance as at the end of the period	**4,447,208**	**3,159,873**

16. Deferred expenses

	2016 $'000	2015 $'000
Take-or-pay (note 16 (a))	835,028	988,036
Capacity rights (note 16 (b))	38,967	54,224
Other	6,843	142
	880,838	**1,042,402**
Current	95,505	196,303
Non-current	785,333	846,099
	880,838	**1,042,402**

a) **Take-or-pay**

Take-or-pay represents the right to take gas under a take-or-pay agreement for which the Group has recognised a liability to pay for gas volumes contractually committed to but not yet taken. The expenditure is recognised on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period.

b) **Capacity rights**

The Group has acquired reserved capacity rights in a 36" pipeline from Beachfield to Point Fortin.

The expenditure will be amortised to the statement of profit or loss over the period of the contract which expires on 4 July 2019.

17. Debt reserve funds

In accordance with a security agreement, one of the subsidiary companies is required to maintain a debt reserve fund. The debt reserve fund is held in an interest bearing account.

18. Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at banks	**4,551,557**	**6,373,130**

a) Cash at banks earns interest at floating rates based on daily deposit rates. The fair value of cash is $4.6 billion (2015: $6.4 billion).

b) For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2016 $'000	2015 $'000
Cash at banks	**4,551,557**	**6,373,130**

19. Short-term investments

	2016 $'000	2015 $'000
Short-term investments	**1,243,082**	**441,769**

a) Short-term investments are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates. The fair value of short-term deposits is $1.2 billion (2015: $0.4 billion).

b) The Group holds investment note certificates with Clico Investment Bank Limited ('CIB') in the amount of TT$1,096.2 million (US$171.0 million) as at 31 December 2016 which have matured and were not repaid.

c) CIB experienced financial and liquidity issues. On 31 January 2009, the Central Bank of Trinidad and Tobago ('CBTT') under Section 44D of the Central Bank Act Chapter 79:02 assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates and the related accrued interest were fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December 2016.

By order of the High Court dated 17 October 2011, CIB was ordered to be wound up and the Deposit Insurance Corporation ('DIC') was appointed liquidator. The Group has submitted a claim to the liquidator for the amount due.

20. Accounts receivable

	2016 $'000	2015 $'000
Trade receivable	**5,203,752**	**4,133,975**

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

As at 31 December 2016, trade receivables impaired and fully provided for totaled $151.2 million (2015: $102.3 million).

Movements in the allowance for impairment of receivables were as follows:

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2016	3,419	98,862	102,281
Charge for year	5,534	54,907	60,441
Reversal of prior year impairment	-	(11,532)	(11,532)
At 31 December 2016	**8,953**	**142,237**	**151,190**
At 1 January 2015	3,419	95,692	99,111
Charge for year	-	3,899	3,899
Reversal of prior year impairment	-	(729)	(729)
At 31 December 2015	**3,419**	**98,862**	**102,281**

21. Sundry debtors and prepayments

	2016 $'000	2015 $'000
Sundry debtors and prepayments comprise the following:		
Due from the GORTT - billed	311,598	271,325
Due from the GORTT – not yet billed	64,528	61,820
Impairment charge - Liquid Fuel Pipeline (note 21 (a))	(290,214)	(245,825)
	85,912	87,320
Prepayments	101,843	115,510
Staff related balances	8,050	42,840
Related party balances	1,193	5,048
Value Added Tax	201,239	254,314
Interest receivable	32,461	35,084
Accrued income	2,460	99,369
Other	193,388	185,763
	626,546	**825,248**

a) **Impairment charge – Liquid Fuel Pipeline**

The Group was mandated by the Government of The Republic of Trinidad and Tobago to lay a fuel pipeline from Petrotrin, Pointe-a-Pierre to Caroni.

Presently, the Group is uncertain about the timing and recoverability of this receivable and accordingly has provided fully for the balance.

22. Inventories

	2016 $'000	2015 $'000
LNG	16,792	9,505
Consumable spares	154,623	164,448
Compression spares	7,175	6,827
NGLs	57,354	51,100
Stock of crude oil	6,209	13,113
Other	1,780	1,395
Allowance for slow moving and obsolete stock	(29,297)	(3,687)
	214,636	**242,701**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $67.1 million (2015 $6.7 million).

23. Share capital

Authorised

An unlimited number of ordinary shares of no par value

Issued and fully paid

	2016 $'000	2015 $'000
1,855,266,340 ordinary shares of no par value	**1,855,266**	**1,855,266**

24. Reserve fund

A reserve fund has been set up by the Board of Directors with the objective of minimising the Group's exposure arising from business interruption, adverse gas price fluctuations, and liabilities or losses which may result from accidents on its self-insured assets.

Transfers to the reserve fund will be made in such cases where the Group's standard return on equity is exceeded. The fund cap is 25% of the issued stated capital of the NGC.

25. Other reserves

	2016 $'000	2015 $'000
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax (note 2.10, 5)	3,330,179	1,164,340
Unrealised gain on available-for-sale financial assets (note 2.16 (e))	637,091	1,150,662
Foreign currency translation (note 2.9)	1,458,521	405,148
	5,425,791	**2,720,150**

26. Borrowings

	2016 $'000	2015 $'000
US $400M 30-year bond (note 26 (a))	2,255,334	2,145,378
CALYON Bank Limited (note 26 (b))	401,112	466,448
First Citizens Bank Limited (note 26 (c))	408,295	474,889
	3,064,741	3,086,715
Current portion	(183,691)	(171,082)
Non-current portion	**2,881,050**	**2,915,633**

a) This loan relates to a US$400 million bond issued by the Group and arranged by Lehman Brothers/Citigroup on 20 January 2006 to finance the construction/ acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund 11.11% of its shareholder loans to ALNG 4 Group of Trinidad and Tobago Unlimited.

The bond will be redeemed via a bullet payment on 15 January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05% commencing in July 2006. The fair value of the bond was $2,698.6 million (US$400.0 million) at 31 December 2016 (2015: TT$2,752.9 million/US$428.7 million).

The total bond re-purchases by the Group is US$60.3 million as at 31 December 2016 (2015 US$60.3 million).

26. **Borrowings (continued)**

b) The Group secured financing in the amount of US$200 million (TT$1.3 billion) from a group of lenders. The lead arrangers for the lenders are Credit Agricole Bank (formerly CALYON Bank Ltd), ING Capital LLC, MIZUHO Corporate Bank Ltd. and Sumitomo Mitsui Banking Corporation.

On 18 September 2007, (the conversion date) construction advances of US$200 million were converted into a fifteen (15) year long-term loan. The principal is repayable in thirty (30) consecutive semi-annual installments which commenced on 1 June 2006 and matures on 1 December 2020. Interest on the loan is paid quarterly.

The interest rate is based on the relevant type of Euro/base rate advances requested plus a margin as summarised below:

	Euro dollar rate advances	**Base rate advances**
Pre-conversion	1.500% p.a.	0.500% p.a.
Post-conversion	Range of 1.625 to 2.500% p.a.	Range of 0.625 to 1.500% p.a.

As at 31 December 2016, all drawdowns are Eurodollar rate advances. The Group has entered into an interest rate hedge with Credite Agricole Bank effect ive 1 December 2005 for 15 years, for fifty percent (50%) of the financing (US$100 million) at a fixed rate of interest of 4.98% per annum.

The impact of this hedge in 2016 was a decrease in interest expense in the amount of TT$9.32 million (2015: TT$11.9 million). The fair value of the loan at 31 December 2016 is TT$402.5 million (2015: TT$486.1 million).

The collateral given to secure this financing includes:

- All collateral accounts which include a debt service reserve account
- Assignment of the borrower's right, title and interest prescribed in specified term sheets relating to the gas transportation agreements, receivables and inventory
- Assignment of insurance policies
- Assignment of the NGC Pipeline Company Limited's shares owned by NGC
- Guarantees by NGC

c) The Group has a long-term loan maturing in March 2021, which was disbursed on March 26, 2015, at a fixed interest rate of 2.04%. Semi-annual payments of principal and interest for the loan commenced in September 2015. The loan facility is unsecured and was used to repay the outstanding balances on the Long-term senior bonds due April 2017 and April 2020 as well as to finance the early repayment premium on the two facilities.

	2016 $'000	**2015 $'000**
Maturity profile of borrowings		
In one year or less	183,691	171,082
In more than one year but not more than two years	188,413	174,822
In more than two years but not more than three years	193,000	179,317
In more than three years but not more than four years	198,936	183,683
In more than four years but not more than five years	45,367	189,247
In more than five years	2,255,334	2,188,564
	3,064,741	**3,086,715**

27. Deferred income

	2016 $'000	2015 $'000
Gas sales (note 27 (a))	85,239	28,687
Non-refundable capital contribution (note 27 (b))	28,878	35,973
Capital grant (note 27 (c))	85,165	88,618
Transportation tariff (note 27 (d))	51,667	52,865
Pier user charges (note 27 (e))	16,904	15,939
Other	16,825	8,179
	284,678	**230,261**
Current	146,239	76,298
Non-current	138,439	153,963
	284,678	**230,261**

Notes

a) This represents revenue for gas volumes contractually committed to but not yet taken by customers. Income is recognised on the earlier of the expiration of the deficiency period and when the gas volumes are actually taken.

b) Non-refundable capital contributions received from industrial users are amortised to profit or loss over the period of the industrial users' sales contracts.

c) This amount relates to capital grants expended on depreciable assets and are to be amortised to profit or loss over the useful lives of the related asset.

d) This amount comprises shipper's reserve capacity which is billed one month in advance.

e) This amount comprises pier user charges which are billed in advance.

28. Provisions

	Asset retirement obligation $'000	Environmental obligation $'000	Onerous contract $'000	Total $'000
Year ended 31 December 2016				
Balance as at 1 January 2016	877,367	1,405	-	878,772
Increase/(decrease) in provision	33,000	(1,405)	-	31,595
Foreign currency translation	44,595	-	-	44,595
Balance as at 31 December 2016	**954,962**	**-**	-	**954,962**
Current portion	-	-	-	-
Non-current portion	954,962	-	-	954,962
	954,962	**-**	-	**954,962**

28. **Provisions (continued)**

	Asset retirement obligation $'000	Environmental obligation $'000	Onerous contract $'000	Total $'000
Year ended 31 December 2015				
Balance as at 1 January 2015	851,974	3,926	239,591	1,095,491
Increase/(decrease) in provision	20,708	(2,521)	(241,893)	(223,706)
Foreign currency translation	4,685	-	2,302	6,987
Balance as at 31 December 2015	**877,367**	**1,405**	-	**878,772**
Current portion	-	1,405	-	1,405
Non-current portion	877,367	-	-	877,367
	877,367	**1,405**	-	**878,772**

a) **Asset retirement obligation**

The Group has recorded provisions for the net present value of the estimated cost of decommissioning the offshore plant and equipment, the TSP platforms and SECC assets and the Block 2c asset located in the Greater Angostura field based on studies conducted.

A letter of credit for $130.6 million (US$20.3 million) was established for the Group's portion of the obligation for the TSP platforms. The decommissioning of these platforms is not expected to occur before 2025. However, the ultimate amount and timing of the cost may vary from the original estimate.

b) **Environmental obligation**

The Group has committed to the reforestation of land areas equivalent to those cleared for pipeline construction and right of way extension.

c) **Onerous contract**

The Group has an onerous contract to provide compression services with a customer for which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits to be received from it.

The contract was terminated effective 31 December, 2015.

29. **Post-retirement medical and group life obligation**

Funding

The Parent provides both medical and group life benefits to its retirees. The benefits are determined using actuarial valuations which involves making assumptions about discount rates, future salary increases and medical cost inflation. Owing to the long term nature of these plans such estimates are subject to significant uncertainty. The Parent expects to pay $.04 million and $2.3 million in Post retirement group life and Post-retirement medical respectively in 2017.

The principal assumptions used for the purposes of the actuarial valuations for medical and group life were as follows:

	2016 %	2015 %
Medical cost inflation	5.75	5.75
Discount rate	5.50	5.50
Salary increases	6.00	6.00

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2015 and 2016 are as follows:

Life expectancy at age 60 for current pensioner in years:		
Male	21.0	21.0
Female	25.1	25.1
Life expectancy at age 60 for current members aged 40 - in years:		
Male	21.4	21.4
Female	25.4	25.4

Expense recognised in the consolidated statement of profit or loss is as follows:

	2016 $'000	2015 $'000
Current service cost	7,783	9,264
Net interest on net defined benefit liability	8,862	9,565
Net benefit cost	**16,645**	**18,829**
Re-measurement recognised in other comprehensive income		
Experience losses	(9,640)	(45,418)
Total amount recognised in other comprehensive income	**(9,640)**	**(45,418)**

29. **Post-retirement medical and group life obligation (continued)**

Net liability in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2016 $'000	**2015 $'000**
Present value of defined benefit obligation	167,234	162,453
Net defined benefit liability	**167,234**	**162,453**

Reconciliation of opening and closing statement of financial position:

Opening defined benefit liability	162,453	192,506
Net pension cost	16,645	18,829
Re-measurement recognised in other comprehensive income	(9,640)	(18,139)
Group contributions paid	(2,224)	(2,076)
Actuarial gains from changes in financial assumptions	–	(27,279)
Foreign exchange translation	–	(1,388)
Closing defined benefit obligation	**167,234**	**162,453**

Movement in present value of defined benefit obligation:

Defined benefit obligation at start of year	162,453	192,506
Current service cost	7,783	9,264
Interest cost	8,862	9,565
Re-measurements:		
Experience adjustments	(9,640)	(18,139)
Group's premiums paid	(2,224)	(2,076)
Actuarial gains from changes in financial assumptions	–	(27,279)
Foreign exchange translation	–	(1,388)
Defined benefit obligation at end of year	**167,234**	**162,453**

Movement in fair value of plan assets/asset allocation:

The Plan has no assets.

30. **Pension obligation**

Funding

Employees of the Group, other than employees of PPGPL, are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. This is a defined benefit pension plan that provides pensions related to employees' length of service and basic earnings at retirement. The Plan's financial funding position is assessed by means of triennial actuarial valuations which was completed as at 31 December, 2015 and carried out by an independent actuary.

The Group must pay contributions at least equal to twice those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $55.0 million to the pension plan during 2017.

The subsidiary companies have no further obligations to pension costs once the contributions have been paid.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016 %	2015 %
Discount rate	5.5	5.5
General salary increases	4.0	4.0
Salary increases due to age, merit and promotion	2.0	2.0

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2015 and 2016 are as follows:

Life expectancy at age 60 for current pensioner in years:		
Male	21.0	21.0
Female	25.1	25.1
Life expectancy at age 60 for current members aged 40 in years:		
Male	21.4	21.4
Female	25.4	25.4

Expenses recognised in the statement of profit or loss is as follows:

	2016 $'000	2015 $'000
Current service cost	24,465	46,362
Net interest on net defined benefit liability	4,164	27,715
Past service cost	(204,577)	–
Administration expenses	1,007	1,018
Net benefit cost	**(174,941)**	**75,095**
Re-measurement recognised in other comprehensive income:		
Experience gain/(losses)	27,268	(274,697)
Total amount recognised in other comprehensive income	**27,268**	**(274,697)**

30. **Pension obligation (continued)**

The net liability in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2016 $'000	2015 $'000
Present value of defined benefit obligation	875,074	1,026,827
Fair value of plan assets	(771,185)	(707,791)
Deficit	103,889	319,036
Net defined benefit liability	**103,889**	**319,036**

Reconciliation of opening and closing statement of financial position entries:

	2016 $'000	2015 $'000
Opening defined benefit liability	319,036	603,587
Net pension cost	(174,942)	75,095
Re-measurement recognised in other comprehensive income	27,268	(274,697)
Group contributions paid	(67,473)	(84,949)
Closing defined benefit obligation	**103,889**	**319,036**

Movement in present value of defined benefit obligation:

	2016 $'000	2015 $'000
Defined benefit obligation at start of year	1,026,826	1,249,975
Current service cost	24,465	46,362
Interest cost	44,331	61,676
Members contribution	12,084	15,840
Addition voluntary contributions	–	6
Post service cost/(credit)	(204,577)	–
Re-measurements:		
Experience adjustments	4,778	(234,734)
Actuarial (gains)/losses from changes in financial assumptions	–	(78,987)
Benefits paid	(32,833)	(33,312)
Defined benefit obligation at end of year	**875,074**	**1,026,826**

30. **Pension obligation (continued)**

Movement in fair value of plan assets/asset allocation:

	2016 $'000	2015 $'000
Fair value of plan assets at start of year	707,791	646,389
Interest income	40,169	33,961
Return on plan assets excluding interest income	(22,492)	(39,024)
Group contributions	67,473	84,949
Members contributions	12,084	15,840
Additional voluntary contributions	–	6
Benefits paid	(32,833)	(33,312)
Expenses	(1,007)	(1,018)
Fair value of plan assets at end of year	**771,185**	**707,791**
Asset allocation:		
Locally listed equities	142,448	139,548
Overseas equities	83,687	77,755
Government issued bonds	234,033	208,637
Corporate bonds	196,789	183,759
Mutual funds	14,540	18,681
Cash and cash equivalents	94,048	73,400
Annuities	5,640	6,011
Fair value of plan assets at end of year	**771,185**	**707,791**

Re-measurement recognised in Other Comprehensive Income:

Experience losses/(gains)

	2016	2015
Pension	27,268	(274,697)
Post-retirement medical (see note 29)	(8,440)	(38,324)
Post retirement group life (see note 29)	(1,200)	(8,487)
Experience losses/(gains) at end of year	**17,628**	**(321,508)**

All asset values as at 31 December 2016 were provided by the plan's investment managers (Republic Bank Limited and First Citizens Investment Services Limited). Overseas equities have quoted prices in active markets. Local equities are also valued using quoted prices. The investment managers calculate the fair value of the government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the plan's bonds were issued by the Government of the Republic of Trinidad & Tobago.

The plan's assets are invested in a strategy agreed with the plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the plan.

Restructuring of pension plan

In 2016, the Board of Directors approved the restructuring of the Parent's pension plan from a Defined Benefit plan to a Career Average Defined Benefit Plan.

31. Take-or-pay liability

Take-or-pay obligations arising from long-term gas purchase contracts are accounted for as deferred expenditure or cost of sales (see note 2.19) based on management's assessment of the timeframe within which the gas will be taken. This assessment requires assumptions to be made regarding the future demand for gas arising from current and existing projects.

Take-or-pay liabilities are expected to be settled in accordance to contractual agreements.

32. Trade payables

	2016 $'000	2015 $'000
Trade payables are settled on 30 day terms	**2,822,944**	**2,819,133**

33. Sundry payables and accruals

	2016 $'000	2015 $'000
Accrued interest – Board of Inland Revenue	3,170	3,339
Accrued interest – other	89,730	85,630
Accrued material/service amounts	1,434,854	1,362,243
Contract provisions	221,496	200,895
Employee related accruals	44,487	54,472
	1,793,737	**1,706,579**

Terms and conditions of the above financial liabilities:

Interest payable is normally settled in accordance with the terms and conditions of the respective loan. (note 26)

Accrued materials service amounts and contract provisions are non-interest bearing and have an average term of two (2) months.

34. Sales and cost of sales

	2016 $'000	2015 $'000
Sales		
Gas sales	7,370,658	12,459,633
Natural gasoline	928,238	1,176,535
Natural gas liquid sale	937,336	1,136,076
Condensate sales	24,860	30,849
Transportation tariffs income	271,640	261,327
Compression charges income	(504)	53,755
Crude oil income	350,294	453,639
Rental income	29,659	40,212
LNG sales	693,026	694,301
Marine facilities and services income	298,133	317,026
	10,903,340	**16,623,353**
Cost of sales		
Gas purchases	7,042,224	9,850,840
Feedstock purchases	662,450	981,290
Depreciation	389,442	367,356
Depreciation – exploration and production assets	78,919	(3,409)
Other operating cost	328,559	322,757
Production taxes including supplemental petroleum taxes	239	41,116
Maintenance cost	83,801	142,892
Staff cost (note 37)	82,349	151,176
Royalties	23,517	35,162
Exploration and production costs	155,281	204,710
	8,846,781	**12,093,890**

35. Other operating income

	2016 $'000	2015 $'000
Lease income	23,700	18,589
Interest income – Dolphin lease	231,207	171,633
Operating and maintenance fees income – Dolphin/Beachfield pipeline and other	133,791	142,464
Project management fees income – GORTT	1,828	2,998
Amortisation of non-refundable capital contribution	8,785	7,319
Site Clearance fee	-	26,514
Other income	10,905	19,854
	410,216	**389,371**

36. Interest, investment and other income

	2016 $'000	2015 $'000
Investment income	22,200	22,683
Interest income - related party income	32,669	37,782
Net gain on financial asset through profit and loss	112,581	8,641
Available-for-sale financial assets	35,075	24,820
Held-to-maturity investments	8,185	12,847
Fair value gain on T&TEC loan and other receivables	25,428	33,380
Net gain on disposal of equities	3,228	85,434
Dividend income – AFS investments	152,351	200,784
Interest and investment income	**391,717**	**426,371**
LNG production payments	88,489	215,031
Other income	**88,489**	**215,031**
	480,206	**641,402**

37. Administrative, maintenance and general expenses

	2016 $'000	2015 $'000
* Staff costs (see below)	339,006	485,886
** Post retirement obligation (see below)	(142,333)	113,851
Depreciation, depletion and amortisation	349,907	336,332
Allowance for irrecoverable receivables	49,613	2,216
Decrease in provision for onerous contract	-	(239,398)
Operations and maintenance - Dolphin Pipeline	148,467	112,881
Proceeds received from insurance claim	-	(508)
Material, service and contract labor	88,512	223,850
Professional fees	65,343	124,373
Heliport services	5,102	17,934
Rates and taxes	9,487	11,667
Lease rental	14,452	6,580
Stock adjustment	26,108	650
Computer software maintenance	8,796	21
Insurance	20,841	30,551
Dock and harbour/plant lease	14,165	13,330
Project expenses	40,015	(1,292)
Other (Includes electricity, advertising, security fees etc.)	155,175	248,336
	1,192,656	**1,487,260**

37. **Administrative, maintenance & general expenses (continued)**

	2016 $'000	2015 $'000
Staff costs:		
Wages and salaries	411,187	625,213
National insurance	11,168	11,849
Pension and post-retirement medical and group life	(143,333)	113,851
	279,022	**750,913**
Staff costs included within:		
Cost of sales (note 34)	82,349	151,176
* Administrative and general expenses	339,006	485,886
** Pension and post-retirement medical and group life	(142,333)	113,851
	279,022	**750,913**

38. **Impairment expense**

	2016 $'000	2015 $'000
Impairment on other receivables	31,387	105,011
Property, plant and equipment – other assets (note 38 (a))	635,616	26,180
Property, plant and equipment – Beetham waste water project (note 38 (b))	15,165	943,734
Capital assets and licences (note 38 (c))	(479,631)	1,339,049
Investment properties	-	1,703
	202,537	**2,415,677**

a) **Property, plant and equipment – Pipeline and other assets – TT$635.6**

Pipelines – TT$729.3m

In accordance with the Group's policy which requires a revaluation to be conducted every seven (7) years, an independent consultant performed a valuation. A revaluation deficit was recorded on the piplines and related facilities owned as at 31 December 2016, which resulted in an impairment charge of TT$729.3 million.

Other assets – (TT$93.7m)

Included in other assets is an impairment reversal of TSP assets. The Group's management reviewed its assessment of its investment in TSP which resulted in a reversal on the amount impaired by TT$99.3 million.

b) **Beetham waste water project (BWWP)**

The Group's management reviewed the recoverability in its investment in Beetham Waste Water Project as at 31 December 2016. The assessment led to an impairment of the total cost incurred on the project to date of TT $958.9 million.

38. **Impairment expense (continued)**

c) **Capital assets and licences**

The Group carried out a review of the recoverable amount of its 100% owned capital assets and licences in NGC E&P Investment (Netherlands) B.V. and NGC E&P (Netherlands) B.V., which owns a 30% interest in Block 2c and 8.5% interest in Block 3a of the Greater Angostura Field assets.

Management engaged an independent valuation expert to conduct an impairment assessment as at 31 December 2016.

The recoverable amount of capital assets and licences in NGC E&P Investment (Netherlands) B.V. and NGC E&P (Netherlands) B.V. has been based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a ten-year period from 2017 to 2026 and a discount rate of 12.11% per annum which was based on an estimate of the weighted average cost of capital. The key assumptions used in the value in use calculations are as follows:

- Discount rate of 12.11%.
- The Production Sharing Contract (PSC) will be extended for the additional five year term ending 2026.
- The Group's entitlement of gas assets was estimated at 22% of total gas revenue and oil entitlement was estimated at 18% for 2017 - 2019. For the years 2020 - 2026, gas revenue entitlement ranged from 17% - 22% whereas oil revenue entitlement ranged from 14% - 18%.
- Gas price is forecast to gradually increase from 2017 - 2026, while volume for 2017 - 2021 is forecast to remain stable, and is expected to decline from 2022 - 2026.
- Management's forecast crude oil price of US$40 per barrel is lower than what are expected by the West Texas Intermediate (WTI) and Brent Crude Oil Index, for 2017, which are expected to increase to US$52 and US$53 per barrel respectively.
- Both oil production and gas production are expected to steadily decline for the forecast period. These volumes are contingent on the field operator successfully realising the resources of the three new wells in the third phase of Block 2c.

The impairment assessment led to the recognition of a reversal of impairment loss in the amount of $479.6 million which was due to changes in volume, prices and costs. The reversal of impairment has been recognised and separately disclosed on the statement of profit and loss and other comprehensive income for the year.

Based on the cashflows computed, sensitivity analyses were conducted on the discount rate used. The scenarios considered were as follows:

a) Discount rate was reduced by 100 basis points to 11.11%

b) Discount rate was increased by 100 basis points to 13.11%

c) Discount rate was increased by 200 basis points to 14.11%

38. **Impairment expense (continued)**

c) **Capital assets and licences (continued)**

From the scenarios above, while holding all other variables will increase/(decrease) the impairment loss by the following:

- Scenario (a), where discount rate was reduced by 100 basis points, while holding all other variables constant will increase the impairment reversal by $41.1 million.
- Scenario (b), where discount rate was increased by 100 basis points, while holding all other variables constant will decrease the impairment reversal by $38.8 million.
- Scenario (c), where discount rate was increased by 200 basis points, while holding all other variables constant will decrease the impairment reversal by $75.5 million.

Currently Block 3A is in its development stage. The operator plans to meet with its partners to determine how they will further explore and appraise the block.

39. **Finance costs**

	2016 $'000	2015 $'000
Interest	198,538	256,670
Decommissioning – unwinding of discount rate	32,485	17,026
Take or pay interest	9,194	8,074
	240,217	**281,770**

40. **Share of loss from associate**

Name of Group	Place of incorporation and operation	Proportion of ownership interest and voting powers held by the Group	
		2016	**2015**
Caribbean Gas Chemical Limited (CGCL)	Trinidad and Tobago	20%	20%

CGCL is a limited liability company in which the Parent owns a 20% ownership interest through NGC Petrochemicals Limited. The Group has influence over CGCL by virtue of its contractual right to appoint one out of six directors to the Board of Directors of CGCL and treats the shareholding as an Investment in Associate.

	2016 $'000	2015 $'000
Share of loss from associate	**16,866**	**-**

41. **Taxation**

	2016 $'000	**2015 $'000**
Corporation tax	414,177	1,088,830
Petroleum profit tax	41,622	82,913
Business levy	50,926	-
Green fund levy	42,895	21,193
	549,620	1,192,936
Deferred tax expense	(49,803)	(630,950)
	499,817	**561,986**
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate:		
Profit for the year before taxation	1,220,510	1,122,978
Tax at the rate of 35%	427,179	393,042
Tax exempt income	(146,850)	(154,976)
Non-deductible expenses	20,916	763,612
Permanent differences	13,209	28,735
Other differences	530	2,869
Prior years' tax	12,330	(519,841)
Business levy	50,927	-
Green fund levy	42,895	21,193
Increase in valuation allowance	6,909	(69,153)
Tax effect of subsidiaries at different rate	(44,951)	(48,982)
Tax losses un-utilised	597	182
Deferred tax resulting from change in tax rate	9,448	-
Effect of oil and gas assets taxed at a different rate	36,401	73,020
Foreign exchange translation	70,277	72,285
Income tax expense	**499,817**	**561,986**

Green fund levy is computed at a rate of .3% of revenue (2015: .1%). Business levy is computed at a rate of .6% of revenue (2015: .3%).

42. Cash generated from operations

	2016 $'000	2015 $'000
Profit for the year before taxation	1,220,510	1,122,978
Adjustments to reconcile profit for the year before taxation with net cash from operating activities:		
Depreciation	645,673	613,386
Impairment of property, plant and equipment	(93,679)	28,153
Amortisation of capital assets and licences	172,595	89,220
Impairment of capital assets and licences	(479,632)	1,339,049
Impairment of assets under construction	15,165	953,551
Impairment of other receivables	31,387	105,011
Revaluation of pipelines	729,294	-
Decrease in decommissioning costs	-	9,740
Gain on disposal of property, plant and equipment	(7,063)	(769)
Share of loss in associate	16,866	-
Increase/(decrease) in deferred income	52,994	(518)
Decrease/(increase) in deferred expenses	211,209	(699,835)
Post-retirement costs	(169,214)	81,077
Decrease in onerous contract provision	-	(239,400)
Decrease in environmental obligation	-	(2,535)
Dividend income	(166,327)	(218,772)
Gain on disposal of other financial assets	(3,224)	(85,433)
Amortisation of deferred income	(5,237)	(4,215)
Finance costs	240,217	281,770
Interest income on finance lease	(231,206)	(171,633)
Interest and investment income	(220,101)	(133,160)
Operating profit before working capital changes	1,960,227	3,067,665
Working capital changes:		
Increase in accounts receivable and sundry debtors	(48,725)	(670,914)
Decrease in inventories	32,754	60,692
(Decrease)/increase in trade creditors, sundry creditors and accruals	(339,787)	497,153
Cash flows from operating activities	**1,604,469**	**2,954,596**

43. **Subsidiaries**

(a) The Group's subsidiaries are as follows:

Name of Group	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held by the Group 2016	2015
Subsidiaries				
National Energy Corporation of Trinidad and Tobago Limited	Management of certain marine infrastructural facilities at the port of Point Lisas and the promotion and development of the Union Industrial Estate at La Brea	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, finance, construct, operate and maintain a 56 inch cross island pipeline ('CIP') from Beachfield on the south east coast of Trinidad to Point Fortin on the south west coast of Trinidad	Trinidad and Tobago	100%	100%
Trinidad and Tobago LNG Limited	Shareholding in a liquefied natural gas plant in Trinidad and in the processing and sale of liquefied natural gas ('LNG') and natural gas liquids ('NGLs') in partnership with others	Trinidad and Tobago	100%	100%
La Brea Industrial Development Company Limited	Promotion and development of an industrial estate and marine infrastructure facilities at La Brea	Trinidad and Tobago	81.00%	81.00%
Trinidad and Tobago NGL Limited	An investment holding Company with a 39% effective ownership interest in Phoenix Park Gas Processors Limited ('PPGPL'). This Company commenced trading on the Trinidad and Tobago Stock Exchange on 19 October 2015	Trinidad and Tobago	51%	51%

43. **Subsidiaries (continued)**

(a) The Group's subsidiaries are as follows (continued):

Name of Group	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held by the Group 2016	2015
Subsidiaries (continued)				
NGC Trinidad and Tobago LNG Company Limited	Shareholding in a liquefied natural gas plant in Trinidad in partnership with others	Trinidad and Tobago	62.16%	62.16%
NGC NGL Company Limited	An investment holding Company which holds a 51% investment in PPGPL.	Trinidad and Tobago	80%	80%
NGC CNG Company Limited	Construct, operate and maintain compressed natural gas service stations throughout Trinidad and Tobago	Trinidad and Tobago	100%	100%
NGC Petrochemicals Limited	Investment holding Company which holds 20% share investment in Caribbean Gas Chemical Limited (CGCL)	Trinidad and Tobago	100%	100%
NGC E&P (Barbados) Limited	Provide for certain material needs and services for its member (NGC E&P Netherlands Coöperatief U.A)	Barbados	100%	100%
NGC E&P Investments (Barbados) Limited	Provide for certain material needs and services for its investee (NGC E&P Netherlands Coöperatief U.A)	Barbados	100%	100%
Downstream Petrochemicals Research and Development Limited	Manage the initial DME and Downstream Promotion Fund (DDF) and the subsequent DME Promotion Fund	Trinidad and Tobago	100%	100%

43. **Subsidiaries (continued)**

a) The Group's subsidiaries are as follows (continued):

Name of Group	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held by the Group 2016	2015
Sub-Subsidiaries				
Phoenix Park Gas Processors Limited	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	60.69%	60.69%
NGC E&P Netherlands Coöperatief U.A	Exploration, development and production of oil and gas in Trinidad and Tobago	Incorporation – Netherlands Operation - Trinidad and Tobago	100%	100%
NGC E&P (Netherlands) B.V.	Exploration, development and production of oil and gas in Trinidad and Tobago	Incorporation – Netherlands Operation - Trinidad and Tobago	100%	100%
NGC E&P Investments (Netherlands) B.V.	Exploration, development and production of oil and gas in Trinidad and Tobago	Incorporation – Netherlands Operation - Trinidad and Tobago	100%	100%

43. **Subsidiaries (continued)**

b) Wholly owned subsidiaries

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2016	2015
NGL and LNG Sales	Trinidad and Tobago	1	1
Natural gas purchase, sale, transmission and distribution	Trinidad and Tobago	1	1
Construction, operation and maintenance of compressed natural gas service stations	Trinidad and Tobago	1	1
Port infrastructure and development	Trinidad and Tobago	1	1
Manage the initial DME and the subsequent DME and Downstream Promotion Fund	Trinidad and Tobago	1	1
Exploration, development and production of oil and gas	Netherlands	2	2
Intermediate holding companies	Trinidad and Tobago	1	1
	Barbados	2	2
	Netherlands	1	1
		11	**11**

c) Non-wholly owned subsidiaries

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2016	2015
NGL and LNG Sales	Trinidad and Tobago	3	3
Port infrastructure and development	Trinidad and Tobago	1	1
Intermediate holding companies	Trinidad and Tobago	1	1
		5	**5**

43. **Subsidiaries (continued)**

d) Details of non-wholly owned subsidiaries with material non-controlling interest

Name of company	Place of incorporation and operation	Proportion of shareholding and voting rights held by non-controlling interest		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2016	2015	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Phoenix Park Gas Processors Limited	Trinidad and Tobago	*10%	*10%	42,040	34,942	160,687	154,003
Trinidad and Tobago NGL Limited due to sale of shares in October 2015 to general public	Trinidad and Tobago	*49%	*49%	80,338	1,019	(49,099)	(31,888)
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	37.84%	37.84%	6,543	18,923	63,928	54,510
NGC NGL Company Limited	Trinidad and Tobago	20%	20%	42,654	37,923	214,443	225,943
Share capital for non-controlling interest arising on the disposal of interest in 49% of Trinidad and Tobago NGL Limited						1,358,339	1,358,339
Fair value adjustment to non-controlling interest in PPGPL						321,123	373,076
Individually immaterial subsidiaries with non-controlling interests						37,227	35,254
Total						**2,106,648**	**2,169,237**

* In 2015, NGC sold 49% of Trinidad and Tobago NGL Limited which is listed on the Trinidad and Tobago Stock Exchange. NGC currently holds a 60.69% shareholding in PPGPL. The non-controlling interest consists of an investment consortium comprising The National Insurance Board of Trinidad and Tobago ('NIBTT'), National Enterprises Limited, and The Trinidad and Tobago Unit Trust Corporation ('UTC') holding 10%, National Enterprises Limited ('NEL') 10.2% and the general public holding 19.11%. The NEL portion of the non-controlling interest is represented within the NGC NGL Company Limited balances shown in the table above.

43. **Subsidiaries (continued)**

d) Details of non-wholly owned subsidiaries with a material non-controlling interest (continued)

Summarised financial information in respect of each of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Phoenix Park Gas Processors Limited

	2016 $'000	2015 $'000
Summary statement of financial position		
Current assets	956,454	958,998
Non-current assets	1,880,197	1,920,173
Current liabilities	(388,213)	(432,052)
Non-current liabilities	(841,565)	(907,089)
Equity attributable to owners of PPGPL	1,446,186	1,417,915
Non-controlling interest of PPGPL	160,687	122,115
Summary statement of profit or loss and other comprehensive income		
Revenue	1,998,230	2,438,537
Expenses	(1,577,834)	(2,089,114)
Profit for the year	**420,396**	**349,423**
Profit attributable to owners of PPGPL	378,356	313,462
Profit attributable to the non-controlling interest	42,040	35,961
Profit for the year	**420,396**	**349,423**
Other comprehensive income attributable to owners of PPGPL	-	-
Other comprehensive income attributable to the non-controlling interest	-	-
Other comprehensive income for the year	-	-
Total comprehensive income attributable to owners of PPGPL	378,356	313,462
Total comprehensive income attributable to the non-controlling interest	42,040	35,961
Total comprehensive income for the year	**420,396**	**349,423**
Dividends paid to non-controlling interest	**43,848**	**78,127**
Summary statement of cash flows		
Net cash used in operating activities	(32,819)	(193,267)
Net cash used in investing activities	(15,367)	(23,610)
Net cash used in financing activities	(89,319)	104,712
Net cash outflows	**(137,505)**	**(112,165)**

43. **Subsidiaries (continued)**

d) Details of non-wholly owned subsidiaries with a material non-controlling interest (continued)

	2016 $'000	2015 $'000
Trinidad and Tobago NGL Limited ('TTNGL')		
Summary statement of financial position		
Current assets	379,235	440,872
Non-current assets	2,985,162	2,827,778
Current liabilities	(3,743)	(20,563)
Non-current liabilities	-	-
Equity attributable to owners of TTNGL	2,033,790	1,904,013
Non-controlling interest	1,326,864	1,344,074
Summary statement of profit or loss and other comprehensive income		
Revenue	164,174	136,279
Other expenses	15,394	234,553
Profit for the year	**179,568**	**370,832**
Profit attributable to owners of TTNGL	99,230	369,813
Profit attributable to the non-controlling interest	80,338	1,019
Profit for the year	**179,568**	**370,832**
Other comprehensive income attributable to owners of TTNGL	84,251	13,355
Other comprehensive income attributable to the non-controlling interest	80,948	18,576
Other comprehensive income for the year	**165,199**	**31,931**
Total comprehensive income attributable to owners of TTNGL	183,481	383,168
Total comprehensive income attributable to the non-controlling interest	161,286	19,595
Total comprehensive income for the year	**344,767**	**402,763**
Dividends paid to non-controlling interest	**113,778**	**37,927**
Summary statement of cash flows		
Net cash used in operating activities	416,905	-
Net cash generated from investing activities	181,513	-
Net cash used in financing activities	(232,200)	-
Net cash inflow	**366,218**	**-**

43. **Subsidiaries (continued)**

d) Details of non-wholly owned subsidiaries with a material non-controlling interest (continued)

	2016 $'000	2015 $'000
NGC NGL Company Limited ('NGC NGL')		
Summary statement of financial position		
Current assets	242,126	333,643
Non-current assets	819,505	796,174
Current liabilities	(65)	(100)
Non-current liabilities	-	-
Equity attributable to owners of NGC NGL	847,123	903,774
Non-controlling interest	214,443	225,943
Summary statement of profit or loss and other comprehensive income		
Revenue	217,086	191,222
Other expenses	(3,816)	(1,605)
Profit for the year	**213,270**	**189,617**
Profit attributable to owners of NGC NGL	170,616	151,694
Profit attributable to the non-controlling interest	42,654	37,923
Profit for the year	**213,270**	**189,617**
Other comprehensive income attributable to owners of NGC NGL	45,324	7,863
Other comprehensive income attributable to the non-controlling interest	11,331	1,966
Other comprehensive income for the year	**56,655**	**9,829**
Total comprehensive income attributable to owners of NGC NGL	215,940	159,557
Total comprehensive income attributable to the non-controlling interest	53,985	39,889
Total comprehensive income for the year	**269,925**	**199,446**
Dividends paid to non-controlling interest	**65,464**	**133,730**
Summary statement of cash flows		
Net cash used in operating activities	(3,632)	(1,494)
Net cash generated from investing activities	235,621	424,491
Net cash used in financing activities	(327,318)	(668,651)
Net cash inflow	**(95,329)**	**(245,654)**

43. **Subsidiaries (continued)**

d) Details of non-wholly owned subsidiaries with material non-controlling interest (continued)

	2016 $'000	2015 $'000
NGC Trinidad and Tobago LNG Limited ('NGC LNG')		
Summary statement of financial position		
Current assets	105,764	83,893
Non-current assets	63,310	60,248
Current liabilities	(131)	(86)
Non-current liabilities	-	-
Equity attributable to owners of NGC LNG	105,015	89,545
Non-controlling interest	63,928	54,510
Summary statement of profit or loss and other comprehensive income		
Revenue	20,062	50,969
Expenses	(2,771)	(960)
Profit for the year	**17,291**	**50,009**
Profit attributable to owners of NGC LNG	10,748	31,086
Profit attributable to the non-controlling interest	6,543	18,923
Profit for the year	**17,291**	**50,009**
Other comprehensive income attributable to owners of NGC LNG	4,722	679
Other comprehensive income attributable to the non-controlling interest	2,875	413
Other comprehensive income for the year	**7,597**	**1,092**
Total comprehensive income attributable to owners of NGC LNG	15,470	31,765
Total comprehensive income attributable to the non-controlling interest	9,418	19,336
Total comprehensive income for the year	**24,888**	**51,101**
Dividends paid to non-controlling interest	**-**	**68,462**
Summary statement of cash flows		
Net cash used in operating activities	17,195	49,903
Net cash generated from investing activities	140	95,417
Net cash used in financing activities	-	(180,926)
Net cash inflow (outflow)	**17,335**	**(35,606)**

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Comparative notes to the financial statements are based on information received by Management as at the reporting date.

44. **Associates**

Company	Place of incorporation and operation	Proportion of ownership interest and voting powers held by the Group	
		2016	**2015**
Caribbean Gas Chemical Limited	Trinidad and Tobago	20%	20%
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	Trinidad and Tobago	20%	20%

The investment in Trintomar was fully impaired in a prior year.

45. **Contingent liabilities**

a) **Taxes**

Claims made by NGC

For income years 1993 to 1994 and 1999, the Parent has objected to certain adjustments by the Board of Inland Revenue ('BIR') to NGC's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the financial statements for any additional tax liabilities, penalties or interest.

Claims made by PPGPL

The BIR has issued additional assessments for years of income 1997, 1999 to 2010 in respect of claims for capital allowances and resultant additional taxes totaling TT$271.3 million.

PPGPL has raised objections to these assessments and these matters have been submitted to the Tax Appeal Board for its ruling. A trial date has not yet been determined and therefore it is not practical to determine the outcome of the ruling. However, Management is of the view that PPGPL will be successful in these matters and as such no provision for the additional assessments and the related interest has been made in the financial statements.

In February 2011, the Board of Directors instructed PPGPL to take advantage of the then amnesty granted by the Minister of Finance for interest and penalties for the late payment of certain taxes by making a deposit with the BIR in the sum of TT$115.2 million before 31 May 2011 (years assessed at that time 1997 - 2005). In March 2015, PPGPL took advantage of the amnesty granted by the Minister of Finance by making a deposit with BIR in the sum of TT$10.07 million before March 31 2015 (years assessed 2006 -2009), on the basis that:

- PPGPL's legal position be preserved;
- Should PPGPL be successful in this matter then such sum would be offset against future corporation tax liabilities;
- Should PPGPL be unsuccessful, then management would have avoided paying the consequential interest and penalties on the disputed sum.

This payment is currently classified as "other accounts receivable and prepayments" in the statement of financial position.

45. **Contingent liabilities (continued)**

a) **Taxes**

Claims made by NEC

Based on tax audits for income year 2006, 2007 and 2008, the Board of Inland Revenue (BIR) has advised NEC of an outstanding tax obligation. NEC has written to BIR requesting a waiver of any additional liabilities as the wear and tear allowance for marine infrastructure assets is under review by BIR and yet to be determined. No accruals have been made in the financial statements for any additional tax liabilities.

b) **Litigation matters**

The Group is involved in a number of proceedings with claims from customers and contractors of goods and services which are at various stages of litigation and their outcomes are difficult to predict. Consequently, no provision has been recorded in the financial statements with respect to these claims.

c) **Customs bonds**

The Group has contingent liabilities in respect of customs bonds amounting to $1.2 million (2015: $1.2 million).

46. **Guarantees**

The Group has provided the following guarantees as at 31 December 2016 and 2015:

i) NGC has pledged its shares in NGC Pipeline Company Limited and provided a guarantee in respect of its shipper gas transportation agreement with NGC Pipeline Company Limited as collateral for a loan obtained by the Company. The loan balance is $401.1 million (US$59.5 million) at 31 December 2016, $466.4 million (US$72.7 million) at 31 December 2015.

47. **Capital commitments**

	2016 $'000	2015 $'000
Approved and contracted capital expenditure	230,547	506,945

48. **Operating lease commitments**

i) Group as a lessee

The Group has lease arrangements for motor vehicles, office equipment and helicopter services with duration ranging from one (1) to five (5) years.

The Group also entered into leases on land. These leases on land have an average life of 30 years with renewal terms included in the contracts at the option of the Group.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2016 $'000	2015 $'000
Within one year	12,800	40,541
One to five years	41,201	45,006
More than five years	70,596	92,461
	124,597	**178,008**

ii) Group as a lessor

The Group has entered into commercial land leases on its investment properties portfolio, consisting of land and infrastructure. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. These leases have terms of between one (1) year and twenty-nine (29) years.

Rental income earned by the Group from its investment property and direct operating expenses arising on the investment property for the year are set out in Note 7.

Future minimum rental receivable under non-cancellable operating leases as at 31 December is as follows:

	2016 $'000	2015 $'000
Within one year	36,885	33,051
One to five years	97,377	86,894
More than five years	423,950	422,536
	558,212	**542,481**

49. **Commitment contracts**

Purchases

The Group purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers with terms varying from fifteen (15) to twenty three (23) years. Under these long-term take-or-pay contracts, the Group is obliged to take or if not taken, pay for said natural gas up to the contracted take-or-pay volume at the current price. The prices on certain tranches of gas of these contracts are linked to the commodity prices of ammonia and methanol subject to a floor price that escalates annually.

In prior years, the Group committed to purchase additional volumes of natural gas for several new projects that have not materialised as forecast. For 2016, the Group had no take-or-pay liability.

49. **Commitment contracts (continued)**

Sales

Under long-term take-or-pay sales contracts, the Group's customers are obligated to take or if not taken pay for said natural gas at the current price, up to the contracted take-or-pay volume. The price of natural gas sold to the producers of ammonia and methanol are linked to the relevant commodity price of ammonia and methanol. The natural gas prices under these contracts are not capped but the contracts include floor prices which represent the minimum prices for which natural gas can be sold to the respective customers.

One of the Group's subsidiaries is committed to sell natural gas liquids to various companies under the terms of negotiated sales contracts. The contract periods vary from one to five years.

Royalty gas

For the period November 2005 to December 2010, the Group received "royalty" gas from an upstream supplier. The Group has no economic interest in the "royalty" gas as it is only a transporter of the gas to T&TEC on behalf of the GORTT. As there is no "royalty" gas agreement between GORTT and the upstream supplier, invoices were issued by the upstream supplier to the Group and invoices were issued by the Group to T&TEC for the royalty gas delivered. The expense and income relating to the royalty gas received and sold for the above period were not recognised in the financial statements as the Group did not obtain any economic benefit from this arrangement.

Effective October 2012, The Group has agreed to purchase the royalty gas from the Ministry of Energy and Energy Affairs. As at the approval date of these financial statements the terms and conditions of the purchase have not been finalised.

50. **Related party transactions**

The NGC is wholly-owned by the GORTT. In the ordinary course of its business, the NGC 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 common control include T&TEC, Petrotrin, First Citizens Bank Limited, Trinidad Generation Unlimited, Alutrint Limited and Alutech Limited.

Outstanding balances at the year-end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Group has not made any additional allowance for doubtful debts relating to amounts owed by related parties. At 31 December 2016, the Group has an allowance for doubtful debts relating to amounts owed by related parties of $22.4 million (2015: $22.4 million). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel:

	2016 $'000	2015 $'000
Short-term employee benefits	49,181	77,090
Post-employment benefit	5,538	8,301
	54,719	**85,391**

51. **Financial instruments**

a) **Financial risk management objectives and policies**

The Group has various financial assets such as investments in ordinary shares and the first unit scheme of the Trinidad and Tobago Unit Trust Corporation, trade receivables, short-term investments and cash which arise directly from its operations. The Group's financial liabilities comprise bank loans, trade and sundry payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Group may enter into derivative transactions such as interest rate swaps. The purpose is to manage the interest rate and currency risk arising from the Group's operations and its sources of finance.

The main risk arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risks. Management reviews and agrees policies for managing each of these risks which are summarised below.

b) **Categories of financial instruments**

	2016 $'000	**2015 $'000**
Financial assets:		
Financial assets at fair value through profit or loss	475,809	343,962
Available-for-sale financial assets through other comprehensive income:		
Other financial assets	2,257,518	2,665,978
Financial assets at amortised cost:		
– **Held to maturity**		
Other financial assets	262,534	254,392
– **Loans and receivables**		
Loans receivable	919,943	1,227,810
Other financial assets	965	4,517
Debt reserve funds	114,867	109,073
Cash and cash equivalents	4,551,557	6,373,130
Short-term investments	1,243,082	441,769
Accounts receivable	5,203,752	4,133,975
Sundry debtors	323,464	455,424
	12,357,630	**12,745,698**
Net investment in leased assets	625,913	642,607
Total financial assets	**15,979,404**	**16,652,637**
Non-financial assets	**26,201,754**	**22,470,757**
Total assets	**42,181,158**	**39,123,394**

51. **Financial instruments (continued)**

b) **Categories of financial instruments (continued)**

	2016 $'000	2015 $'000
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	3,064,741	3,086,715
Take-or-pay liability	782,162	808,473
Trade payables	2,822,944	2,819,133
Sundry payables and accruals	1,793,737	1,706,579
Dividends payable	3,373	181,420
Total financial liabilities	**8,466,957**	**8,602,320**
Non-financial liabilities	**6,880,142**	**5,549,334**
Shareholder's equity	**26,834,059**	**24,971,740**
Total shareholder's equity and liabilities	**42,181,158**	**39,123,394**

c) **Credit risk**

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group and arises principally from credit exposures to customers relating to outstanding receivables.

The Group does not hold collateral as security. The maximum exposure to credit risk is the carrying amount of the receivables' balances. The Parent's primary activity is the purchase, transmission, distribution and sale of natural gas and there is no significant concentration of credit risk as they have numerous large and small customers across Trinidad and Tobago.

With respect to credit risk arising from other financial assets of the Group, the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

As stated in note 13 (a), a loan agreement was executed with T&TEC in 2011 for the capitalisation of 2005 to 2009 outstanding trade balances. The Group is working with T&TEC and the GORTT to formulate the terms and conditions for the sale of gas and to put measures in place to ensure that T&TEC continues to service the loan as well as its monthly gas purchases.

51. **Financial instruments (continued)**

c) **Credit risk (continued)**

	Gross maximum exposure 2016 $'000	Gross maximum exposure 2015 $'000
On statement of financial position		
Loans receivable	919,943	1,227,810
Financial assets at fair value through profit or loss	475,809	343,962
Other financial assets	2,521,017	2,924,887
Net investment in leased assets	625,913	642,607
Debt reserve funds	114,867	109,073
Cash and cash equivalents	4,551,557	6,373,130
Short-term investments	1,243,082	441,769
Accounts receivable	5,203,752	4,133,975
Sundry debtors	323,464	455,424
	15,979,404	**16,652,637**

The Group trades only with recognised credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The following table provides information on the credit quality of financial assets.

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2016				
Gross amounts	12,086,804	3,892,600	526,005	16,505,409
Impaired amounts	-	-	(526,005)	(526,005)
Net amounts	**12,086,804**	**3,892,600**	**-**	**15,979,404**
As at 31 December 2015				
Gross amounts	14,645,323	2,007,314	443,037	17,095,674
Impaired amounts	-	-	(443,037)	(443,037)
Net amounts	**14,645,323**	**2,007,314**	**-**	**16,652,637**

51. **Financial instruments (continued)**

c) **Credit risk (continued)**

The following table shows the credit quality by class of financial assets.

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2016				
Loans receivable	919,943	-	17,474	937,417
Financial assets at fair value through profit or loss	475,809	-	-	475,809
Other financial assets:		-	-	
Held to maturity	262,534	-	-	262,534
Available-for-sale	2,257,518	-	-	2,257,518
Other financial assets	965	-	-	965
	2,521,017	-	-	2,521,017
Net investment in leased assets	625,913	-	-	625,913
Debt reserve funds	114,867	-	-	114,867
Cash and cash equivalents	4,551,557	-	-	4,551,557
Short-term investments	1,243,082	-	-	1,243,082
Accounts receivable	1,311,152	3,892,600	64,584	5,268,336
Sundry debtors	323,464	-	443,947	767,411
	12,086,804	**3,892,600**	**526,005**	**16,505,409**

51. **Financial instruments (continued)**

c) **Credit risk (continued)**

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2015				
Loans receivable	1,227,810	-	41,209	1,269,019
Financial assets at fair value through profit or loss	343,962	-	-	343,962
Other financial assets:				
Held to maturity	254,392	-	-	254,392
Available-for-sale	2,665,978	-	-	2,665,978
Other financial assets	4,517	-	-	4,517
	2,924,887	-	-	2,924,887
Net investment in leased assets	642,607	-	-	642,607
Debt reserve funds	109,073	-	-	109,073
Cash and cash equivalents	6,373,130	-	-	6,373,130
Short-term investments	441,769	-	-	441,769
Accounts receivable	2,126,661	2,007,314	12,639	4,146,614
Sundry debtors	455,424	-	389,189	844,613
	14,645,323	**2,007,314**	**443,037**	**17,095,674**

Aging analysis of past due but not impaired financial assets:

	≤ 3 months $’000	3-12 months $’000	1-5 years $’000	≥ 5 years $’000	Total $’000
As at 31 December 2016					
Accounts receivable	**442,848**	**1,692,814**	**1,612,629**	**144,309**	**3,892,600**
As at 31 December 2015					
Accounts receivable	**85,012**	**297,902**	**1,624,400**	-	**2,007,314**

No financial assets have been renegotiated in 2016.

d) **Liquidity risk**

The Group monitors its risks to a shortage of funds by managing the maturity of both financial investments and financial assets (e.g. accounts receivables and short-term investments) and projected cash flows from operations. The Group’s objective is to maintain a balance between continuity of funding and flexibility.

51. **Financial instruments (continued)**

d) **Liquidity risk (continued)**

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments at the statement of financial position date.

As at 31 December 2016	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Borrowings	-	64,704	294,327	1,444,397	4,822,881	6,626,309
Take-or-pay liability	-	-	-	782,162	-	782,162
Trade and other payables	-	4,410,580	206,101	-	-	4,616,681
Dividends payable	-	3,373	-	-	-	3,373
	-	**4,478,657**	**500,428**	**2,226,559**	**4,822,881**	**12,028,525**
As at 31 December 2015						
Borrowings	-	136,463	255,920	1,708,808	5,259,851	7,361,042
Take-or-pay liability	-	-	-	808,473	-	808,473
Trade and other payables	-	4,324,679	201,033	-	-	4,525,712
Dividends payable	175,000	-	6,420	-	-	181,420
	175,000	**4,461,142**	**463,373**	**2,517,281**	**5,259,851**	**12,876,647**

The table below summarises the maturity profile of the Group's contingent liabilities and commitments based on contractual maturity dates based on contractual undiscounted payments at the statement of financial position date.

As at 31 December 2016	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Guarantees	401,112	-	-	-	-	401,112
Capital commitments	-	-	217,409	13,138	-	230,547
Operating lease commitments	-	-	49,685	138,578	494,546	682,809
	401,112	**-**	**267,094**	**151,716**	**494,546**	**1,314,468**
As at 31 December 2015						
Guarantees	466,448	-	-	-	-	466,448
Capital commitments	-	305	466,322	40,318	-	506,945
Operating lease commitments	-	-	73,592	131,900	514,997	720,489
	466,448	**305**	**539,914**	**172,218**	**514,997**	**1,693,882**

51. **Financial instruments (continued)**

d) **Liquidity risk (continued)**

The table below summarises the maturity profile of the Group's financial assets based on contractual undiscounted payments at the statement of financial position date.

As at 31 December 2016	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Loans receivable	15,214	-	393,363	603,027	-	1,011,604
Financial assets at fair value through profit or loss	475,809	-	-	-	-	475,809
Other financial assets						
Held to maturity	-	1,955	9,777	46,622	274,552	332,906
Available-for-sale	1,849,498	10,432	37,693	315,594	252,168	2,465,385
Other financial assets	965	-	-	-	-	965
Net investment in leased assets	-	42,336	223,405	724,222	204,682	1,194,645
Debt reserve funds	-	114,867	-	-	-	114,867
Cash and cash equivalents	4,551,557	-	-	-	-	4,551,557
Short-term investments	22,423	922,376	308,791	-	-	1,253,590
Accounts receivable	-	5,203,752	-	-	-	5,203,752
Sundry debtors	-	323,464	-	-	-	323,464
	6,915,466	**6,619,182**	**973,029**	**1,689,465**	**731,402**	**16,928,544**

As at 31 December 2015	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Loans receivable	-	-	276,290	833,375	175,231	1,284,896
Financial assets at fair value through profit or loss	343,962	-	-	-	-	343,962
Other financial assets						
Held to maturity	-	2,010	10,260	88,530	253,428	354,228
Available-for-sale	2,237,627	9,927	24,456	276,495	255,834	2,804,339
Other financial assets	4,517	-	-	-	-	4,517
Net investment in leased assets	-	59,964	186,772	908,058	227,970	1,382,764
Debt reserve funds	-	109,073	-	-	-	109,073
Cash and cash equivalents	6,373,130	-	-	-	-	6,373,130
Short-term investments	20,557	305,350	119,818	-	-	445,725
Accounts receivable	2,126,660	85,012	297,702	1,702,483	(78,082)	4,133,775
Sundry debtors	77,607	61,977	315,840	-	-	455,424
	11,184,060	**633,313**	**1,231,138**	**3,808,941**	**834,381**	**17,691,833**

51. **Financial instruments (continued)**

e) **Market risk**

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

i) **Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and loan receivables with variable interest rates.

The Group monitors its interest rate risk using interest rate sensitivity. Sensitivity analyses were conducted to determine the effect on the Group's profit before tax to a reasonable possible change in interest rates, with all other variables held constant. There is minimal impact on the Group's equity.

Borrowings	Increase/ (decrease) in basis points	Effect on profit before tax $'000
2016	+50	**2,333**
	–50	**(2,333)**
2015	+50	**2,523**
	–50	**(2,523)**

Loans receivable	Increase/ (decrease) in basis points	Effect on profit before tax $'000
2016	+50	**2,451**
	–50	**(2,451)**
2015	+50	**2,667**
	–50	**(2,667)**

51. **Financial instruments (continued)**

e) **Market risk (continued)**

ii) **Foreign currency risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group conducts transactions in multiple currencies and is subject to foreign currency risk. The functional currency of the Parent is the United States dollar (USD) since its major product, natural gas is priced in USD. Foreign currency transaction exposures mainly arise on the Group's sales, purchases and financial instruments denominated in currencies other than USD. These risks are managed by holding adequate resources denominated in both USD and TTD to meet the Group's obligations as they arise.

The table below summarises the Group's exposure to foreign currency exchange risk:

As at 31 December 2016	TT $'000	US $'000	Other $'000	Total $'000
Assets				
Loans receivable	-	919,943	-	919,943
Financial assets at fair value through profit or loss	-	475,809	-	475,809
Other financial assets	1,405,488	1,115,529	-	2,521,017
Net investment in leased assets	-	625,913	-	625,913
Debt reserve funds	-	114,867	-	114,867
Cash and cash equivalents	504,253	4,011,254	50	4,551,557
Short-term investments	339,399	903,683	-	1,243,082
Accounts receivable	218,169	4,985,563	20	5,203,752
Sundry debtors	164,088	159,376	-	323,464
	2,631,397	**13,311,937**	**70**	**15,979,404**
Liabilities				
Borrowings	-	3,064,741	-	3,064,741
Take-or-pay liability	-	782,162	-	782,162
Trade and other payables	960,623	3,655,949	109	4,616,681
Dividends payable	-	3,373	-	3,373
	960,623	**7,506,225**	**109**	**8,466,957**
Net position	**1,670,774**	**5,805,712**	**(39)**	**7,512,447**
Not included in the statement of financial position				
Guarantees	**-**	**401,112**	**-**	**401,112**
Credit commitments	**177,404**	**51,799**	**1,344**	**230,547**
Operating lease commitments	**124,597**	**558,212**	-	**682,809**

51. **Financial instruments (continued)**

e) **Market risk (continued)**

ii) **Foreign currency risk (continued)**

As at 31 December 2015	TT $'000	US $'000	Other $'000	Total $'000
Assets				
Loans receivable	-	1,227,810	-	1,227,810
Financial assets at fair value through profit or loss	-	343,962	-	343,962
Other financial assets	254,392	2,670,495	-	2,924,887
Net investment in leased assets	-	642,607	-	642,607
Debt reserve funds	-	109,073	-	109,073
Cash and cash equivalents	317,438	6,055,621	71	6,373,130
Short-term investments	184,799	256,970	-	441,769
Accounts receivable	-	4,133,952	23	4,133,975
Sundry debtors	253,945	201,479	-	455,424
	1,010,574	**15,641,969**	**94**	**16,652,637**
Liabilities				
Borrowings	-	3,086,715	-	3,086,715
Take-or-pay liability	-	808,473	-	808,473
Trade and other payables	2,138,038	2,387,263	411	4,525,712
Dividends payable	175,000	6,420	-	181,420
	2,313,038	**6,288,871**	**411**	**8,602,320**
Net position	**(1,302,464)**	**9,353,098**	**(317)**	**8,050,317**
Not included in the statement of financial position				
Guarantees	**-**	**466,448**	**-**	**466,448**
Credit commitments	**501,921**	**4,838**	**186**	**506,945**
Operating lease commitments	**178,008**	**542,481**	**-**	**720,489**

iii) **Other price risk**

The Group is exposed to equity price risks arising from its investments in ordinary shares in NEL, the first unit scheme of the Unit Trust Corporation (a mutual fund) and other local and international shares in governing and corporate institutions. These equity instruments are held for strategic rather than trading purposes and the Group does not actively trade these investments.

The following table demonstrates the sensitivity to a reasonably possible change in the price of these equity instruments, with all other variables held constant of the Group's equity. There is no impact to the Group's profit before tax as changes are recorded in Other Comprehensive Income (OCI).

51. **Financial instruments (continued)**

e) **Market risk (continued)**

iii) **Other price risk (continued)**

	Increase/ (decrease) in equity price	Effect on equity $'000
2016	10%	**205,755**
	(10%)	**(205,755)**
2015	10%	**246,971**
	(10%)	**(246,971)**

f) **Commodity price risk**

The Group is exposed to commodity price risk for natural gas sold to the producers of ammonia and methanol products. The Group's prices to these customers are affected by the volatility of ammonia and methanol prices. The Group manages this commodity price exposure by matching volumes it sells under these sales contracts with volumes under certain of its purchase contracts that contain similar commodity linked prices. These provisions reduce, but do not eliminate, the effect of commodity price volatility.

g) **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. It also manages its capital to ensure that the Group will be able to continue as a going concern. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of share capital, reserves and retained earnings. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure the Group may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objectives, policies or process during the year ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio which is debt divided by equity plus debt. The Group's policy is to keep the gearing ratio between 25% and 30%. The Group includes within debt interest bearing loans and borrowing. Capital includes share capital, reserves and retained earnings. The Group has met its objectives for managing capital by maintaining a lower gearing ratio for the years ended 31 December 2016 and 31 December 2015.

	2016 $'000	2015 $'000
Debt	3,064,741	3,086,715
Equity	24,727,411	22,802,503
Debt plus equity	**27,792,152**	**25,889,218**
Gearing ratio	**11.0%**	**11.9%**

51. **Financial instruments (continued)**

h) **Fair values**

i) **Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis. At 31 December 2016 the fair values of listed available-for-sale investments and held for trading shares and bonds were based on quoted market prices and therefore included in the Level 1 hierarchy.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. At 31 December 2016 the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy.

Level 3

Level 3 hierarchies relate to financial assets that are not quoted as there are no active markets to determine a price. Unlisted available-for-sale investments are included within the Level 3 category for the period end.

	Level 1 $'000	Level 2 $'000	Level 3 $'000
As at 31 December 2016			
Available-for-sale financial assets (investments carried at fair value)	**2,300,917**	**-**	**-**
Financial assets at fair value through profit or loss	**475,809**	**-**	**-**
As at 31 December 2015			
Available-for-sale financial assets (investments carried at fair value)	**2,419,669**	**-**	**-**
Financial assets at fair value through profit or loss	**343,962**	**-**	**-**

51. **Financial instruments (continued)**

h) **Fair values (continued)**

ii) Fair values of financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required for long-term receivables, borrowings and take-or pay liability.

Long-term financial assets and liabilities

The fair values of the Group's long-term receivables appropriate their carrying value at the prevailing market rates and borrowings with fixed interest rates are:

	2016		2015	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Long-term receivables				
Trinidad and Tobago Electricity Commission	**444,669**	**444,669**	**691,771**	**691,771**
Atlantic LNG 4 Company of Trinidad and Tobago Limited	**365,741**	**365,741**	**362,315**	**362,315**
Atlantic LNG Company of Trinidad and Tobago Unlimited	**109,533**	**109,533**	**173,724**	**173,724**
Borrowings				
US$400M 30 year bond	**2,291,778**	**2,255,334**	**2,337,390**	**2,145,378**
Credite Agricole Bank	**389,411**	**401,111**	**472,200**	**466,536**
Bank of New York (ended March 2016)/First Citizens Bank Limited (effective September 2016)	**397,995**	**408,296**	**472,431**	**474,890**
Take-or-pay liability	**782,162**	**782,162**	**808,473**	**808,473**

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2016				
Loans receivable	537,427	-	444,668	982,095
Take-or-pay liability	-	-	(782,162)	(782,162)
Borrowings	(2,291,778)	-	(787,406)	(3,079,184)
	(1,754,351)	**-**	**(1,124,900)**	**(2,879,251)**
At 31 December 2015				
Loans receivable	536,039	-	691,771	1,227,810
Take-or-pay liability	-	-	(808,473)	(808,473)
Borrowings	(2,337,390)	-	(944,631)	(3,282,021)
	(1,801,351)	**-**	**(1,061,333)**	**(2,862,684)**

51. **Financial instruments (continued)**

h) **Fair values (continued)**

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, short-term investments, sundry debtors and current liabilities are a reasonable estimate of fair values because of the short term nature of these instruments.

The fair value of investments that are actively traded in financial markets is determined by reference to quoted market prices at the close of business at the reporting period date. For investments where there is no active market the fair value estimates cannot be reasonably assessed and are therefore measured at cost.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the period.

The Group does not carry any financial instrument which meets the strict criteria for hedge accounting.

The Group has entered into an interest rate hedge with Credite Agricole Bank effective 1 December 2005 for 15 years for US$100 million, whereby it receives a fixed rate of interest of 4.98% and pays a variable rate equal to LIBOR + 1.625% on the notional amount. The secured loan and interest rate swap have the same terms.

52. **Dividends**

	2016 $'000	2015 $'000
Dividends declared		
Dividends for 2014	-	1,350,000
Dividends for 2015	750,000	5,487,837
Dividends for 2016	660,000	-
	1,410,000	6,837,837
Dividends attributable to non-controlling interest:		
Dividends for 2014	-	45,190
Dividends for 2015	82,598	273,057
Dividends for 2016	140,492	-
	223,090	318,247
Total dividends declared	**1,633,090**	**7,156,084**
Dividends paid		
Dividends for 2013	-	175,000
Dividends for 2014	175,000	1,175,000
Dividends for 2015	750,000	5,487,837
Dividends for 2016	660,000	-
	1,585,000	6,837,837
Dividends attributable to non-controlling interest:		
Dividends for 2014	-	45,124
Dividends for 2015	82,493	272,319
Dividends for 2016	143,234	-
	225,727	317,443
Total dividends paid	**1,810,727**	**7,155,280**

53. **Events after the reporting period**

There were no subsequent events occurring after the reporting date that significantly impacted the consolidated financial performance, position or cash flows which require disclosure.

Unconsolidated Financial Statements

Statement of management's responsibilities

It is the responsibility of management to prepare financial statements for each financial year which present fairly, in all material respects, the state of affairs of The National Gas Company of Trinidad and Tobago Limited ('the Company') as at the end of the financial year and the operating results of the Company for the year. It is also management's responsibility to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ('IFRS'). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS. Management is of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the Company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which are relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Mark Loquan

President

21 March 2017

Vice President, Finance and
Information Management Group

21 March 2017

Independent auditor's report

to the shareholder of The National Gas Company of Trinidad and Tobago Limited

Report on the audit of unconsolidated financial statements

Opinion

We have audited the unconsolidated financial statements of The National Gas Company of Trinidad and Tobago Limited (the "Company"), which comprise the unconsolidated statement of financial position as at 31 December 2016, and the unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in equity and unconsolidated 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 unconsolidated financial statements present fairly, in all material respects, the financial position of The National Gas Company of Trinidad and Tobago Limited as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with IFRS.

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

Information Other than the Unconsolidated Financial Statements

Management is responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the annual report, but does not include the financial statements and our auditors report thereon.

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

In connection with the audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

Continued…

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Responsibilities of management and those charged with governance for the financial statements (continued)

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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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 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 judgement 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.

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

Deloitte & Touche

Deloitte & Touche
Derek Mohammed, (ICATT # 864)

Port of Spain
Trinidad
24 March 2017

Unconsolidated statement of financial position

as at 31 December 2016
(Expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
Assets			
Non-current assets			
Property, plant and equipment	5	10,782,990	8,321,736
Intangible assets	6	7,256	15,211
Investments in subsidiaries	7	5,870,433	4,626,766
Other financial assets	8	2,318,882	2,734,939
Financial assets at fair value through profit and loss	9	475,809	343,962
Loans receivable	10	934,869	1,296,886
Net investment in leased asset	11	530,135	582,478
Deferred tax asset	35	606,665	557,098
Deferred expenses	12	785,333	846,099
Total non-current assets		22,312,372	19,325,175
Current assets			
Cash and cash equivalents	13	1,373,758	1,854,627
Short term investments	14	385,885	219,992
Loans receivable	10	444,890	395,550
Net investment in leased asset	11	95,778	60,129
Accounts receivable	15	4,682,311	3,965,243
Sundry debtors and prepayments	16	932,411	1,320,664
Inventories	17	17,382	41,881
Deferred expenses	12	101,463	202,000
Income tax receivable		240,557	275,350
Total current assets		8,274,435	8,335,436
Total assets		**30,586,807**	**27,660,611**

Continued…

Unconsolidated statement of financial position (continued)

as at 31 December 2016
(Expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital	18	1,855,266	1,855,266
Reserve fund	19	438,192	438,192
Other reserves	20	4,583,351	2,415,196
Retained earnings		12,638,268	12,265,840
Total shareholder's equity		19,515,077	16,974,494
Non-current liabilities			
Deferred tax liability	35	2,935,441	1,964,860
Borrowings	21	2,255,334	2,145,378
Deferred income	22	27,225	36,066
Provisions	23	558,364	501,930
Post-retirement medical and group life obligation	24	167,234	162,453
Pension obligation	25	103,889	319,035
Take-or-pay liabilities	26	782,162	808,473
Total non-current liabilities		6,829,649	5,938,195
Current liabilities			
Trade payables	27	2,662,474	2,658,229
Sundry payables and accruals	28	1,488,201	1,881,183
Deferred income	22	87,211	28,687
Environmental obligation	23	-	1,405
Dividend payable		-	175,000
Income tax payable		4,195	3,418
Total current liabilities		4,242,081	4,747,922
Total Liabilities		11,071,730	10,686,117
Total equity and liabilities		**30,586,807**	**27,660,611**

The accompanying notes on pages 143 to 226 form an integral part of these financial statements.

The financial statements of The National Gas Company of Trinidad and Tobago Limited were authorised for issue by the Board of Directors on 21 March 2017.

______________________: Director ______________________: Director

Unonsolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016
(Expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
Sales	29	7,886,933	13,156,475
Cost of sales	29	(7,568,941)	(10,804,860)
Gross profit		317,992	2,351,615
Other operating income	30	440,699	398,157
Interest and other investment income	31	1,722,678	2,386,839
Administrative and general expenses	32	(626,146)	(792,889)
Impairment revised / (expenses)	33	45,479	(2,648,218)
Other expenses		(29,553)	(218,941)
Finance costs	34	(205,367)	(176,322)
Loss on foreign exchange transaction		(4,698)	(22,761)
Profit before tax		1,661,084	1,277,480
Income tax credit /(expense)	35	93,913	(672,400)
Profit for the year after taxation		1,754,997	605,080
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability	25	(17,628)	321,508
Income tax relating to net defined benefit liability		6,170	(108,978)
Revaluation surplus on pipeline (net of income tax)	5 (b)	1,867,206	-
Foreign currency translation		853,409	217,079
		2,709,157	429,609
Items that may be reclassified subsequently to profit or loss			
Net loss on available-for-sale financial assets		(513,571)	(222,519)
Other comprehensive income for the year, net of tax		2,195,586	207,090
Total comprehensive income for the year		**3,950,583**	**812,170**

The accompanying notes on pages 143 to 226 form an integral part of these financial statements.

	Notes	Stated capital $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance as at 1 January 2015		1,855,266	438,192	2,457,651	18,249,052	23,000,161
Profit for the year after taxation		-	-	-	605,080	605,080
Other comprehensive profit for year, net of taxation		-	-	(5,440)	212,530	207,090
Transfer of depreciation for offshore plant and equipment and pipelines to retain earnings		-	-	(37,015)	37,015	-
Dividends	45	-	-	-	(6,837,837)	(6,837,837)
Balance as at 31 December 2015		**1,855,266**	**438,192**	**2,415,196**	**12,265,840**	**16,974,494**
Balance as at 1 January 2016		1,855,266	438,192	2,415,196	12,265,840	16,974,494
Profit for the period after taxation		-	-	-	1,754,997	1,754,997
Other comprehensive profit for period, net of taxation		-	-	2,207,044	(11,458)	2,195,586
Transfer of depreciation for offshore plant and equipment and pipelines to retain earnings		-	-	(38,889)	38,889	-
Dividends	45	-	-	-	(1,410,000)	(1,410,000)
Balance as at 31 December 2016		**1,855,266**	**438,192**	**4,583,351**	**12,638,268**	**19,515,077**

The accompanying notes on pages 143 to 226 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2016
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2016 $'000	2015 $'000
Cash (used in)/generated from operations	36	(534,328)	859,766
Pension and other post retirement contributions paid		(49,673)	(66,769)
Income taxes paid		(115,307)	(718,828)
Interest paid		(164,838)	(157,707)
Net cash used in operating activities		(864,146)	(83,538)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	5/6	(37,530)	(455,061)
Proceeds on disposals of property plant and equipment	5	1,222	739
Purchase of long term investments		-	(125,056)
Proceeds from sale/redemption of investments		11,309	1,868,278
Net (increase)/decrease in short-term deposits		(152,300)	2,233,592
Investments in subsidiary/associates		(212,120)	(270,881)
Proceeds from repayment of loans receivables		389,111	419,757
Dividends received		1,415,387	1,936,814
Interest received		461,290	352,314
Net cash generated from investing activities		1,876,369	5,960,496
Cash flows from financing activities			
Dividend paid	45	(1,585,000)	(6,837,837)
Net cash used in financing activities		(1,585,000)	(6,837,837)
Net decrease in cash and cash equivalents		(572,777)	(960,879)
Net foreign exchange differences		91,908	51,013
Cash and cash equivalents:			
beginning of period		1,854,627	2,764,493
end of period	13	**1,373,758**	**1,854,627**

The accompanying notes on pages 143 to 226 form an integral part of these financial statements.

1. **Corporate information**

The National Gas Company of Trinidad and Tobago ('NGC') was incorporated in Trinidad and Tobago in August 1975 and continued in accordance with Section 340(1) of The Companies Act, 1995. It is principally engaged in the purchase, compression, transportation and distribution of natural gas to industrial users. The Company also has strategic investments in the downstream and upstream segments of the natural gas value chain.

The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas.

The Company is owned by the Government of the Republic of Trinidad and Tobago ('GORTT').

2. **Application of new and revised International Financial Reporting Standards (IFRSs)**

2.1 **Amendments to IFRSs and new Interpretations that are mandatorily effective for the current year**

In the current year, the Company has applied a number of amendments to IFRS and new Interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016.

- **Amendments to IFRS 11 *Accounting for Acquisitions of Interest in Joint Operations***

  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

  A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

  The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The management of the Company has assessed that the application of these amendments to IFRS 11 does not have an impact on the financial statements.

- **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

  The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

  a) when the intangible asset is expensed as a measure of revenue; or

  b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.1 **Amendments to IFRSs and new Interpretations that are mandatorily effective for the current year (continued)**

- **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (continued)**

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

  The management of the Company believes that the depreciation methods are the most appropriate methods to reflect the consumption of economic benefits inherent in the respective assets and accordingly, management of the Company has assessed that the application of these amendments to IAS 16 and IAS 38 does not have an impact on the financial statements.

- **Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants***

  The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

  Management of the Company has assessed that the application of these amendments to IAS 16 and IAS 41 does not have an impact on the financial statements as the Company is not engaged in agricultural activities.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 *(Investment Entities: Applying the Consolidation Exception)***

  Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

  a) The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

  b) A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

  c) When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

  d) An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

  The management of the Company has assessed that the application of these amendments does not have an impact on the financial statements.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.1 **Amendments to IFRSs and new Interpretations that are mandatorily effective for the current year (continued)**

- **Annual Improvements 2012 – 2014 Cycle**

The *Annual Improvements to IFRS 2012-2014* include a number of amendments to various IFRS, which are summarised below.

IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19 — Clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

The management of the Company has assessed that the application of these amendments does not have an impact on the financial statements.

- **Amendment to IAS 1*: Disclosure Initiative***

Amendments were made to IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The management of the Company has assessed that the application of these amendments does not have an impact on the financial statements.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.1 **Amendments to IFRSs and new Interpretations that are mandatorily effective for the current year (continued)**

- **Amendments to IAS 27: *Equity Method in Separate Financial Statements***

  Amendments were made to IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. Consequently, an entity is permitted to account for these investments either:

  (i) at cost; or

  (ii) in accordance with IFRS 9 (or IAS 39); or

  (iii) using the equity method.

  This is an accounting policy choice for each category of investment.

  The Company presently accounts for initial investments at cost, subjected to any impairment gain/loss at subsequent reporting periods; therefore amendments to IAS 27 will have no impact on the Company's reporting.

2.2 **New and revised IFRS in issue but not yet effective**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

• IFRS 9	Financial instruments (2)
• IFRS 15	Revenue from Contracts with Customers (2)
• IFRS 16	Leases (3)
• Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (2)
• Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (4)
• Amendments to IAS 7	Disclosure initiative (1)
• Amendments to IAS 12	Recognition of Deferred Tax Assets Unrealised Losses (1)

[1] Effective for annual periods beginning on or after 1 January, 2017, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January, 2018, with earlier application permitted.
[3] Effective for annual periods beginning on or after 1 January, 2019, with earlier application permitted.
[4] Effective for annual periods beginning on or after a date to be determined.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

- **IFRS 9*: Financial Instruments***

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of the IFRS was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods.
- Debt instruments that are within a business model whose objective is achieved both by, collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset, give rise on specified dates to cash flows that are solely payments of principal, and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected loss model, as opposed to an incurred loss model under IAS 39. The expected loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

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

  – The new general hedge accounting requirements retain three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

  Classification and measurement

  – Bills of exchange and debentures classified as held-to-maturity investments and loans carried at amortised cost as disclosed. These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

  – Listed redeemable notes classified as available-for-sale investments carried at fair value. These are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specific dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the listed redeemable notes will continue to be subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when the listed redeemable notes are derecognised or reclassified;

  – Unlisted shares classified as available-for-sale investments carried at fair value. These shares qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS, which is different from the current treatment. This will affect the amounts recognised in the Company's profit or loss and other comprehensive income but will not affect total comprehensive income;

  – Redeemable cumulative preference shares issued by the Company designated as at FVTPL. These financial liabilities qualify for designation as measured at FVTPL under IFRS 9; however, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability will be recognised in other comprehensive income with the remaining fair value change recognised in profit or loss.

  – All other financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

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

  Impairment

  Financial assets measured at amortised cost. (see classification and measurement section), finance lease receivables, amounts due from customer under construction contracts, and financial guarantee contracts will be subject to the impairment provisions of IFRS 9.

  The management of the Company anticipates that the application of IFRS 9 in the future may not have a material impact on the amounts reported in respect of the Company financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

- **IFRS 15: *Revenue from Contracts with Customers***

  In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

  The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Specifically, the Standard introduces a 5-step approach to revenue recognition:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

- **IFRS 15: *Revenue from Contracts with Customers (continued)***

  The management of the Company anticipates that the application of IFRS 15 in the future may not have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, the Company is yet to perform a detailed review of the future effects of IFRS 15.

- **IFRS 16*: Leases***

  IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

  The management of the Company do not anticipate that the application of this standard will have a significant impact on the financial statements.

- **Amendments to IFRS 2: *Classification and measurement of the Share-Base Payment Transactions***

  The amendments clarify the following:

  1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payment.
  2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employees tax obligation to meet the employees tax liability which is then remitted to the tax authority, i.e. the share base payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
  3. A modification of a share based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
     i. The original liability is recognised;
     ii. The equity-settled share-based payment is recognised at the modification date fair value of equity instrument granted to the extent that services have been rendered up to the modification date; and
     iii. Any difference between the carrying amount of the modification date and the amount recognised in equity should be recognised in profit and loss immediately.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application permitted. Specific transition provisions apply. The management of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the Company's financial statements as the Company does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments.

2. **Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

2.2 **New and revised IFRS in issue but not yet effective (continued)**

- **Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

  The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interest in that associate or joint venture. Similarly, gains and losses resulting from the measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interest in the new associate or joint venture.

  The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The management of the Company do not anticipate that the application of these amendments will have a significant impact on the financial statement.

- **Amendments to IAS 7: *Disclosure Initiative***

  Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

  The management of the Company do not anticipate that the application of these amendments will have a significant impact on the financial statements.

- **Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses***

  Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

  The carrying amount of an asset does not limit the estimation of probable future taxable profits.

  Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

  An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

  The management of the Company do not anticipate that the application of these amendments will have a significant impact on the financial statements.

3. Significant accounting policies

3.1 Statement of compliance

The unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

3.2 Basis of preparation

These unconsolidated financial statements have been prepared under the historical cost basis, except for offshore plant and equipment, pipelines & related facilities, financial assets at fair value through profit and loss and available-for-sale investments, which have been measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 ‘Inventories’ or value in use in IAS 36 ‘Impairment of Assets’.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. **Significant accounting policies (continued)**

3.3 **Investment in associates and joint ventures**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 ‘ Non-current Assets Held for Sale and Discontinued Operations’. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company’s investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. **Significant accounting policies (continued)**

3.3 **Investment in associates and joint ventures (continued)**

The Company discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Company retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Company accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Company continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Company reduces its ownership interest in an associate or a joint venture but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Company entity transacts with an associate or a joint venture of the Company, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Company's financial statements only to the extent of interests in the associate or joint venture that are not related to the Company.

3.4 **Interest in joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Company undertakes its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

3. **Significant accounting policies (continued)**

3.4 **Interest in joint operations (continued)**

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses.

When a Company entity transacts with a joint operation in which a Company entity is a joint operator (such as a sale or contribution of assets), the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Company's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Company transacts with a joint operation in which a Company is a joint operator (such as a purchase of assets), the Company does not recognise its share of the gains and losses until it resells those assets to a third party.

3.5 **Investment in subsidiary**

Subsidiaries are all entities (including special purpose entities) over which the Company 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 the Company controls another entity. The investment in subsidiary is carried at cost less any provision for impairment. See Note 7 for a list of the Company's subsidiaries.

3.6 **Non-current assets held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

When the Company is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Company discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Company discontinues the use of the equity method at the time of disposal when the disposal results in the Company losing significant influence over the associate or joint venture.

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method (see the accounting policy regarding investments in associates and joint ventures above).

3. **Significant accounting policies (continued)**

3.6 **Non-current assets held for sale (continued)**

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.7 **Foreign currencies**

The functional currency of the Company is the United States dollar (US$) because the US$ is the currency of the primary economic environment in which the Company operates. The Company's statutory financial statements are required to be presented in Trinidad & Tobago dollars (TT$), therefore the presentation currency is the Trinidad & Tobago dollar (TT$). All statement of financial position amounts have been translated using exchange rates in effect at the reporting date and the statement of profit or loss and other comprehensive income amounts have been translated using average exchange rates for the year. Gains and losses resulting from this process have been recorded in the translation reserve as a separate component of equity. The closing rate at the reporting date was 6.7459 (2015: 6.4196) and the average rate for the year was 6.6408 (2015: 6.3535).

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Resulting exchange differences are recognised in income/expense for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions.

3.8 **Property, plant and equipment**

Pipelines & related facilities are listed in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Generally, valuations are performed every five to seven years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount. The pipelines and related facilities were revalued at 31 December 2016. Effective 1 January 2017 these assets will be depreciated over their remaining useful lives varying from 5 to 60 years, but not exceeding 31 December 2076.

Any revaluation increase arising on the revaluation of such pipelines and related facilities is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such pipelines and related facilities is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and intended for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

3. **Significant accounting policies (continued)**

3.8 **Property, plant and equipment (continued)**

Depreciation on revalued pipelines & related facilities is recognised in profit or loss. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets at original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

All other gas assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

All property, plant and equipment (except for oil and gas exploration, development and production assets) are depreciated using the straight-line method at the following rates:

Machinery and equipment	- 10% - 20%
Offshore assets	- 12.5% - 25%
Marine infrastructural assets	- 2.5%
Other assets	- 12.5% - 33.3%

Leasehold property is amortised as follows:

Land	- over the term of the lease.
Buildings	- over fifty (50) years or the term of the lease, whichever is shorter.

All costs relating to assets under construction will upon completion be transferred to their relevant fixed asset categories and are depreciated from that date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as a difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

<u>Oil and gas exploration, development and production assets</u>

The Company accounts for its natural gas and crude oil exploration, development and production activities under the successful efforts method of accounting. Under this method all costs associated with the exploration for and development of oil and gas reserve is capitalised.

3. **Significant accounting policies (continued)**

3.8 **Property, plant and equipment (continued)**

These costs include land acquisition costs, geological and geophysical costs, interest and the carrying costs of non-producing properties, cost of drilling productive and non-productive wells, administration costs related to exploration and development activities and related plant and equipment costs, but do not include any costs related to production, general corporate overheads or similar activities. The cost also includes the estimated cost of dismantlement, asset removal and site restoration.

The charge for depletion and amortisation is determined using the unit-of-production method based upon the estimated proved developed reserves of oil and gas, as determined by an independent qualified petroleum consultant. Costs associated with the acquisition and evaluations of significant unproved properties are excluded from amounts subject to depletion until such time as the properties are proven or become impaired.

3.9 **Intangible assets**

a) **Intangible assets acquired separately**

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

b) **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

c) **Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

3. **Significant accounting policies (continued)**

3.10 **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.11 **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

a) **Current tax**

Current tax receivable and payable are based on taxable profit for the current and prior years. Taxable profit differs from ‘profit before tax’ as reported in the unconsolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. **Significant accounting policies (continued)**

3.11 **Taxation (continued)**

b) **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. **Significant accounting policies (continued)**

3.12 **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a) **The Company as a lessor**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

b) **The Company as a lessee**

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the unconsolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.13 **Financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. **Significant accounting policies (continued)**

3.13 **Financial instruments (continued)**

a) **Financial assets**

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and loans and receivables, cash and cash equivalents, short-term investments and sundry debtors. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The Company re-evaluates the classification of financial assets at each financial year end where allowed and appropriate.

b) **Effective interest rate method**

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

c) **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Company has not designated any financial assets as held for trading.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

3. **Significant accounting policies (continued)**

3.13 **Financial instruments (continued)**

c) **Financial assets at FVTPL (continued)**

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘interest, investment and other income' line item. Fair value is determined in the manner described in Note 44.

d) **Held to maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

e) **Available-for-sale financial assets**

Available-for-sale (‘AFS’) financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because management consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 44.

Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. **Significant accounting policies (continued)**

3.13 **Financial instruments (continued)**

f) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

g) **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- its becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. **Significant accounting policies (continued)**

3.13 **Financial instruments (continued)**

g) **Impairment of financial assets (continued)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of other reserves. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

h) **Derecognition of financial assets**

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

3. **Significant accounting policies (continued)**

3.13 **Financial instruments (continued)**

h) **Derecognition of financial assets (continued)**

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.14 **Financial liabilities and equity instruments**

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

a) **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised as the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

b) **Other financial liabilities**

Other financial liabilities including long term debt, take-or-pay liability, dividends payable, trade and sundry payables and accruals are subsequently measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

c) **Derecognition of other financial liabilities**

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. **Significant accounting policies (continued)**

3.15 **Derivative financial instruments and hedging**

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Company does not carry any financial instrument which meets the strict criteria for hedge accounting.

3.16 **Take-or-pay liability**

The Company has take-or-pay contracts with various upstream producers. A liability is recognised in the year in which the Company has to pay for volumes contractually committed to but not yet taken. The expenditure is recognised on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period. If management determines that they will not be able to take the volumes before the expiration of the deficiency recovery period, the amount is immediately recognised as an expense within cost of sales.

The Company also has take-or-pay contracts with its major customers. Deferred income is recorded in the year in which the customers have to pay for volumes contractually committed to but not yet taken. The revenue is recognised at the earlier of the expiration of the customer's deficiency period and when the volumes are taken.

3.17 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

Spares

Cost of spares is determined using weighted-average-cost basis.

3.18 **Cash and cash equivalents**

Cash on hand, in banks and short-term deposits that are held to maturity are carried at cost.

For the purpose of the unconsolidated statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks and short-term deposits with an original maturity of three months or less.

3.19 **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3. **Significant accounting policies (continued)**

3.19 **Provisions (continued)**

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). Present values are determined using a current pre tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage in time is recognised as a finance cost.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The expense relating to any provision is presented in the profit and loss net of any reimbursement, if the effects of the time value of money are material.

a) **Asset retirement obligation**

The Company has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment and its proportionate share of the Teak, Samaan and Poui ('TSP') and South East Coast Consortium ('SECC') assets at the end of their useful lives. The related fixed assets are increased in an amount equivalent to the provision and subsequently depreciated as part of the capital costs of the plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset unless related to the time value of money. However, the ultimate amount and timing of the cost may vary from the original estimate. The unwinding of the discount on the provision is included in finance costs in the unconsolidated statement of profit or loss and other comprehensive income.

b) **Onerous contracts**

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

The Company has recorded a provision for the net unavoidable costs relating to an onerous contract with a customer (Note 23.c).

The Company has recorded a provision for the cost of reforestation. The estimated cost of replacing forest cleared in the construction of its pipelines and development of estates are included in the related fixed asset and are depreciated as part of the capital cost of the assets.

3. **Significant accounting policies (continued)**

3.20 **Pension and other post-employment benefits**

Defined benefit plan

The Company maintains a defined benefit pension plan which covers all of its permanent employees effective 1 May 1977. The funds of the plan are held separately from the Company and are administered by Trustees. The plan is funded by payments from employees and the Company, taking into account the recommendations of independent qualified actuaries. A full valuation of the plan is made every three years. The last full valuation was done as at 31 December 2016. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line item ‘administrative, maintenance and general expenses’. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the unconsolidated statement of financial position represents the actual deficit or surplus in the Company’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for an additional post-employment medical and group life benefits to retirees is recognised at the earlier of when the entity can no longer withdraw the offer of the benefits and when the entity recognises any related restructuring costs.

3.21 **Non-refundable capital contribution**

The Company recognises a non-refundable capital contribution (‘NRCC’) when payment is received from industrial users as part of a condition of their connection to the pipeline network which provides them with continuous access to a supply of gas for use in their respective industries.

The contribution is recorded as deferred NRCC income in the statement of financial position in the year received. The contribution is then amortised on a monthly basis and taken to the profit or loss over the period of the industrial user’s sales contract.

3. **Significant accounting policies (continued)**

3.22 **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.23 **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

- Revenues associated with the sale of gas, oil, natural gas liquids and condensate are recognised when title and the related rights pass to the customer.
- Revenue associated with services and marine infrastructure income is recognised upon performance of the services.
- Lease rental and service charge from operating leases on investment properties are recognised as revenue in the period in which they are earned. Premiums on leases are recognised as revenue in the initial year of the lease.
- Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- Management fees earned on government funded projects are accounted for when the service is provided.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting period date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

- *Impairment of non-financial assets*

(Refer to note 5 - Property, plant and equipment and note 7 – Investment in subsidiaries)

- *Impairment of available-for-sale investments*

(Refer to note 8 (b) – Other financial assets: Available-for-sale financial assets)

- *Tax assessments*

(Refer to note 38 (a) – Contingent liabilities: Taxes)

- *Asset retirement obligation*

(Refer to note 23 (a) – Provisions: Asset retirement obligation)

- *Take-or-pay*

(Refer to note 26 – Take-or-pay liability)

- *Revaluation*

(Refer to note 5 (b) - Property, plant and equipment: Revaluation of pipelines and related facilities)

- *Pension and other post-employment benefits*

(Refer to notes 24 and 25 – Post-retirement medical and group life obligation)

- *Litigation matters*

(Refer to note 38 (b) – Contingent liabilities: Litigation matters)

5. Property, plant and equipment

	Freehold Land $'000	Leasehold property $'000	Machinery and equipment $'000	Pipelines and related facilities $'000
Year ended 31 December 2016				
Opening net book value	23,384	179,394	14,338	7,256,594
Additions	-	1,351	1,613	5,524
Disposals	-	-	(58)	-
Depreciation charge for the year	-	(3,274)	(5,218)	(168,555)
Impairment	-	-	-	(729,294)
Transfers	-	-	-	3,106
Revaluation increase	-	-	-	2,872,624
Foreign exchange difference	1,188	9,088	672	332,682
Closing net book value	**24,572**	**186,559**	**11,347**	**9,572,681**
At 31 December 2016				
Cost	24,572	263,026	145,259	9,577,605
Accumulation depreciation	-	(76,467)	(133,912)	(4,924)
Net book value	**24,572**	**186,559**	**11,347**	**9,572,681**

Exploration and production assets $'000	Offshore plant and equipment $'000	Other asset $'000	Assets under construction $'000	Total $'000
30,653	-	23,418	793,955	8,321,736
13,421	1,859	6,332	7,184	37,284
-	-	(1,170)	-	(1,228)
(7,716)	-	(8,155)	-	(192,918)
99,261	(1,859)	-	(15,165)	(647,057)
-	-	-	(9,877)	(6,771)
-	-	-	-	2,872,624
18,401	-	878	36,411	399,320
154,020	-	**21,303**	**812,508**	**10,782,990**
1,114,934	522,941	98,328	1,845,052	13,591,717
(960,914)	(522,941)	(77,025)	(1,032,544)	(2,808,727)
154,020	-	**21,303**	**812,508**	**10,782,990**

5. Property, plant and equipment (continued)

	Freehold Land $'000	Leasehold property $'000	Machinery and equipment $'000	Pipelines and related facilities $'000
Year ended 31 December 2015				
Opening net book value	23,240	168,894	13,970	7,284,170
Additions	366	11,907	5,572	16,232
Disposals	-	-	(4)	-
Depreciation charge for the year	-	(3,119)	(5,341)	(162,510)
Impairment	-	-	-	-
Transfers	-	-	-	34,599
Adjustment	(443)	-	-	-
Foreign exchange difference	221	1,712	141	84,103
Closing net book value	**23,384**	**179,394**	**14,338**	**7,256,594**
At 31 December 2015				
Cost	23,384	248,535	136,433	7,997,433
Accumulation depreciation	-	(69,141)	(122,095)	(740,839)
Net book value	**23,384**	**179,394**	**14,338**	**7,256,594**

Exploration and Production assets $'000	Offshore plant and equipment $'000	Other asset $'000	Assets under Construction $'000	Total $'000
27,927	-	17,899	1,428,495	8,964,595
47,737	474	14,314	353,015	449,617
-	-	(727)	-	(731)
(12,122)	-	(8,593)	-	(191,685)
(25,382)	(474)	-	(943,733)	(969,589)
-	-	-	(50,816)	(16,217)
-	-	297	-	(146)
(7,507)	-	228	6,994	85,892
30,653	**-**	**23,418**	**793,955**	**8,321,736**
980,168	494,916	87,376	1,747,506	11,715,751
(949,515)	(494,916)	(63,958)	(953,551)	(3,394,015)
30,653	**-**	**23,418**	**793,955**	**8,321,736**

5. **Property, plant and equipment (continued)**

(a) **Impairment of offshore plant and equipment**

The Company revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Company revalued its offshore plant and equipment to $139 million, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of $90.3 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment had been measured using the cost model, the net carrying amount would have been immaterial, as at 31 December 2016.

The offshore plant and equipment had been fully impaired in 2005 and conditions resulting in impairment have remained unchanged.

(b) **Revaluation of pipelines and related facilities**

The Company revalues its pipelines every five to seven years. The management approved an independent valuation of the pipelines and related facilities owned by the Company as at 31 December 2016.

The valuation was conducted using the depreciated replacement cost basis assuming the facilities will continue to be used for the purpose for which they were designed and intended. For valuation purposes the pipelines have been assessed to have a maximum useful life not extending 60 years. The estimated useful life is based on current and estimated future gas reserves as well as other factors.

The revaluation resulted in a net revaluation surplus of $2,143.3 million, which has been incorporated in fixed assets effective 31 December 2016. Included in the net surplus is an amount of $729.3 million which represents a deficit arising on the revaluation of the Tobago pipeline which has been charged directly to the statement of profit or loss and other comprehensive income. The 2016 revaluation surplus of $1,867.2 million net of deferred taxes will be transferred to retained earnings on a basis consistent with the depreciation charged on the pipelines.

Details of the Company's pipeline and related facilities and information about the fair value hierarchy as at year end, are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
As at 31 December 2016	**-**	**9,572,681**	**-**	**9,572,681**
As at 31 December 2015	**-**	**7,256,594**	**-**	**7,256,594**

There were no transfers between Levels 1 and 2 during the year.

The net carrying amount of the pipelines if they were carried at cost rather than at the revalued amount would have been $3,991.8 million as at 31 December 2016 (2015: $4,073.0 million).

5. **Property, plant and equipment (continued)**

(c) **Pipelines and related facilities**

i) Included in 'Pipelines and related facilities' is the Trinidad and Tobago Electricity Commission ('T&TEC') pipeline system which was acquired by the Company from T&TEC with effect from 1 January 1977. However, the Company has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired.

ii) As at 31 December 2016, the Company has recorded a liability of $39.8 million (2015: $37.9 million) for compensation payable to owners of land along the Rights of Way of the Company's pipelines.

(d) **Assets under construction**

Included under assets under construction are costs relating to the Phoenix Park Valve Station Upgrade of $412.3 million (2015: $453.2 million) and Beetham Waste Water Reuse Project (BWWRP) of $ 958.9 million (2015: $ 943.7 million). The full cost of BWWRP was impaired as at 31 December 2016.

6. **Intangible assets**

	2016 $'000	**2015 $'000**
As at 1 January – net book value	15,211	1,566
Additions at cost	246	5,444
Disposals	(2)	-
Depreciation charge for period	(8,836)	(2,923)
Transfers	-	11,081
Foreign exchange difference	637	43
As 31 December	**7,256**	**15,211**
As at 31 December		
Cost	132,049	129,481
Accumulated depreciation	(124,793)	(114,270)
Net book value	**7,256**	**15,211**

7. **Investments in subsidiaries**

	2016 $'000	2015 $'000
NGC E&P Investments (Barbados) Limited and NGC E&P (Barbados) Limited (Note 7.a)	2,465,714	1,777,165
La Brea Industrial Development Company Limited (Note 7.b)	478,529	229,618
NGC Pipeline Company Limited (Note 7.c)	303,566	288,882
National Energy Corporation of Trinidad and Tobago Limited (Note 7.d)	207,629	277,486
NGC NGL Company Limited (Note 7.e)	195,906	186,430
Trinidad and Tobago NGL Limited (Note 7.f)	1,515,528	1,402,709
Trinidad and Tobago LNG Limited (Note 7.g)	188,865	179,730
NGC Trinidad and Tobago LNG Limited (Note 7.h)	102,240	97,295
NGC Petrochemicals Limited (Note 7.i)	325,962	187,451
NGC CNG Company Limited (Note 7.j)	86,494	-
	5,870,433	**4,626,766**

	1-Jan-2016 $'000	Additions $'000	Impairment (expenses)/ Reversal $'000	Forex $'000	31-Dec-2016 $'000
NGC E&P Investments (Barbados) Limited and NGC E&P (Barbados) Limited (Note 7.a)	1,777,165	-	588,898	99,651	2,465,714
La Brea Industrial Development Company Limited (Note 7.b)	229,618	165,641	70,484	12,786	478,529
NGC Pipeline Company Limited (Note 7.c)	288,882	-	-	14,684	303,566
National Energy Corporation of Trinidad and Tobago Limited (Note 7.d)	277,486	44,079	(126,044)	12,108	207,629
NGC NGL Company Limited (Note 7.e)	186,430	-	-	9,476	195,906
Trinidad and Tobago NGL Limited (Note 7.f)	1,402,709	-	40,874	71,945	1,515,528
Trinidad and Tobago LNG Limited (Note 7.g)	179,730	-	-	9,135	188,865
NGC Trinidad and Tobago LNG Limited (Note 7.h)	97,295	-	-	4,945	102,240
NGC Petrochemicals Limited (Note 7.i)	187,451	128,982	-	9,529	325,962
NGC CNG Company Limited (Note 7.j)	-	57,630	25,531	3,333	86,494
	4,626,766	**396,332**	**599,743**	**247,592**	**5,870,433**

7. **Investments in subsidiaries (continued)**

(a) **NGC E&P Investments (Barbados) Limited and NGC E&P (Barbados) Limited**

On 26 September 2014, NGC acquired NGC E&P Investments (Barbados) Limited and NGC E&P (Barbados) Limited. These two companies are 100% owned by NGC.

Both NGC E&P Investments (Barbados) Limited and NGC E&P (Barbados) Limited own 99.99% and 0.01% respectively in NGC E&P Netherlands Coöperatief U.A. (NL).

NGC E&P Netherlands Coöperatief U.A. (NL), purchased the shares in TOTAL E&P Trinidad B.V (TET BV.) and Elf Exploration Trinidad B.V. (EET BV) at a cost of TT$3.500 billion (US$543.7 million) and TT$37 million (US$5.8 million) respectively, with the economic date being 1 January 2012.

On acquisition of these companies, their names were changed from TOTAL E&P Trinidad B.V (TET BV.) to NGC E&P Investments (Netherlands) B.V., and from Elf Exploration Trinidad B.V to NGC E&P (Netherlands) B.V.

The main assets of these entities comprise 30% and 8.5% interests in oil and gas blocks, Block 2c and 3a, of the Greater Angostura Field held by NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. respectively. These two entities are 100% owned by NGC E&P Netherlands Coöperatief U.A. (NL). The operator for these assets is BHP Billiton (Trinidad-2C) Limited. The acquisition of TOTAL E&P Trinidad B.V. and Elf Exploration Trinidad B.V. is aligned with the Company's mandate to pursue both upstream and downstream investments.

Due to declining oil and gas prices in prior years, management of NGC engaged an independent expert to conduct an impairment assessment of its investment in Block 2 (c) which led to recognition of impairment. During 2016 management reassessed its investment resulting in a partial reversal of impairment of TT$588.9 million. Refer to note 33.

(b) **La Brea Industrial Development Company Limited ('LABIDCO')**

On 12 August 2015, the shareholders decision to recapitalise LABIDCO with a new equity split of 81% to NGC and 19% to Petroleum Company of Trinidad and Tobago ('Petrotrin') was approved. This re-capitalization which was agreed in June 2007, is effected by the capitalization of shareholder advances of $86.3 million and $24.6 million (inclusive of the equity contribution of $22.6 million for the land on which the fabrication yard is situated) by NGC and Petrotrin respectively.

During 2016, NGC made additional capital contributions to LABICO in the amount of TT$165.64 million.

(c) **NGC Pipeline Company Limited**

NGC Pipeline Company Limited (the 'Company') was incorporated in Trinidad and Tobago on 7 March 2004, in accordance with section 340(1A) of The Companies Act, 1995 to own, finance, construct, operate and maintain a 56-inch Cross Island Pipeline ('CIP') from Beachfield on the south east coast of Trinidad to Point Fortin on the south west coast of Trinidad. Construction activities commenced in 2004 and the pipeline was completed on 1 December 2005.

7. **Investments in subsidiaries (continued)**

(d) **National Energy Corporation of Trinidad and Tobago Limited**

The Company was incorporated in Trinidad and Tobago on 7 September, 1979 and continued in accordance with Section 340 (1) of The Companies Act, 1995. The Company is a wholly owned subsidiary of The National Gas Company of Trinidad and Tobago Limited (NGC or the Parent Company) which is owned by the Government of the Republic of Trinidad and Tobago (GORTT). It is principally engaged in the management of certain marine infrastructural facilities at the Port of Point Lisas and the promotion and development of the Union Industrial Estate at La Brea. The Company's registered office is located at Corner Rivulet and Factory Roads, Brechin Castle, Couva, Trinidad and Tobago.

(e) **NGC NGL Company Limited**

NGC NGL Company Limited (the 'Company') was incorporated in Trinidad and Tobago on 26 January 1995, and continued in accordance with Section 340(1A) of The Companies Act, 1995. It is principally engaged in holding an investment in Phoenix Park Gas Processors Limited ('PPGPL'). Its registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas, Trinidad.

The Company is owned by The National Gas Company of Trinidad and Tobago Limited ('NGC') 80% and National Enterprises Limited ('NEL') 20%. NGC is owned by the Government of the Republic of Trinidad and Tobago.

(f) **Trinidad and Tobago NGL Limited**

Trinidad and Tobago NGL Limited (T & T NGL) was incorporated in Trinidad & Tobago on 13 September 2013, under the Companies Act 1995, with its registered office located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas.

The Company is an investment holding company engaged in holding the ordinary B shares in Phoenix Park Gas Processors Limited ('PPGPL'), which represents a 39% ownership in PPGPL. Trinidad and Tobago NGL Limited (T&T NGL) is a fully owned subsidiary of The National Gas Company of Trinidad and Tobago Limited.

On 10 August, 2015 NGC issued an Initial Public Offering (IPO) for sale by NGC of its 75,852,000 class B shares in T & T NGL, this represents 49% of NGC's investment in T & T NGL.

The subscription of the shares resulted in a gain of TT$ 174 million (US$ 27.4 million), being the difference between the fair value less cost to sell and carrying amount. The gain resulted in the reversal of a portion of the impairment recognised in 2014 of TT$ 174 million (US$ 27.4 million).

Management engaged an independent valuation expert to carry out a review of the recoverable amount of the remaining 51% interest in T & T NGL as at 31 December, 2016, which resulted in a reversal of impairment of TT$ 40.9 million bringing the investment to its fair value.

(g) **Trinidad and Tobago LNG Limited**

Trinidad and Tobago LNG Limited was incorporated in Trinidad and Tobago on 5 December 2002. It is principally engaged in the ownership of a Liquefied Natural Gas Plant in Trinidad and in the processing and sale of Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs) in partnership with others. It is a wholly-owned subsidiary of The National Gas Company of Trinidad and Tobago Limited (NGC).

7. **Investments in subsidiaries (continued)**

(h) **NGC Trinidad and Tobago LNG Limited**

NGC Trinidad and Tobago LNG Limited was incorporated in Trinidad and Tobago on 26 January 1995, and continued in accordance with Section 340(1A) of The Companies Act, 1995. The main activity is the ownership of shares in Atlantic LNG Company of Trinidad and Tobago ('ALNG'). ALNG is involved in the ownership, construction, and operation of a liquefied natural gas plant in Trinidad for export to foreign markets. Commercial operations of the investee company commenced in April 1999. It's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, and Point Lisas.

It is owned by The National Gas Company of Trinidad and Tobago Limited ('NGC') 62.16% and National Enterprises Limited ('NEL') 37.84%.

(i) **NGC Petrochemicals Limited**

In April 2013, the Government of The Republic of Trinidad and Tobago signed a Project Development Agreement (PDA) for the development of a petrochemical plant for the production of Methanol to Dimethyl Ether (DME). NGC Petrochemicals Limited (NPL) was incorporated on April 22, 2015 to hold 20% in Caribbean Gas Chemical Limited (CGCL), the project company with the responsibility of setting up the DME plant.

(j) **NGC CNG Company Limited**

In June 2015, the Government of The Republic of Trinidad and Tobago approved a proposal by the NGC to invest TT $500 million to convert 17,500 vehicles to use compressed natural gas ('CNG') and to construct twenty two (22) stand-alone CNG stations to be built across Trinidad and Tobago.

This is the first phase of a two phase five year plan to accelerate the local use of CNG as a major means of energy.

The Company's management reviewed the recoverability in its investment in NGC CNG Company Limited as at 31 December 2016, which resulted in the reversal of prior year impairment.

8. Other financial assets

	2016 $'000	2015 $'000
a) Held-to-maturity investments	262,534	254,392
b) Available-for-sale	2,055,383	2,476,030
c) Other	965	4,517
	2,318,882	**2,734,939**

(a) Held-to-maturity investments

These are investments with fixed or determinable payments and fixed maturity dates which the Company intends to hold to maturity and comprise the following:

	2016 $'000	2015 $'000
Bonds:		
Petrotrin	30,116	33,456
Government of the Republic of Trinidad and Tobago	21,708	20,419
Home Mortgage Bank Limited	210,710	200,517
	262,534	**254,392**

(b) Available-for-sale financial assets

The Company classifies certain assets as available-for-sale and recognises movement in their fair value in other comprehensive income. When fair value declines management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss.

These are equity securities and bonds that the Company is holding for some purpose other than short term trading, that are held for an unspecified period. These investments comprise the following:

	2016 $'000	2015 $'000
First Citizens Bank Limited-shares	30,162	29,887
Petrotrin Bonds	150,523	144,975
Corporate equity/shares	732,636	653,264
Other listed shares	1,135,420	1,641,584
Shares-unlisted	6,642	6,320
	2,055,383	**2,476,030**

Other listed shares

Available-for-sale financial assets consist of investments in ordinary shares and the first unit scheme of The Trinidad & Tobago Unit Trust Corporation (a mutual fund) and therefore have no fixed maturity date or coupon rate. The fair value of the listed ordinary shares is determined by reference to published price quotations in an active market.

8. **Other financial assets (continued)**

(b) **Available-for-sale financial assets (continued)**

Unlisted

For investments where there is no active market the fair value estimates cannot be reasonably assessed and consequently these investments are measured at cost.

	2016 $'000	2015 $'000
National Helicopters Services Limited	**6,642**	**6,320**

(c) **Other**

These are equity securities that the Company is holding for some purpose other than short term trading, that are held for an unspecified period.

9. **Financial assets at fair value through profit or loss**

In 2006, the Company issued a $2,509 million (US$400 million) bond to be repaid via a bullet payment in January 2036. To meet 50% of the liability, in 2008, the Company invested $225.7 million (US$35.5 million) in two (2) single tranche credit linked notes at a cost of $112.8 million (US$17.8 million) each. During the first ten (10) years of the investment, the notes will be subject to the credit events of a basket of securities. At the end of the ten (10) year period, the notes will then be subject to the credit event of a single entity only. Upon maturity in 2035, the credit linked notes, will have a value of US$100 million each subject to any loss in value arising from credit events over the tenor of the investment .

The fair value of the credit linked investment as at 31 December 2016 was TT$475.8 million (US$70.5 million) (2015: TT$344.0 million (US$53.6 million)). The fair value gain/loss in respect of this investment is charged/ credited to the statement of profit or loss.

10. **Loans receivable**

	2016 $'000	2015 $'000
Trinidad and Tobago Electricity Commission (Note 10 (a))	462,142	732,980
Less: Impairment of Trinidad and Tobago Electricity Commission	(17,474)	(41,209)
	444,668	691,771
NEC - Union Industrial Estate (UIE) Note 10 (b))	-	283,922
NEC - Warehousing facility (BMHSF) (Note 10 (b))	-	180,704
NEC - UIE & BMHSF (Note 10 (b))	444,827	-
Trinidad and Tobago LNG Limited (Note 10 (c))	380,730	362,315
Atlantic LNG Company of Trinidad and Tobago (Note 10 (d))	109,534	173,724
	1,379,759	1,692,436
Less: current portion of loan	(444,890)	(395,550)
Long term loan receivable	**934,869**	**1,296,886**

(a) **Trinidad and Tobago Electricity Commission ('T&TEC')**

The Company has converted trade receivables of US$282.8 million for unpaid gas sales for the period July 2005 to September 2009 together with related interest of US$36.8 million to a medium-term loan receivable of US$319.7 million with an effective date of 1 December 2009. The respective loan agreement was executed on 9 March 2012. The loan is for a period of 7 years with interest payable at a fixed rate of 3% per annum (market rate 7%) with semi-annual instalments which commenced on 1 December 2011.

The impairment allowance on the loan has decreased by $23.7 million during 2016 to $17.5 million (US$2.6 million) at 31 December 2016.

The fair value of the long-term loan receivable was $444.7 million at 31 December 2016 (2015: $691.8 million).

(b) **NEC – Union Industrial Estate and Brighton Material Handling & Storage Facility**

Effective 31 December 2008, the Company disposed of the site development works on the Union Industrial Estate ('UIE') to its subsidiary, National Energy Corporation of Trinidad and Tobago Limited ('NEC') for US$58.5 million. This amount has been set up as a loan with a tenure of 25 years, with interest payable at 3% per annum. The principal is to be repaid in equal semi-annual instalments originally scheduled to commence 1 July 2009. However, the loan repayments commenced from 1 January 2015. Interest for 2010 and 2011 was capitalised with the loan.

10. **Loans receivable (continued)**

(b) **NEC – Union Industrial Estate and Brighton Material Handling & Storage Facility (continued)**

The National Gas Company of Trinidad and Tobago Limited has granted a loan to NEC to finance and construct a Brighton material storage and handling facility (BMHSF). With the discontinuation of the aluminium smelter during 2010, the facility will now provide general warehousing.

The loan was for US$65.8 million. The loan agreement which was executed on 23 June 2010 provides for NEC to repay the principal over a period of not more than 15 years in equal semi-annual instalments at a rate of 7%.

Effective 2 June 2016 UIE and BMHSF loans were consolidated into a new TT dollar facility with a principal amount of TT$ 481.9 million at an interest rate of 4.6% per annum. This new loan is for a tenure of 10 years with interest to be paid semi-annually in arrears on 1 June and 1 December.

(c) **Trinidad and Tobago LNG Limited**

This amount represents advances from July 2002 to December 2006. Repayment terms have not been finalised. Principal repayments have not been made during 2016. The total paid to NGC in 2015 was $8.9 million.

This loan is unsecured and interest is payable based on the interest charged on Trinidad and Tobago LNG Limited's member's loan to Atlantic LNG 4 Company of Trinidad and Tobago Unlimited at a rate of LIBOR plus a margin which ranges from 1.125% to 2.125% per annum. The effective interest rate at the reporting date was 2.8977% (2015: 2.3044%). The fair value of this loan approximates its carrying value.

(d) **Atlantic LNG Company of Trinidad and Tobago Unlimited**

Atlantic LNG Company of Trinidad and Tobago Unlimited has secured financing in the amount of US$270.6 million. The National Gas Company of Trinidad and Tobago Limited ('NGC') has provided financing of US$27.06 million which represents ten percent (10%) of the total loan facility.

The term facility was funded on 30 August 2011. The loan is repayable in five (5) consecutive semi-annual instalments in equal principal amounts, commencing on the date which is sixty (60) months after the closing date of 30 August 2011 and ending on the seventh (7th) anniversary of the closing date in 2018. The loan bears interest at a rate per annum equal to the LIBOR rate plus the applicable margin of 1.10%.

11. Net investment in leased assets

	2016 $'000	2015 $'000
Finance lease - gross investment	1,194,645	1,382,764
less: Unearned finance income	(568,732)	(740,157)
	625,913	**642,607**
The gross investment in leased assets has the following maturity profile:		
Within 1 year	265,741	246,736
2 to 5 years	724,222	908,058
Over 5 years	204,682	227,970
	1,194,645	**1,382,764**
The net investment in leased assets has the following maturity profile:		
Within 1 year	96,286	60,129
2 to 5 years	428,421	484,503
Over 5 years	101,206	97,975
	625,913	**642,607**
Current	95,778	60,129
Non-current	530,135	582,478
	625,913	**642,607**

In December 2010, NGC acquired the 58.8 mile 24-inch diameter offshore subsea pipeline and related facilities. BG/Chevron Texaco has entered into a gas transportation agreement ('GTA') with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85% of the pipeline capacity.

An assessment of the transaction was made under IFRIC 4 'Determining whether an arrangement contains a lease' and IAS 17 'Leases'. Consequently, the pre-transfer and capacity payments received from BG/Chevron during the period April 2006 to December 2010 were offset against the acquisition cost of the pipeline and set up as the net investment in a leased asset.

12. **Deferred expenses**

	2016 $'000	2015 $'000
Take-or-pay (note 12 (a))	835,028	988,036
Capacity rights (note 12 (b))	45,083	60,063
Other	6,685	-
	886,796	**1,048,099**
Current	101,463	202,000
Non-current	785,333	846,099
	886,796	**1,048,099**

(a) **Take-or-pay**

Take-or-pay represents the right to take gas under a take-or-pay agreement for which the Company has recognised a liability to pay for gas volumes to which it is contractually committed but not yet taken. The expenditure is recognised on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period.

(b) **Capacity rights**

The Company has acquired reserved capacity rights in a 36" pipeline from Beachfield to Point Fortin.

The expenditure will be amortised to profit or loss over the period of the contract which expires on 4 July 2019.

13. **Cash and cash equivalents**

	2016 $'000	2015 $'000
Current	1,373,758	1,854,627
	1,373,758	**1,854,627**

Cash at bank earns interest at floating rates based on daily deposit rates. The fair value of cash and cash equivalents is $1,373.8 million (2015: $1,854.6 million).

14. Short-term investments

	2016 $'000	2015 $'000
	385,885	**219,992**

Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The Company holds investment note certificates with Clico Investment Bank Limited ('CIB') of TT$1,081.1 million (US$169.6 million) as at 31 December 2016 which have matured and were not repaid.

CIB experienced financial and liquidity issues. On 31 January 2009, the Central Bank of Trinidad & Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of The Republic of Trinidad and Tobago. The investment note certificates and the related accrued interest were fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully impaired as at 31 December 2016.

By order of the High Court dated 17 October 2011, CIB was ordered to be wound up and the Deposit Insurance Corporation ('DIC') was appointed liquidator. The Company has submitted a claim to the liquidator for the amount due.

15. Accounts receivable

	2016 $'000	2015 $'000
Due from third parties	1,543,032	1,623,665
Due from related parties	3,139,279	2,341,578
	4,682,311	**3,965,243**

Trade receivables are non-interest bearing and are generally on 30-60 day terms.

As at 31 December 2016, fully impaired trade receivables amounted to $64.6 million (2015: $12.6 million). Movements in the allowance for impairment were as follows:

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2015	3,419	74,677	78,096
Credit for the period	-	(65,457)	(65,457)
At 31 December 2015	3,419	9,220	12,639
Change for the period	5,534	46,411	51,945
At 31 December 2016	**8,953**	**55,631**	**64,584**

16. Sundry debtors and prepayments

	2016 $'000	2015 $'000
Due from Government of Trinidad and Tobago -billed	229,769	184,837
Due from Government of Trinidad and Tobago -unbilled	60,445	61,053
Impairment provision - Liquid Fuel Pipeline (note 16.a)	(290,214)	(245,825)
	-	65
Related party balances	710,171	863,947
Value Added Tax	99,723	183,168
Interest receivable	29,804	36,440
Accrued income	2,460	99,369
Prepayments - other	16,873	24,817
- TSP/SECC	65,243	70,608
Staff related balances	8,137	42,250
	932,411	**1,320,664**

For terms and conditions relating to related party receivables refer to Note 37.

(a) Impairment charge – Liquid Fuel Pipeline

The Company was mandated by the Government of The Republic of Trinidad and Tobago to lay a fuel pipeline from Petrotrin, Point-a-Pierre to Caroni.

The Company is uncertain about the timing and recoverability of this receivable and accordingly has provided fully for the balance.

17. Inventories

	2016 $'000	2015 $'000
Consumable spares	38,105	37,346
TSP spares	7,175	6,827
Other	1,399	1,395
Allowances for slow moving/ obsolete stock	(29,297)	(3,687)
	17,382	**41,881**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $26.1 million (2015: $0.65) million.

18. Share capital

Authorised:
An unlimited number of ordinary shares of no par value

Issued and fully paid:

	2016 $'000	2015 $'000
1,855,266,340 ordinary shares of no par value	**1,855,266**	**1,855,266**

19. **Reserve fund**

A reserve fund has been set up with the objective of minimizing the Company's exposure arising from business interruption, adverse gas price fluctuations, and liabilities or losses which may result from accidents on its self-insured assets.

Transfers to the reserve fund will be made in such cases where the Company's expected return on equity is exceeded. The fund cap is 25% of the issued stated capital of the Company.

20. **Other reserves**

	2016 $'000	2015 $'000
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipeline, net of deferred tax (note 5 (b) & 3.8)	2,865,607	1,037,290
Unrealised gain on available-for-sale financial assets (note 3.13 (e))	637,091	1,150,662
Foreign currency translation (note 3.7)	1,080,653	227,244
	4,583,351	**2,415,196**

21. **Borrowings**

	Current portion $'000	Long-term portion $'000	2016 Total $'000	2015 Total $'000
US$400M 30-year bond	**-**	**2,255,334**	**2,255,334**	**2,145,378**

This loan relates to a US$400 million (TT$2,698.6 million) bond issued by the Company and arranged by Lehman Brothers/Citigroup on 20 January 2006 to finance the construction/ acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund 11.11% of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.

The bond will be redeemed via a bullet payment on 15 January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05% commencing in July 2006. The fair value of the bond was $2,698.6 million (US$400.0 million) at 31 December 2016 (2015: $2,752.9 million) (US$428.7 million).

The Total bond re-purchases by the Company is US$60.3 million as at 31 December 2016. (2015 US$60.3 million)

22. **Deferred income**

	2016 $'000	**2015 $'000**
Gas sales (note 22 a)	85,239	28,687
Non-refundable capital contribution (note 22 b)	28,878	35,973
Other	319	93
	114,436	**64,753**
Non-current	27,225	36,066
Current	87,211	28,687
	114,436	**64,753**

Notes

(a) Deferred income on gas sales represents revenue for gas volumes contractually committed to but not yet taken by customers. Income is recognised on the earlier of the expiration of the deficiency period and when the gas volumes are actually taken.

(b) Non-refundable capital contributions received from industrial users are amortised to profit or loss over the period of the industrial users' sales contracts. Refer to note 3.21.

23. Provisions

	Asset retirement obligation $'000	Environ-mental obligation $'000	Onerous contract $'000	Total $'000
Balance as at 31 December 2016				
Balance as at 1 January 2016	501,930	1,405	-	503,335
Increase/(decrease) in provision	30,922	(1,405)	-	29,517
Foreign currency translation	25,512	-	-	25,512
Balance as at 31 December 2016	**558,364**	**-**	**-**	**558,364**
Current portion	-	-	-	-
Non-current portion	558,364	-	-	558,364
Balance as at 31 December 2016	**558,364**	**-**	**-**	**558,364**
Year ended 31 December 2015				
Balance as at 1 January 2015	487,404	3,926	239,591	730,921
Increase/(decrease) in provision	9,842	(2,521)	(241,893)	(234,572)
Foreign currency translation	4,684	-	2,302	6,986
Balance as at 31 December 2015	**501,930**	**1,405**	**-**	**503,335**
Current portion	-	1,405	-	1,405
Non-current portion	501,930	-	-	501,930
Balance as at 31 December 2015	**501,930**	**1,405**	**-**	**503,335**

(a) **Asset retirement obligation**

The Company has recorded provisions for the net present value of the estimated cost of decommissioning the offshore plant and equipment and the Teak, Samaan and Poui (TSP) platforms and SECC assets based on studies conducted.

A letter of credit for $130.6 million (US$20.3 million) was established for the Company's portion of the obligation for the TSP platforms. The decommissioning of these platforms is not expected to occur before 2025. However, the ultimate amount and timing of the cost may vary from the original estimate.

(b) **Environmental obligation**

The Company has committed to the reforestation of land areas equivalent to those cleared for pipeline construction and right of way extension.

(c) **Onerous contract**

The Company has an onerous contract to provide compression services with a customer for which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits to be received from it.

The contract was terminated effective 31 December, 2015.

24. **Post-retirement medical and group life obligation**

Funding

The Company provides both medical and group life benefits for its retirees.The benefits are determined using actuarial valuations which involves making assumptions about discount rates, future salary increases and medical cost inflation. Owing to the long term nature of these plans such estimates are subject to significant uncertainty. The Company expects to pay $.04 million and $2.3 million in Post retirement group life and Post-retirement medical respectively in 2017.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016 %	2015 %
Medical cost inflation	5.75	5.75
Discount rate	5.5	5.5
Salary increases	6.0	6.0

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2015 and 2016 are as follows:

Life expectancy at age 60 for current pensioner in years:		
Male	21.0	21.0
Female	25.1	25.1
Life expectancy at age 60 for current members age 40 in years:		
Male	21.4	21.4
Female	25.4	25.4

Expense recognised in profit or loss are as follows:

	2016 $'000	2015 $'000
Current service cost	7,783	9,264
Net interest on net defined benefit liability	8,862	9,565
Net benefit cost	**16,645**	**18,829**
Re-measurement recognised in other comprehensive income		
Experience losses	(9,640)	(45,418)
Total amount recognised in other comprehensive income	**(9,640)**	**(45,418)**

24. **Post-retirement medical and group life obligation (continued)**

The net liability in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2016 $'000	2015 $'000
Present value of defined benefit obligation	**167,234**	**162,453**
Reconciliation of opening and closing statement of financial position:		
Opening defined benefit liability	162,453	192,506
Net benefit cost	16,645	18,829
Re-measurement recognised in other comprehensive income	(9,640)	(18,139)
Company contributions paid	(2,224)	(2,076)
Actuarial gains from changes in financial assumptions	-	(27,279)
Foreign exchange translation	-	(1,388)
Closing defined benefit obligation	**167,234**	**162,453**
Movement in present value of defined benefit obligation:		
Defined benefit obligation at start of year	162,453	192,506
Current service cost	7,783	9,264
Interest cost	8,862	9,565
Re-measurements:		
Experience adjustments	(9,640)	(18,139)
Company's premiums paid	(2,224)	(2,076)
Actuarial gains from changes in financial assumptions	-	(27,279)
Foreign exchange translation	-	(1,388)
Defined benefit obligation at end of year	**167,234**	**162,453**

Movement in fair value of plan assets/asset allocation:

The Plan has no assets.

25. **Pension obligation**

The Company and its subsidiaries' employees are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. This is a defined benefit pension plan that provides pensions related to employees' length of service and basic earnings at retirement. The plan's financial funding position is assessed by means of triennial actuarial valuations which were completed as at 31 December, 2015 and carried out by an independent actuary.

The subsidiary companies have no further obligations to pension costs once the contributions have been paid.

Funding

The Company meets the balance of the cost of funding the defined benefit pension plan and must pay contributions at least equal to twice those paid by members, which are fixed. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out below. The Company expects to pay $55 million to the pension during 2017.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016 %	2015 %
Discount rate	5.5	5.5
General salary increases	4.0	4.0
Salary increases due to age, merit and promotion	2.0	2.0
Life expectancy at age 60 for current pensioner - in years:		
Male	21.0	21.0
Female	25.1	25.1
Life expectancy at age 60 for current members age 40 - in years:		
Male	21.4	21.4
Female	25.4	25.4

Expenses recognised in profit or loss are as follows:

	2016 $'000	2015 $'000
Current service cost	24,465	46,362
Net interest on net defined benefit liability	4,164	27,715
Past service cost	(204,577)	-
Administration expenses	1,007	1,018
Net benefit cost	**(174,941)**	**75,095**
Re-measurement recognised in other comprehensive income:		
Experience gain /(losses)	27,268	(274,697)
Total amount recognised in other comprehensive income	**27,268**	**(274,697)**

25. **Pension obligation (continued)**

The net liability in the statement of financial position arising from the entity's obligation in respect of its defined benefit plans is as follows:

	2016 $'000	**2015 $'000**
Present value of defined benefit obligation	875,074	1,026,826
Fair value of plan assets	(771,185)	(707,791)
Deficit	**103,889**	**319,035**
Net defined benefit liability	**103,889**	**319,035**
Opening defined benefit liability	319,035	603,587
Net pension cost	(174,941)	75,095
Re-measurement recognised in other comprehensive income	27,268	(274,697)
Company contributions paid	(67,473)	(84,950)
Closing defined benefit obligation	**103,889**	**319,035**
Movement in present value of defined benefit obligation:		
Defined benefit obligation at start of year	1,026,826	1,249,975
Current service cost	24,465	46,362
Interest cost	44,331	61,676
Members contribution	12,084	15,840
Post service cost	(204,577)	-
Addition voluntary contributions	-	6
Re-measurements:	4,778	-
Experience adjustments	-	(234,734)
Actuarial (gain)/losses from changes in financial assumptions	-	(78,987)
Benefits paid	(32,833)	(33,312)
Defined benefit obligation at end of year	**875,074**	**1,026,826**
Movement in fair value of plan assets/asset allocation:		
Fair value of plan assets at start of year	707,791	646,389
Interest income	40,169	33,961
Return on plan assets excluding interest income	(22,492)	(39,024)
Company contributions	67,473	84,949
Members contributions	12,084	15,840
Additional voluntary contributions	-	6
Benefits paid	(32,833)	(33,312)
Expenses	(1,007)	(1,018)
Fair value of plan assets at end of year	**771,185**	**707,791**

25. **Pension obligation (continued)**

	2016 $'000	2015 $'000
Asset allocation:		
Locally listed equities	142,448	139,548
Overseas equities	83,687	77,755
Government issued bonds	234,033	208,637
Corporate bonds	196,789	183,759
Mutual funds	14,540	18,681
Cash and cash equivalents	94,048	73,400
Annuities	5,640	6,011
Fair value of plan assets at end of year	**771,185**	**707,791**

Re-measurement recognised in Other Comprehensive Income:

Experience losses/(gains)

	2016 $'000	2015 $'000
Pension	27,268	(274,697)
Post-retirement medical (see note 24)	(8,440)	(38,324)
Post retirement group life (see note 24)	(1,200)	(8,487)
Fair value of plan assets at end of year	**17,628**	**(321,508)**

All asset values as at 31 December 2016 were provided by the plan's Investment Managers (Republic Bank Limited and First Citizens Investment Services Limited). Overseas equities have quoted prices in active markets, local equities are also valued using quoted prices. The Investment Managers calculate the fair value of the Government bonds and Corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the plan's Government bonds were issued by the Government of The Republic of Trinidad & Tobago.

The plan's assets are invested in a strategy agreed with the plan's Trustee and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad & Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the plan.

Restructuring of Pension Plan

In 2016, the Board of Directors approved the restructuring of the Company's pension plan from a Defined Benefit Plan to a Career Average Defined Benefit Plan.

The existing NGC Pension Plan would be wound up and the amount transferred to the new plan.

26. **Take-or-pay liabilities**

Take-or-pay obligations arising from long-term gas purchase contracts are accounted for as deferred expenditure or cost of sales (see note 3.16) based on management's assessment of the timeframe within which the gas will be taken. This assessment requires assumptions to be made regarding the future demand for gas arising from current and existing projects.

Take-or-pay liabilities are expected to be settled in accordance to contractual agreements.

27. **Trade payables**

	2016 $'000	2015 $'000
Trade payables - Take or pay	201,547	191,295
Trade payables - Other	2,460,927	2,466,934
	2,662,474	**2,658,229**

Trade payables are settled on 30 day terms.

28. **Sundry payables and accruals**

	2016 $'000	2015 $'000
Accrued interest-Loan	88,027	83,769
Accrued material/service amounts	1,155,212	1,166,198
Contract provisions	189,719	190,473
Employee related accruals	37,873	43,074
Related party balances	17,370	397,669
	1,488,201	**1,881,183**

Accrued material/services amounts and contract provisions are non-interest bearing and have an average term of two (2) months.

Interest payable is normally settled in accordance with the terms and conditions of the respective loan (note 21).

29. **Sales and cost of sales**

	2016 $'000	2015 $'000
Sales include the following:		
Gas Sales	7,670,706	12,807,009
Crude oil / royalties	191,871	264,556
Condensate sales	24,860	30,849
Transportation tariffs	-	306
Compression charges	(504)	53,755
	7,886,933	**13,156,475**
Cost of sales includes the following:		
Gas purchases	7,219,302	10,183,330
Exploration and Production	4,807	102,473
Impairment -capital spares	1,859	474
Depreciation -Pipeline and related facilities	168,555	162,510
Depreciation E & P assets	7,716	12,122
Production taxes including SPT	239	41,116
Maintenance costs	128,406	190,843
Royalties	23,517	35,162
Staff costs (note 32)	14,540	76,830
	7,568,941	**10,804,860**

30. Other operating income

	2016 $'000	2015 $'000
Interest income – Dolphin lease	231,207	171,634
Operation and maintenance fees – Dolphin pipeline	133,791	150,014
Operation and maintenance fees – other	31,420	31,087
Lease income	23,700	18,589
Management fees	9,877	4,217
Project management fees– Government of T&T	588	1,677
Loss on disposal of assets	(2,828)	(84)
Amortisation of non-refundable capital contribution	8,785	7,319
Other	4,159	13,704
	440,699	**398,157**

31. Interest, investment and other income

	2016 $'000	2015 $'000
Investment income	16,512	19,096
Interest income – related parties	50,418	51,554
Interest income – unwinding	(16,344)	17,093
Net gain on financial asset at fair value	112,581	8,641
Available for sale financial assets	35,075	24,820
Held to maturity investments	5,736	12,847
Fair value gain on T&TEC loan	25,428	33,380
Dividend income	1,401,555	1,918,943
Net gain on disposal of equities	3,228	85,434
Interest and investment income	**1,634,189**	**2,171,808**
LNG Production payments	88,489	215,031
Other income	**88,489**	**215,031**
	1,722,678	**2,386,839**

32. Administrative and general expenses

	2016 $'000	2015 $'000
*Staff costs	258,656	384,387
**Pension and post-retirement medical and group life	(158,296)	93,924
Materials, services and contract labour	33,320	169,205
Depreciation	25,483	19,913
Professional fees	55,444	118,980
Operation and maintenance – Dolphin Pipeline	148,467	112,881
Rates and taxes	9,487	11,667
Lease rental	14,452	6,580
Stock adjustment	26,108	650
Computer software maintenance	11,316	13,893
Allowance for impairment of receivables	49,613	159
Increase in provision for onerous contract	-	(239,398)
Proceeds received from insurance claim	-	(508)
Heliport services	5,102	17,934
Insurance	3,666	7,973
Project expenses	40,015	(1,292)
Other	103,313	75,941
	626,146	**792,889**
Total staff costs included in:		
Cost of sales (note 29)	14,540	76,830
*Administrative and general expenses	258,656	384,387
**Pension and post-retirement medical and group life	(158,296)	93,924
Total staff costs	**114,900**	**555,141**
Staff costs represented by:		
Wages and salaries	263,634	450,884
National insurance	9,562	10,333
Pension and post-retirement medical and group life	(158,296)	93,924
	114,900	**555,141**

33. **Impairment**

	2016 $'000	**2015 $'000**
TSP Assets (33 (a))	(99,261)	25,382
Investment in Trinidad and Tobago NGL Limited (33 (b))	(40,874)	(175,017)
NGC E & P (Investments) Barbados and NGC E & P Barbados (33 (c))	(588,898)	1,732,243
NGC CNG Ltd (33 (d))	(25,531)	24,427
Beetham Waste Water Project (33 (e))	15,165	943,733
Liquid Fuel receivables	31,387	105,011
Pipeline revaluation loss (33 (f))	729,294	-
La Brea Industrial Estate Company (33(g))	(70,485)	(7,561)
Eastern Caribbean Gas Pipeline	3,724	-
	(45,479)	**2,648,218**

(a) During 2016, the Company reviewed its investment in TSP resulting in a net reversal of impairment to date of TT$99.3 million (US $14.9 million).

(b) Management engaged an independent valuation expert to carry out a review of the recoverable amount of the remaining 51% interest in T & T NGL as at 31 December, 2016 which resulted in a reversal of impairment by TT$40.9 million (US$6.1 million) bringing the investment to the fair value.

(c) Management also engaged an independent valuation expert to conduct an impairment assessment of The NGC Group's interest in Block 2c and 3a as at 31 December 2016.

33. **Impairment (continued)**

The recoverable amount of the Coöperatief investment in NGC E&P Investment (Netherlands) B.V. has been based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering ten-year period from 2017 to 2026 and a discount rate of 12.11% per annum which was based on an estimate of the weighted average cost of capital.

Key assumptions used are as follows:

- Discount rate of 12.11%.
- The Production Sharing Contract (PSC) will be extended for the additional five year term ending 2026.
- The entitlement of gas assets was estimated at 22% of total gas revenue and oil entitlement was estimated at 18% for 2017 - 2019. For the years 2020 – 2026, gas revenue entitlement ranged from 17% - 22% whereas oil revenue entitlement ranged from 14% - 18%.
- Gas price is forecast to gradually increasefrom 2017 - 2026, while volume for 2017 - 2021 is forecast to remain stable, and is expected to decline from 2022 – 2026.
- Management's forecast crude oil price of US$40 per barrel is lower than what are expected by the West Texas Intermediate (WTI) and Brent Crude Oil Index, for 2017, which are expected to increase to US$52 and US$53 per barrel respectively.
- Both oil production and gas production are expected to steadily decline for the forecast period. These volumes are contingent on the field operator successfully realising the resources of the three new wells in the third phase of Block 2c.

The impairment assessment led to the recognition of a reversal of impairment loss of TT$588.9 million (US$88.7 million) which was due to changes in volume, prices and costs. The reversal impairment has been recognised and separately disclosed on the statement of profit or loss and other comprehensive income for the year.

The impairment analysis is sensitive to changes in discount rate as follows:

a) Discount rate was reduced by 100 basis points to 11.11%
b) Discount rate was increased by 100 basis points to 13.11%
c) Discount rate was increased by 200 basis points to 14.11%

From the scenarios above, while holding all other variables will increase/(decrease) the impairment loss by the following:

– Scenario (a), where discount rate reduced by 100 basis points, while holding all other variables constant will increase the impairment reversal by $40.5 million.

– Scenario (b), where discount rate increased by 100 basis points, while holding all other variables constant will decrease the impairment reversal by $38.5 million.

– Scenario (c), where discount rate increased by 200 basis points, while holding all other variables constant will decrease the impairment reversal by $74.9 million.

Currently Block 3A is in its development stage. The operator plans to meet with its partners to determine how they will further explore and appraise the block.

33. **Impairment (continued)**

(d) The Company's management reviewed the recoverability in its investment in NGC CNG Company Limited. The assessment led to the reversal of prior year impairment to bring the investment to fair value.

(e) The Company's management reviewed the recoverability in its investment in Beetham Waste Water Project as at 31 December 2016.The assessment led to an impairment of the total cost incurred on the project for 2016 of TT $ 15.2 million (2015: TT$943.7 million).

(f) The Company's management approved an independent valuation of the pipelines and related facilities owned by the Company as at 31 December 2016, which resulted in an impairment loss of TT$ 729.3 million.

(g) The Company's management reviewed its investment in La Brea Industrial Development as at 31 December 2016. The assessment led to a reversal of prior year impairment TT$ 70.5 million, as the investment is projected to have a positive return.

34. **Finance costs**

	2016 $'000	**2015 $'000**
Interest	164,839	157,707
Amortisation of transaction cost	894	801
Decommissioning - unwinding of discount rate	30,440	9,740
Take or pay interest	9,194	8,074
	205,367	**176,322**

35. **Taxation**

	2016 $'000	**2015 $'000**
Corporation tax	(29,270)	658,716
Business levy	50,925	-
Petroleum profit tax	41,622	-
Green fund levy	29,747	15,966
	93,024	674,682
Deferred tax	(186,937)	(2,282)
	(93,913)	**672,400**
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	1,661,084	1,277,480
Tax at the rate of 35%	581,379	447,118
Tax exempt income	(491,832)	(673,443)
Non-deductible (income)/expense	(277,859)	828,197
Prior years' tax	(26,513)	70,335
Business levy	50,925	-
Green fund levy	29,747	15,966
Effect of oil and gas assets taxed at a higher rate	14,072	(19,183)
Foreign exchange translation	26,168	3,410
Current year taxation (expense)/credit	**(93,913)**	**672,400**

35. **Taxation (continued)**

Deferred tax asset

	2016 $'000	2015 $'000
Accrued interest expense	30,809	29,319
Asset retirement obligation	228,645	205,543
Post-retirement medical, group life and pension	105,115	171,199
Loss on investment in Exploration and production	7,920	45,200
Tax loss	129,697	-
Property, plant and equipment	78,455	81,976
Other	26,024	23,861
	606,665	**557,098**

Deferred tax liability

	2016 $'000	2015 $'000
Property, plant and equipment	**2,935,441**	**1,964,860**

Net deferred tax liability

	2016 $'000	2015 $'000
Balance at 1 January	1,407,762	1,287,584
Charge recognised in profit and loss and	(186,937)	(2,282)
other comprehensive income	999,249	108,978
Foreign exchange translation	108,702	13,482
Balance as at 31 December	**2,328,776**	**1,407,762**

36. **Cash (used in)/generated from operations**

	2016 $'000	**2015 $'000**
Profit before tax	1,661,084	1,277,480
Adjustments to reconcile net period with net cash from operating activities:		
Depreciation (Note 5/6)	201,754	194,608
Decrease in provision for investment in subsidiary(LABIDCO)	-	(7,561)
Gain on disposal of property, plant and equipment	(2,829)	(83)
Gain on disposal of other financial assets	(3,224)	(85,433)
Finance costs	205,370	176,325
Dividends income	(1,415,387)	(1,936,814)
Finance income	(215,574)	(155,057)
Interest income on finance lease	(231,206)	(171,633)
Increase/(decrease) in deferred income	45,669	(37,784)
Decrease/(increase) in deferred expenses	211,231	(699,838)
Pension/Post retirement cost	(169,214)	81,077
Decrease in onerous contract provision	-	(239,400)
Decrease in environmental obligation	-	(2,535)
Impairment of LFP	31,384	105,011
(Reversal)/Impairment on TSP asset	(99,257)	25,381
Impairment Asset Under Construction	15,168	943,734
Impairment of subsidiaries	3,725	1,756,664
Reversal of Impairment in subsidiary	(725,786)	(175,020)
Impairment of capital spares	1,859	474
Impairment of pipeline facilities	729,294	-
Net foreign exchange (gain)	(29,220)	-
Operating profit before working capital changes	**214,841**	**1,049,596**
Increase in accounts receivables and sundry debtors	(361,253)	(783,120)
Decrease in amounts due from/to subsidiaries	(142,432)	(121,072)
Decrease/(increase) in inventories	26,211	(648)
(Decrease)/increase in trade creditors, sundry creditors and accruals	(271,695)	715,010
Cash (used in)/ generated from operations	**(534,328)**	**859,766**

37. **Related party transactions**

The Company is wholly-owned by the Government of The Republic of Trinidad and Tobago. In the ordinary course of its business, the Company 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 Government of The Republic of Trinidad and Tobago. Entities under common control include Petroleum Company of Trinidad and Tobago Limited ('Petrotrin'), Trinidad and Tobago Electricity Commission ('T&TEC') and First Citizens Bank Limited.

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Company has not made any allowances for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The Company subsidiaries, sub-subsidiaries, associates, joint venture and investments are as follows:

Name of company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2016	2015
Subsidiaries				
National Energy Corporation of Trinidad and Tobago Limited	Management of certain marine infrastructural facilities at the Port of Point Lisas and the promotion and development of the Union Industrial Estate at La Brea	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, finance, construct, operate and maintain a 56 inch Cross Island Pipeline ('CIP') from Beachfield on the south east coast of Trinidad to Point Fortin on the south west coast of Trinidad	Trinidad and Tobago	100%	100%
Trinidad and Tobago LNG Limited	Ownership of a Liquefied Natural Gas Plant in Trinidad and in the processing and sale of Liquefied Natural Gas ('LNG') and Natural Gas Liquids ('NGLs') in partnership with others	Trinidad and Tobago	100%	100%

37. **Related party transactions (continued)**

Name of company	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group**	
			2016	**2015**
Subsidiaries (continued)				
La Brea Industrial Development Company Limited	Promotion and development of an industrial estate and marine infrastructure facilities at La Brea	Trinidad and Tobago	81%	81%
NGC Petrochemicals Limited	Investment holding company which holds 20% Caribbean Gas Chemical Limited	Trinidad and Tobago	100%	100%
Trinidad and Tobago NGL Limited	An investment holding company with a 39.0% effective ownership interest in Phoenix Park Gas Processors Limited ("Phoenix Park"). In 2015 49% of T & T NGL was traded on the Trinidad and Tobago Stock Exchange	Trinidad and Tobago	51%	51%
NGC Trinidad and Tobago LNG Company Limited	Ownership of a Liquefied Natural Gas Plant in Trinidad in partnership with others	Trinidad and Tobago	62.16%	62.16%
NGC NGL Company Limited	Holds 51% investment in Phoenix Park	Trinidad and Tobago	80%	80%
NGC CNG Company Limited	Constructs, operates and maintains Compressed Natural Gas Service Stations throughout Trinidad and Tobago	Trinidad and Tobago	100%	100%

37. **Related party transactions (continued)**

Name of company	**Principal activity**	**Place of incorporation and operation**	**Proportion of ownership interest and voting power held by the Group**	
			2016	**2015**
Subsidiaries (continued)				
NGC E&P (Barbados) Limited (effective 26 September 2015)	An investment holding company which has 0.01% membership in NGC E&P Netherlands Coöperatief U.A. (The Coöperatief)	Barbados	100%	100%
NGC E&P Investments (Barbados) Limited (effective 26 September 2015)	An investment holding company which has 99.99% membership in NGC E&P Netherlands Coöperatief U.A. (The Coöperatief)	Barbados	100%	100%
Sub-Subsidiaries				
Phoenix Park Gas Processors Limited Company status changed to subsidiary due to the acquisition of Trinidad and Tobago Holdings LLC in August 2015	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	79.80%	79.80%
NGC E&P Netherlands Coöperatief U.A	An investment holding company which was incorporated to own 100% of the issued share interest in NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V.	Netherlands	100%	100%
NGC E&P (Netherlands) B.V. (formally ELF Exploration Trinidad B.V) (effective 26 September 2015)	Exploration, development and production of oil and gas	**Incorporation:** Netherlands **Operations:** Trinidad and Tobago	100%	100%

37. **Related party transactions (continued)**

Name of company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2016	2015
Sub-Subsidiaries (continued)				
NGC E&P Investments (Netherlands) B.V. (formally TOTAL E & P Trinidad B.V.) (effective 26 September 2015)	Exploration, development and production of oil and gas	**Incorporation:** Netherlands **Operations:** Trinidad and Tobago	100%	100%
Dimethyl Ether (DME) Funds Company	Manage the “Initial DME and Downstream Promotion Fund" (DDF) and the subsequent “DME Promotion Fund”.	Trinidad and Tobago	100%	100%
Associated Company				
Trintomar	Exploration development and production of oil	Trinidad and Tobago	20%	20%
Investments				
National Helicopter Services Limited	Provides offshore helicopter services to the oil and gas sector and other commercial entities	Trinidad and Tobago	18%	18%
National Enterprises Limited	NEL was formed to consolidate the Government's shareholding in select state enterprises and facilitate a public offering on the Trinidad & Tobago Stock Exchange	Trinidad and Tobago	17%	17%

37. **Related party transactions (continued)**

The following table provides the total amount of material transactions, which have been entered into with related parties within the group as at or for the years ended 31 December 2016 and 2015.

		Income from related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Subsidiaries:					
Trinidad and Tobago LNG Limited	2016	217,285	-	386,903	-
	2015	300,911	-	375,503	-
Trinidad and Tobago NGL Limited	2016	117,528	-	1,919	-
	2015	20,005	-	-	-
NGC Pipeline Company Limited	2016	818,714	69,999	46,637	794
	2015	117,290	67,214	60,226	915
NGC Trinidad and Tobago LNG Limited	2016	1,660	-	22	-
	2015	113,221	-	-	-
NGC NGL Company Limited	2016	262,308	-	20	-
	2015	536,028	-	-	-
NGC E&P Investments (Barbados) Limited	2016	-	-	339	-
	2015	792,085	-	71	-
La Brea Industrial Development Company Limited	2016	-	-	18,139	5,783
	2015	-	-	13,607	5,504
National Energy Corporation of Trinidad and Tobago Limited	2016	2,357	-	399,619	10,807
	2015	32,184	-	495,729	5,054
Sub-Subsidiary Companies:					
Phoenix Park Gas Processors Limited Gas Sales	2016	331,694	-	-	-
	2015	355,897	-	-	-
NGC E&P (Investments) Netherlands B.V.	2016	-	-	326,828	-
	2015	-	-	629,892	-
NGC E&P Netherlands B.V.	2016	-	-	25,299	-
	2015	-	-	6,880	-

Impairment of related party balances (Refer to note 33).

38. **Contingent liabilities**

(a) **Taxes**

For years of income 1993 to 1994 and 1999 the Company has objected to certain adjustments by the Board of Inland Revenue to the Company's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the financial statements for any additional tax liabilities.

(b) **Litigation matters**

The Company is involved in a number of proceedings with claims from customers and contractors of goods and services which are at various stages of litigation and their outcomes are difficult to predict. Consequently no provision had been made in the financial statements in respect to the claims.

(c) **Customs bonds**

The Company has contingent liabilities in respect of customs bonds amounting to $2,938 thousand (2015: $800 thousand).

39. **Capital commitments**

	2016 $'000	**2015 $'000**
Approved and contracted capital expenditure	**163,801**	**313,660**

40. **Operating lease commitments**

The Company has lease arrangements for motor vehicles, office equipment and helicopter services with durations ranging from 1 to 5 years.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2016 $'000	**2015 $'000**
Payable		
Within one year	2,796	29,618
One to five years	355	580
	3,151	**30,198**

41. **Commitment contracts**

Purchases

The Company purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers with terms varying from 15 to 23 years. Under these long-term take-or-pay contracts, the Company is obliged to take, or if not taken, pay for said natural gas up to the contracted take-or-pay volume at the current price. The prices on certain tranches of gas of these contracts are linked to the commodity prices of ammonia and methanol subject to a floor price that escalates annually.

In prior years, the Company committed to purchase additional volumes of natural gas for several new projects that have not materialised as forecast. For 2016, the Company had no take-or-pay liability.

Sales

Under long-term take-or-pay sales contracts, the Company's customers are obligated to take or if not taken pay for said natural gas at the current price, up to the contracted take-or-pay volume. The price of natural gas sold to the producers of ammonia and methanol are linked to the relevant commodity price of ammonia and methanol. The natural gas prices under these contracts are not capped but the contracts include floor prices which represent the minimum prices for which natural gas can be sold to the respective customers.

42. **Royalty gas**

For the period November 2005 to December 2010, the Company received "royalty" gas from an upstream supplier. The Company has no economic interest in the "royalty" gas as it is only a transporter of the gas to T&TEC on behalf of the Government of The Republic of Trinidad and Tobago. As there is no "royalty" gas agreement between the Government of The Republic of Trinidad and Tobago and the upstream supplier, invoices were issued by the upstream supplier to the Company and invoices were issued by the Company to T&TEC for the royalty gas delivered. The expense and income relating to the royalty gas received and sold for the above period were not recognised in the financial statements as the Company did not obtain any economic benefit from this arrangement.

Effective October 2012, NGC has agreed to purchase the royalty gas from the Ministry of Energy and Energy Affairs. As at the approval date of these financial statements the terms and conditions of the purchase have not been finalised.

43. **Compensation of key management personnel**

	2016 **$'000**	**2015** **$'000**
Short-term employee benefits	23,833	42,811
Post-employment benefit	5,538	8,301
	29,371	**51,112**

44. **Financial instruments**

Financial risk management objectives and policies

The Company has various financial assets such as investments in ordinary shares and the first unit scheme of the Trinidad and Tobago Unit Trust Corporation, trade receivables, short-term investments and cash which arise directly from its operations. The Company's financial liabilities comprise bank loans, trade and sundry payables. The main purpose of these financial liabilities is to raise finance for the Company's operations.

The Company may enter into derivative transactions such as interest rate swaps. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance.

The risks arising from the Company's financial instruments are credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risks. Management reviews and agrees policies for managing each of these risks which are summarised below.

a) **Categories of financial instruments**

	2016 $'000	2015 $'000
Financial assets:		
Financial assets at fair value through profit or loss	475,809	343,962
Available-for-sale financial assets through other comprehensive income		
Other financial assets	2,056,348	2,480,547
Financial assets at amortised cost:		
- Held to maturity		
Other financial assets	262,534	254,392
- Loans and receivables		
Loans receivable	1,379,759	1,692,436
Cash and cash equivalents	1,373,758	1,854,627
Short-term investments	385,885	219,992
Accounts receivable	4,682,311	3,965,243
Sundry debtors	750,572	1,042,071
	8,572,285	8,774,369
Net investment in leased asset	625,913	642,607
Total financial assets	**11,992,889**	**12,495,877**
Non-financial assets	18,593,918	15,164,734
Total assets	**30,586,807**	**27,660,611**

44. **Financial instruments (continued)**

a) **Categories of financial instruments (continued)**

	2016 $'000	2015 $'000
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	2,255,334	2,145,378
Take-or-pay liability	782,162	808,473
Trade payables	2,662,474	2,658,229
Sundry payables and accruals	1,488,201	1,881,183
Dividends payable	-	175,000
Total financial liabilities	7,188,171	7,668,263
Non-financial liabilities	3,883,559	3,017,854
Equity	19,515,077	16,974,494
Total liabilities	**30,586,807**	**27,660,611**

b) **Credit risk**

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company and arises principally from credit exposures to customers relating to outstanding receivables.

The Company trades only with recognised creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company does not hold collateral as security. The maximum exposure to credit risk is the carrying amount of the receivable balances. The Company's primary activity is the purchase, transmission and distribution of natural gas and there is no significant concentration of credit risk as the Company has numerous large and small customers across Trinidad and Tobago.

With respect to credit risk arising from other financial assets of the Company, the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

As stated in note 10(a), a loan agreement was executed with T&TEC in 2011 for the capitalization of 2005 to 2009 outstanding trade balances. The Company is working with T&TEC and the Government of The Republic of Trinidad and Tobago to formulate the terms and conditions for the sale of gas and to put measures in place to ensure that T&TEC continues to service the loan as well as its monthly gas purchases.

44. **Financial instruments (continued)**

b) **Credit risk (continued)**

The following table shows the Company's maximum exposure to credit risk.

	Gross maximum exposure 2016 $'000	2015 $'000
Loans receivable	1,379,759	1,692,436
Financial assets at fair value through profit or loss	475,809	343,962
Other financial assets	2,318,882	2,734,939
Cash and cash equivalents	1,373,758	1,854,627
Short-term investments	385,885	219,992
Accounts receivable	4,682,311	3,965,243
Sundry debtors	750,572	1,042,071
Net investment in leased asset	625,913	642,607
	11,992,889	**12,495,877**

The Company trades only with recognised creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The following table provides information on the credit quality of financial assets.

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
At 31 December 2016				
Gross amounts	8,339,449	3,653,440	526,005	12,518,894
Impaired amounts	-	-	(526,005)	(526,005)
Net amounts	**8,339,449**	**3,653,440**	**-**	**11,992,889**
As at 31 December 2015				
Gross amounts	10,459,366	2,036,511	541,652	13,037,529
Impaired amounts	-	-	(541,652)	(541,652)
Net amounts	**10,459,366**	**2,036,511**	**-**	**12,495,877**

44. **Financial instruments (continued)**

b) **Credit risk (continued)**

The following table shows the credit quality by class of financial assets (gross amounts).

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
At 31 December 2016				
Loans receivable	**1,379,759**	**-**	**17,474**	**1,397,233**
Financial assets at fair value through profit or loss	**475,809**	**-**	**-**	**475,809**
Other financial assets:				
- Held to maturity	262,534	-	-	262,534
- Available-for-sale	2,055,383	-	-	2,055,383
- Other financial assets	965	-	-	965
	2,318,882	**-**	**-**	**2,318,882**
Net investment in leased assets	625,913	-	-	625,913
Cash and cash equivalents	1,373,758	-	-	1,373,758
Short-term investments	385,885	-	-	385,885
Accounts receivable	1,028,871	3,653,440	64,584	4,746,895
Sundry debtors	750,572	-	443,947	1,194,519
	4,164,999	**3,653,440**	**508,531**	**8,326,970**
Total	**8,339,449**	**3,653,440**	**526,005**	**12,518,894**

44. **Financial instruments (continued)**

b) **Credit risk (continued)**

As at 31 December 2015	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
Loans receivable	**1,692,436**	**-**	**139,824**	**1,832,260**
Financial assets at fair value through profit or loss	**343,962**	**-**	**-**	**343,962**
Other financial assets:				
- Held to maturity	254,392	-	-	254,392
- Available-for-sale	2,476,030	-	-	2,476,030
- Other financial assets	4,517	-	-	4,517
	2,734,939	**-**	**-**	**2,734,939**
Net investment in leased asset	642,607			642,607
Cash and cash equivalents	1,854,627	-	-	1,854,627
Short-term investments	219,992	-	-	219,992
Accounts receivable	1,928,732	2,036,511	12,639	3,977,882
Sundry debtors	1,042,071	-	389,189	1,431,260
	5,688,029	**2,036,511**	**401,828**	**8,126,368**
Total	**10,459,366**	**2,036,511**	**541,652**	**13,037,529**

Ageing analysis of past due but not impaired financial assets:

At 31 December 2016	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Accounts receivable	**183,690**	**1,713,222**	**1,612,219**	**144,309**	**3,653,440**
As at 31 December 2015					
Accounts receivable	**42,598**	**998,441**	**863,106**	**132,366**	**2,036,511**

c) **Liquidity risk**

The Company monitors its risks to a shortage of funds by managing the maturity of both financial investments and financial assets (e.g. accounts receivables and short-term deposits) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments (i.e. principal and interest):

44. **Financial instruments (continued)**

c) **Liquidity risk (continued)**

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
As at 31 December 2016						
Borrowings	-	26,785	133,923	803,537	4,424,886	5,389,131
Take-or-pay liability	-	-	-	782,162	-	782,162
Trade payables	-	2,662,474	-	-	-	2,662,474
Sundry payables and accruals	-	1,298,512	189,689	-	-	1,488,201
	-	**3,987,771**	**323,612**	**1,585,699**	**4,424,886**	**10,321,968**
As at 31 December 2015						
Borrowings	-	91,449	91,385	914,170	5,218,965	6,315,969
Take-or-pay liability	-	-	-	808,473	-	808,473
Trade payables	-	2,658,229	-	-	-	2,658,229
Sundry payables and accruals	-	1,690,722	190,461	-	-	1,881,183
Dividend payable	175,000	-	-	-	-	175,000
	175,000	**4,440,400**	**281,846**	**1,722,643**	**5,218,965**	**11,838,854**

The table below summarises the maturity profile of the Company's contingent liabilities and commitments based on contractual maturity dates based on contractual undiscounted payments at the statement of financial position date.

As at 31 December 2016	On demand $'000	< 3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Capital commitments	-	-	150,663	13,138	-	163,801
Operating lease commitments	-	-	2,796	355	-	3,151
	-	**-**	**153,459**	**13,493**	**-**	**166,952**
As at 31 December 2015						
Capital commitments	-	-	273,342	40,318	-	313,660
Operating lease commitments	-	-	29,618	580	-	30,198
	-	**-**	**302,960**	**40,898**	**-**	**343,858**

44. **Financial instruments (continued)**

c) **Liquidity risk (continued)**

The table below summarises the maturity profile of the Company's financial assets based on contractual undiscounted payments at the statement of financial position date.

As at 31 December 2016	On demand $'000	< 3 months $'000	3-12 months $'000	1-5 years $'000	> 5 years $'000	Total $'000
Loans receivable	15,214	-	460,694	906,426	179,402	1,561,736
Financial assets at fair value through profit or loss	475,809	-	-	-	-	475,809
Other financial assets:						
- Held to maturity	-	1,955	9,777	46,622	274,552	332,906
- Available-for-sale	1,597,322	10,432	37,693	315,594	252,168	2,213,209
- Other financial assets	965	-	-	-	-	965
Net investment in leased asset	-	42,336	223,405	724,222	204,682	1,194,645
Cash and cash equivalents	1,373,758	-	-	-	-	1,373,758
Short-term investments	22,423	65,179	308,791	-	-	396,393
Accounts receivable	-	4,682,311	-	-	-	4,682,311
Sundry debtors	-	750,572	-	-	-	750,572
	3,485,491	**5,552,785**	**1,040,360**	**1,992,864**	**910,804**	**12,982,304**

As at 31 December 2015						
Loans receivable	-	11,237	316,029	1,088,494	535,118	1,950,878
Financial assets at fair value through profit or loss	343,962	-	-	-	-	343,962
Other financial assets:						
- Held to maturity	-	2,010	10,260	88,530	253,428	354,228
- Available-for-sale	2,047,679	9,927	25,456	276,495	255,834	2,615,391
- Other financial assets	4,517	-	-	-	-	4,517
Net investment in leased asset	-	59,964	186,772	908,058	227,970	1,382,764
Cash and cash equivalents	1,854,627	-	-	-	-	1,854,627
Short-term investments	20,557	83,573	119,818	-	-	223,948
Accounts receivable	-	3,965,243	-	-	-	3,965,243
Sundry debtors	-	1,042,071	-	-	-	1,042,071
	4,271,342	**5,174,025**	**658,335**	**2,361,577**	**1,272,350**	**13,737,629**

44. **Financial instruments (continued)**

d) **Market risk**

The Company takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

i) **Interest rate risk**

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term loans with variable interest rates.

The Company monitors its interest rate risk using interest rate sensitivity. Sensitivity analyses were conducted to determine the effect on the Company's profit before tax to a reasonable possible change in interest rates, with all other variables held constant.. There is minimal impact on the Company's equity.

	Increase/ (decrease) in basis points	Effect on profit before tax $'000
Loan receivables		
2016	+50	**2,451**
	–50	**(2,451)**
2015	+50	**2,680**
	–50	**(2,680)**

44. **Financial instruments (continued)**

d) **Market risk (continued)**

ii) **Foreign currency risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The functional currency of the Company is the United States dollar (USD) since the Company's major product, natural gas is priced in USD. Foreign currency transaction exposures mainly arise on the Company's sales, purchases and financial instruments denominated in currencies other than USD. This risk is managed by holding adequate resources denominated in both USD and TTD to meet its obligations as they arise.

The table below summarises the Company's exposure to foreign currency exchange risk:

As at 31 December 2016	TT $'000	US $'000	Other $'000	Total $'000
Assets				
Loans receivable	444,827	934,932	-	1,379,759
Financial assets at fair value through profit or loss	-	475,809	-	475,809
Other financial assets:				
- Held to maturity	210,710	51,824	-	262,534
- Available for sale	1,194,778	860,605	-	2,055,383
- Other financial assets	-	965	-	965
Net Investment in leased asset	-	625,913	-	625,913
Cash at bank and short-term investments	461,374	1,298,269	-	1,759,643
Accounts receivable	-	4,682,311	-	4,682,311
Sundry debtors	1,072,921	(322,349)	-	750,572
	3,384,610	**8,608,279**	**-**	**11,992,889**
Liabilities				
Borrowings	-	2,255,334	-	2,255,334
Trade, sundry payables and accruals	2,064,322	1,035,024	-	3,099,346
	2,064,322	**3,290,358**	**-**	**5,354,680**
Net statement of financial position	**1,320,288**	**5,317,921**	**-**	**6,638,209**
Capital commitments	**110,658**	**51,799**	**1,344**	**163,801**
Operating lease commitments	**3,151**	**-**	**-**	**3,151**

44. **Financial instruments (continued)**

d) **Market risk (continued)**

ii) **Foreign currency risk (continued)**

As at 31 December 2015	TT $'000	US $'000	Other $'000	Total $'000
Assets				
Loans receivable	-	1,692,436	-	1,692,436
Financial assets at fair value through profit or loss	-	343,962	-	343,962
Other financial assets:				
- Held to maturity	200,517	53,875	-	254,392
- Available for sale	1,701,405	774,625	-	2,476,030
- Other financial assets	4,517	-	-	4,517
Net investment in leased asset	-	642,607	-	642,607
Cash at bank and short-term investments	268,619	1,806,000	-	2,074,619
Accounts receivable	-	3,965,243	-	3,965,243
Sundry debtors	1,003,323	38,748	-	1,042,071
	3,178,381	**9,317,496**	**-**	**12,495,877**
Liabilities				
Borrowings	-	2,145,378	-	2,145,378
Trade, sundry payables and accruals	2,064,322	3,283,563	-	5,347,885
Dividend payable	175,000	-	-	175,000
	2,239,322	**5,428,941**	**-**	**7,668,263**
Net statement of financial position	**939,059**	**3,888,555**	**-**	**4,827,614**
Guarantees	**-**	**-**	**-**	**-**
Capital commitments	**308,636**	**4,838**	**186**	**313,660**
Operating lease commitments	**30,198**	**-**	**-**	**30,198**

iii) **Other price risk**

The Company is exposed to equity price risk arising from its investments in ordinary shares in National Enterprises Limited, the first unit scheme of the Unit Trust Corporation (a mutual fund), and equity shares in various foreign institutions. These equity instruments are held for strategic or trading purposes and the Company actively trades some of these investments.

The following table demonstrates the sensitivity to a reasonably possible change in the price of these equity instruments, with all other variables held constant, of the Company's equity. There is no impact to the Company's profit before tax as changes are recorded in Other Comprehensive Income (OCI).

44. **Financial instruments (continued)**

d) **Market risk (continued)**

iii) **Other price risk (continued)**

	Increase/ (decrease) in equity price	Effect on equity $'000
2016	10%	**205,755**
	(10%)	**(205,755)**
2015	10%	**246,971**
	(10%)	**(246,971)**

e) **Commodity price risk**

The Company is exposed to commodity price risk for natural gas sold to the producers of ammonia and methanol products. The Company's prices to these customers are affected by the volatility of ammonia and methanol prices. The Company manages this commodity price exposure by matching volumes it sells under these sales contracts with volumes under certain of its purchase contracts that contain similar commodity linked prices. These provisions reduce, but do not eliminate, the effect of commodity price volatility.

f) **Capital management**

The primary objective of the Company's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. It also manages its capital to ensure that the Company will be able to continue as a going concern. The Company's overall strategy remains unchanged from 2015.

The capital structure of the Company consists of debt, share capital, reserves and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure, the Company may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objectives, policies or process during the years ended 31 December 2016 and 31 December 2015.

The Company monitors capital using a gearing ratio which is debt divided by equity plus debt. The Company's policy is to maintain a gearing ratio between 25% and 30%. The Company includes within debt interest bearing loans and borrowings. Capital includes stated capital, reserves and retained earnings.

	2016 $'000	2015 $'000
Debt	2,255,334	2,145,378
Equity	19,515,077	16,974,494
Debt plus equity	**21,770,411**	**19,119,872**
Gearing ratio	**10.4 %**	**11.2%**

44. **Financial instruments (continued)**

g) **Fair values**

i) **Fair value hierarchy**

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis. At 31 December 2016, the fair values of listed available-for-sale investments and held for trading shares and bonds were based on quoted market prices and therefore included in the Level 1 hierarchy.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable. At 31 December 2016, the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy.

Level 3

Level 3 hierarchies relate to financial assets that are not quoted as there are no active markets to determine a price. Unlisted available-for-sale investments are included within the Level 3 category at year end.

As at 31 December 2016	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Financial assets			
Available-for-sale financial assets (investments carried at fair value)	**2,048,741**	**-**	**-**
Financial assets at fair value through profit and loss	**475,809**	**-**	**-**
As at 31 December 2015			
Financial assets			
Available-for-sale financial assets (investments carried at fair value)	**2,469,710**	**-**	**-**
Financial assets at fair value through profit and loss	**343,962**	**-**	**-**

44. **Financial instruments (continued)**

g) **Fair values (continued)**

ii) **Fair values of financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required**

Long-term financial assets and liabilities

The fair value of the Company's long-term loans receivable approximates their carrying amount at the prevailing market rates.

	2016		2015	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Loans receivables				
Trinidad and Tobago Electricity Commission	444,669	444,669	691,771	691,771
NEC- UIE and Warehousing	444,827	444,827	-	-
NEC-UIE	-	-	283,922	283,922
NEC- Warehousing	-	-	180,704	180,704
Trinidad and Tobago LNG Limited	380,730	380,730	362,315	362,315
Atlantic LNG Company of Trinidad and Tobago	109,533	109,533	173,724	173,724
Borrowings				
US$400M 30 year bond	2,291,778	2,255,334	2,337,390	2,145,378
Take-or-pay liability	782,162	782,162	808,473	808,473

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2016				
Loans receivable	935,091	-	444,668	1,379,759
Borrowings	(2,291,778)	-	-	(2,291,778)
Take-or-pay liability	-	-	(782,162)	(782,162)
At 31 December 2015				
Loans receivable	1,000,665	-	691,771	1,692,436
Borrowings	(2,337,390)	-	-	(2,337,390)
Take-or-pay liability	-	-	(808,473)	(808,473)

44. **Financial instruments (continued)**

g) **Fair values (continued)**

ii) **Fair values of financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required (continued)**

Short-term financial assets and liabilities:

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, short-term investments, sundry debtors and current liabilities are a reasonable estimate of fair values because of the short term nature of these instruments.

The fair value of investments that are actively traded in financial markets are determined by reference to quoted market prices at the close of business at the reporting period date. For investments where there is no active market the fair value estimates cannot be reasonably assessed and consequently are measured at cost.

h) **Derivative financial instruments and hedging**

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Company does not carry any financial instrument which meets the strict criteria for hedge accounting.

45. **Dividends**

	2016 $'000	2015 $'000
Dividends declared		
Dividends for 2015	750,000	1,350,000
Dividends for 2016	660,000	5,487,837
	1,410,000	**6,837,837**
Dividends paid		
Dividends for 2013	-	175,000
Dividends for 2014	175,000	1,175,000
Dividends for 2015	750,000	5,487,837
Dividends for 2016	660,000	-
	1,585,000	**6,837,837**

46. **Events after the reporting date**

There were no subsequent events occurring after the reporting date that significantly impacted the financial performance, position or cash flows which require disclosure.

Consolidated Five-Year Financial Review

Consolidated Five-Year Financial Review
(Expressed in Trinidad and Tobago dollars)

Consolidated Statement of Financial Position

	AT 31/12/2016	AT 31/12/2015	AT 31/12/2014	AT 31/12/2013	AT 31/12/2012
ASSETS	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-current assets					
Property, plant and equipment	17,783,425	14,865,793	15,636,626	15,631,417	10,489,098
Capital assets and licences	2,513,564	1,839,571	2,926,110	2,981,366	-
Investment properties	583,150	542,932	539,835	551,731	577,051
Goodwill	2,407,897	2,264,941	2,269,617	2,298,173	-
Other intangible assets	7,256	15,211	1,566	2,746	5,138
Investment in associate	308,367	185,338	-	-	-
Interest in joint venture	-	-	-	-	1,049,184
Other financial assets	2,521,017	2,924,887	3,371,664	3,701,637	1,852,109
Financial assets at fair value through profit or loss	475,809	343,962	332,041	232,623	141,988
Loans receivable	538,826	865,128	1,154,455	1,448,987	1,708,955
Net investment in leased asset	530,135	582,478	659,566	519,445	560,430
Deferred tax asset	907,557	771,216	732,242	632,558	522,140
Deferred expenses	785,333	846,099	131,828	341,351	282,658
Debt reserve funds	114,867	109,073	231,321	290,146	92,378
Total non-current assets	**29,477,203**	**26,156,629**	**27,986,871**	**28,632,180**	**17,281,129**
Current assets					
Cash and cash equivalents	4,551,557	6,373,130	8,028,970	7,590,825	12,336,453
Short-term investments	1,243,082	441,769	2,777,442	2,972,766	3,853,252
Loans receivable	381,117	362,682	318,665	296,206	314,135
Net investment in leased assets	95,778	60,129	43,598	14,647	6,214
Accounts receivable	5,203,752	4,133,975	3,667,762	3,783,468	2,855,973
Sundry debtors and prepayments	626,546	825,248	671,247	1,136,142	995,361
Inventories	214,636	242,701	301,139	231,936	35,913
Deferred Expenses	95,505	196,303	200,122	19,774	28,204
Income taxes receivable	291,982	330,828	338,654	450,097	381,867
Total current assets	**12,703,955**	**12,966,765**	**16,347,599**	**16,495,861**	**20,807,372**
Total assets	**42,181,158**	**39,123,394**	**44,334,470**	**45,128,041**	**38,088,501**

Consolidated Five-Year Financial Review
(Expressed in Trinidad and Tobago dollars)

Consolidated Statement of Financial Position (continued)

	AT 31/12/2016	AT 31/12/2015	AT 31/12/2014	AT 31/12/2013	AT 31/12/2012
	$'000	$'000	$'000	$'000	$'000
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholder's equity					
Share capital	1,855,266	1,855,266	1,855,266	1,855,266	1,855,266
Reserve fund	438,192	438,192	438,192	438,192	438,192
Other reserves	5,425,791	2,720,150	2,766,744	3,075,536	2,478,834
Retained earnings	17,008,162	17,788,895	23,720,064	23,365,380	20,722,111
Total equity attributable to owners of the parent	24,727,411	22,802,503	28,780,266	28,734,374	25,494,403
Non-controlling interest	2,106,648	2,169,237	1,037,999	1,063,166	448,725
Total shareholder's equity	**26,834,059**	**24,971,740**	**29,818,265**	**29,797,540**	**25,943,128**
Non-current liabilities					
Deferred tax liability	5,354,765	3,931,089	4,333,396	4,056,352	1,956,081
Borrowings	2,881,050	2,915,633	2,936,293	3,191,428	2,774,578
Deferred income	138,439	153,963	165,499	185,464	435,572
Provisions	954,962	877,367	1,091,565	1,049,825	792,374
Post retirement medical and group life obligation	167,234	162,453	192,506	135,125	106,115
Pension obligation	103,889	319,036	603,587	481,320	290,207
Take-or-pay liability	782,162	808,473	72,337	356,918	95,472
Environmental obligation	-	-	-	3,446	2,339
Total non-current liabilities	**10,382,501**	**9,168,014**	**9,395,183**	**9,459,878**	**6,452,738**
Current Liabilities					
Trade payables	2,822,944	2,819,133	2,920,793	3,242,625	3,437,278
Sundry payables and accruals	1,793,737	1,706,579	1,652,602	1,576,032	1,084,361
Borrowings	183,691	171,082	216,281	221,684	101,560
Deferred income	146,239	76,298	68,412	209,088	106,283
Provisions	-	1,405	3,926	3,000	6,652
Dividends payable	3,373	181,420	181,359	187,877	825,000
Income taxes payable	14,614	27,723	77,649	430,317	131,501
Total current liabilities	**4,964,598**	**4,983,640**	**5,121,022**	**5,870,623**	**5,692,635**
Total liabilities	**15,347,099**	**14,151,654**	**14,516,205**	**15,330,501**	**12,145,373**
Total equity and liabilities	**42,181,158**	**39,123,394**	**44,334,470**	**45,128,041**	**38,088,501**

Consolidated Five-Year Financial Review

(Expressed in Trinidad and Tobago dollars)

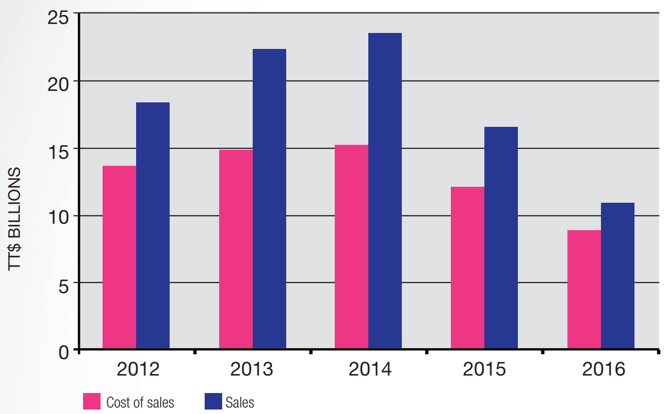
Consolidated Income Statement

	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Sales	10,903,340	16,623,353	23,513,318	22,373,183	18,354,479
Cost of sales	(8,846,781)	(12,093,890)	(15,106,532)	(14,846,809)	(13,588,468)
Gross profit	2,056,559	4,529,463	8,406,786	7,526,374	4,766,011
Net operating costs	(1,469,388)	(4,155,488)	(1,808,373)	(1,574,830)	(968,581)
Operating profit	587,171	373,975	6,598,413	5,951,544	3,797,430
Interest, investment and other income	480,206	641,402	947,273	1,114,687	1,557,797
Finance costs	(240,217)	(281,770)	(357,812)	(211,273)	(249,433)
Other operating income	410,216	389,371	393,327	347,250	369,563
Share of loss from associate	(16,866)	-	-	-	-
Other income on asset acquisition	-	-	-	1,247,835	-
Fair value gain on step up acquisition	-	-	-	1,263,086	-
Profit for the year before taxation	1,220,510	1,122,978	7,581,201	9,713,129	5,475,357
Taxation	(499,817)	(561,986)	(3,102,389)	(3,199,228)	(1,525,329)
Profit for the year after taxation	720,693	560,992	4,478,812	6,513,901	3,950,028
Non-controlling interest	(121,603)	(81,499)	(278,243)	(252,245)	(181,032)
Profit attributable to equity holders of parent	599,090	479,493	4,200,569	6,261,656	3,768,996

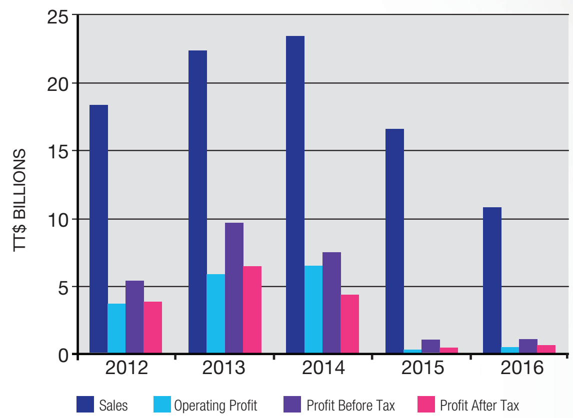
The National Gas Company of Trinidad and Tobago Limited

Consolidated Five-Year Financial Review

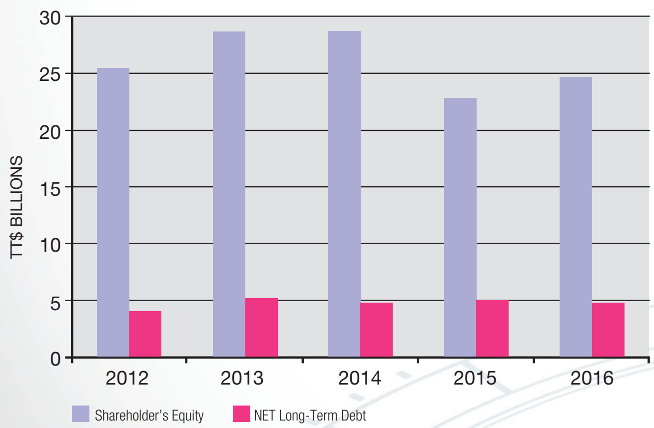
SALES TO COST OF SALES



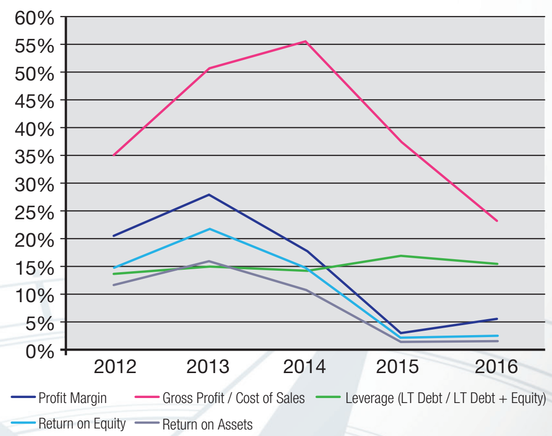
SALES TO PROFITABILITY



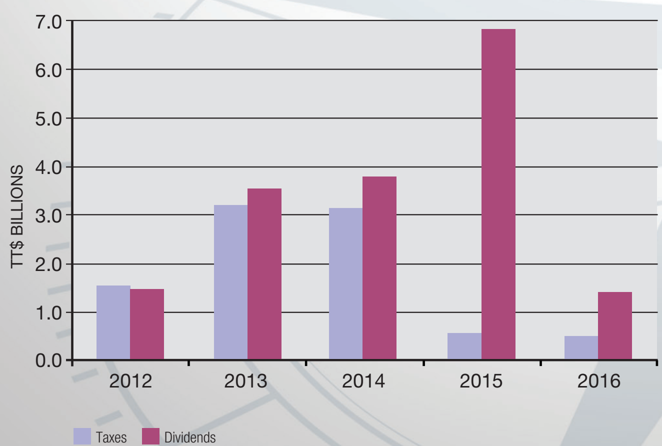
CAPITAL EMPLOYED



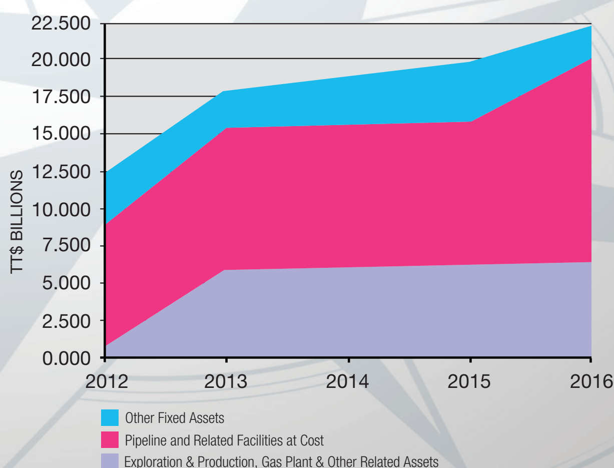
CORPORATE PERFORMANCE INDICATORS



TAXES & DIVIDENDS CONTRIBUTED TO THE TREASURY



GROWTH IN FIXED ASSETS



Corporate Information

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Curtis Mohammed
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NOTES

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THE NATIONAL GAS COMPANY
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