THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Building a Better Future Today

ANNUAL REPORT 2017

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Vision

To be positioned as a leading player in the energy value chain, delivering sustainable benefits, through our people, for all stakeholders.

Mission

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

Building a Better Future Today

ANNUAL REPORT 2017

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Building a Better Future Today

ANNUAL REPORT 2017

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NGC Corporate Profile

Incorporated in August 1975 by the Government of the Republic of Trinidad and Tobago as a wholly-owned State Enterprise, The National Gas Company of Trinidad and Tobago Limited ('NGC') is an energy company whose core business activities are the aggregation, purchase, sale, transmission and distribution of natural gas. NGC is an internationally investment-graded company with the financial flexibility to self-finance or access funding on the local and international markets. The Company has played a pivotal role in expanding Trinidad and Tobago's gas-based energy sector and is strategically positioned in the midstream of Trinidad and Tobago's natural gas value chain. NGC owns, maintains and operates the country's transmission and distribution gas pipeline network of approximately 1,000 km which comprises both offshore and onshore segments. The network's installed capacity is currently 4.4 billion standard cubic feet per day ('Bscf/d'), providing supplies to power-generation firms, global-scale petrochemical plants, and a wide range of light manufacturing and commercial enterprises.

Consistently profitable, NGC is a significant contributor of taxes and dividends to the national treasury. Through its investments, strategic partnerships and pioneering gas pricing model, NGC has successfully secured the profitability of the local gas-based energy sector, and catalysed the social, economic and industrial development of Trinidad and Tobago.

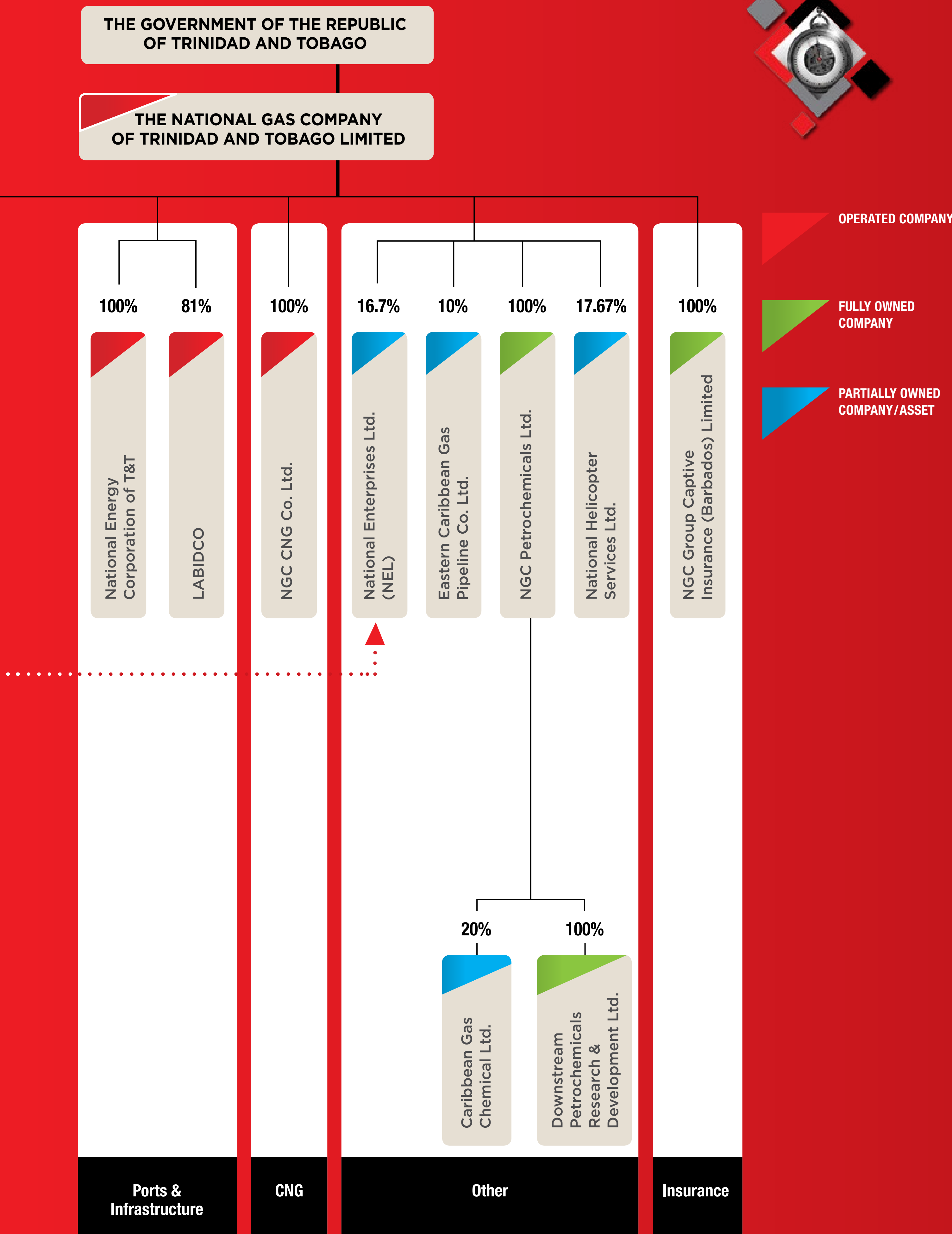
Given its subsidiaries and investments, NGC has strong linkages in the downstream and upstream sectors. Today, NGC leads a diversified Group of Companies which is evolving into a global business entity, working to develop a structure that supports its international vision and mission to create exceptional value from natural gas and related energy businesses through quality partnerships and arrangements.

NGC's main subsidiaries are:

- **National Energy Corporation of Trinidad and Tobago Limited ('National Energy'), which conceptualises, promotes, develops and manages industrial sites, and port and marine infrastructure;**
- **Phoenix Park Gas Processors Limited ('PPGPL'), engaged in natural gas processing and the aggregation, fractionating and marketing of Natural Gas Liquids ('NGLs')—propane, butane and natural gasoline—to Latin America and the Caribbean;**
- **NGC CNG Company Limited ('NGC CNG'), tasked with promoting Compressed Natural Gas ('CNG') as a cleaner, cheaper fuel for the country's transportation sector; and**
- **Trinidad and Tobago NGL Limited ('TTNGL'), a company incorporated to hold 39% of the shares in PPGPL, and which was listed on the Trinidad and Tobago Stock Exchange from 2015 to allow the public to own a stake in the energy sector.**

A valued player in our nation's natural gas-based energy sector, NGC, and by extension the NGC Group of Companies, boast a proven business model for maximising resources for industrial development and long-term prosperity—a model with applicability far beyond the shores of Trinidad and Tobago.

NGC GROUP OF COMPANIES:
Legal Structure


THE GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO
THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED
100%
National Energy Corporation of T&T
81%
LABIDCO
100%
NGC CNG Co. Ltd.
16.7%
National Enterprises Ltd. (NEL)
10%
Eastern Caribbean Gas Pipeline Co. Ltd.
100%
NGC Petrochemicals Ltd.
17.67%
National Helicopter Services Ltd.
100%
NGC Group Captive Insurance (Barbados) Limited
20%
Caribbean Gas Chemical Ltd.
100%
Downstream Petrochemicals Research & Development Ltd.
Ports & Infrastructure
CNG
Other
Insurance
OPERATED COMPANY
FULLY OWNED COMPANY
PARTIALLY OWNED COMPANY/ASSET

"NGC will continue to assess carefully and, where appropriate, take equity positions (approved by Management and shareholders) in projects locally, within the region and internationally."

Gerry C. Brooks
Chairman

Chairman's Review

Introduction

In 2017, profit after tax increased by 37.26% to TT$989 million, underscoring another successful year for the NGC Group. The turnaround in the Group's fortunes is reflected across all operating subsidiaries, which recorded double-digit improvements in profitability and value creation. These results, coupled with nascent green shoots of growth, are signs for cautious optimism. A strong NGC Group, performing optimally, enhances Trinidad and Tobago's prospects for accelerated economic recovery and sustainability. The Group maintains a cautiously positive outlook for the medium-term.

The International Context

The global economy strengthened in 2017, with GDP growing by 3.7% compared to 3.4% in the previous year. Growth was balanced with advanced, emerging and developing nations contributing to an improved outlook. The advanced economies, led by the US and Europe, posted a 2.3% increase in GDP, while emerging and developing markets reached 4.7%. Among the developing economies, the strongest growth came from commodity exporters which benefited from a general improvement of markets and upsurge in international commodity prices. Of interest to us in Trinidad and Tobago was the fact that crude oil prices averaged US$50.09 for 2017, 16% higher than in 2016. US natural gas prices remained below the US$3.00/Mmbtu(Million British Thermal Unit) benchmark. However, global LNG prices appreciated in line with major oil indices. The average landed LNG price across five major importing markets (UK, Japan, Spain, China and Brazil) was US$6.62/Mmbtu, 24% above 2016.

The Local Context

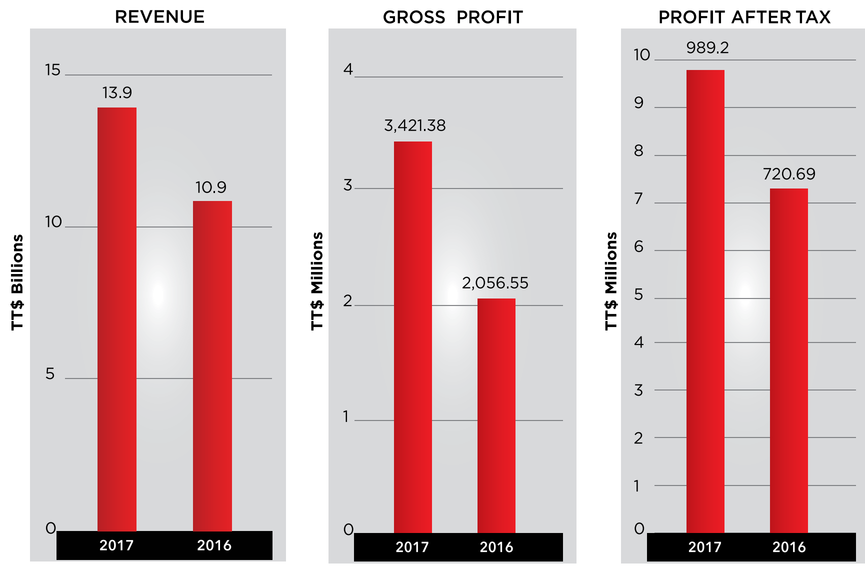
Notwithstanding the improvement in the global economy, the Trinidad and Tobago economy remained sedated, with continuing fiscal constraints negatively impacting the country's capacity to stimulate recovery. The local economy recorded another year of economic decline in 2017. Real GDP was projected to decline by 2.3% in 2017, an improvement from the 6.1% fall in 2016. This improvement was principally influenced by the energy sector where production was enhanced by: new natural gas output from the Juniper Field, increased output by the Trinidad Onshore Compression ('TROC') project, and new exploration activity. Increased gas availability has helped to stabilise the supply/demand balance, and generated improved levels of production from the LNG and petrochemical sectors.

However, continued sluggishness in the non-energy sector tempered broad-based economic growth. The non-energy sector was expected to decline by 2% in 2017. The still modest improvements in the energy sector revenue stream were insufficient to reverse a continuing fiscal deficit which measured 8.5% of GDP in 2017. As a direct consequence, and having to finance the fiscal gap, Public Sector debt has now increased to approximately 62% of GDP. The country's current account is also in deficit and net official foreign exchange reserves now equate to nine months import cover.

While our economic challenges persist, green shoots of growth are visible on the horizon, particularly with respect to new developments across the gas value chain. All major upstream players are involved in aggressive drilling programmes, which should result in a minimum of 10 wells during 2018. This increased drilling activity is encouraging, and will have a multiplier effect across the sector.

Chairman's Review (continued)

NGC Group Financial Highlights



Additionally, gas finds in the Columbus Basin—Savannah and Macadamia— coupled with the use of Ocean Bottom Node ('OBN') and other digital seismic tools, have inspired greater confidence in the future. Activity with other upstreamers such as Shell and EOG Resources, as well as the coming on stream of the first of potentially other marginal fields, provide additional positive indicators.

In the downstream, progress continues on the Caribbean Gas Chemicals Limited ('CGCL') plant which is scheduled to begin operations in 2019. This will represent the first new addition to our petrochemical portfolio in 10 years. Other capital infrastructure projects, including those in renewable energy, will also provide additional momentum to the economy over the next two to three years.

NGC Group Financial Highlights

Against the background of a still weak economy and a volatile industry environment, the NGC Group posted a 37.26% improvement in its financial performance. Group profit after tax amounted to TT$989 million, 76.33% and 37.26% up from 2015 and 2016, respectively. Payments to Government of dividends and taxes in 2017 totalled TT$2.20 billion.

The Group's improved profitability was attributable to: an uptick in commodity prices, our deliberate efforts to reconfigure the business, improving margins and driving new levels of productivity through technology and a reengineered business model. All operating companies made a positive contribution to the overall Group performance.

Our primary objective has been to secure and stabilise the business before focusing on expansion and diversification. Consequently, 2017 witnessed deliberate strategies and initiatives aimed at a return to good governance, strengthened administration to embed best practice, the securing and stabilising of natural gas supplies, and assiduously working to abate claims proffered against the Company in the 2011-15 period.

Chairman's Review (continued)

Port of Brighton

Simultaneously, and looking to the future, we have revisited, recalibrated and, where appropriate, redefined our Group Strategic Plan and made purposeful moves to build-out a strong, sustainable, vertically integrated business.

Our Subsidiaries: Building National Value

The significant contribution of the subsidiaries of the NGC Group to the national development effort is also noteworthy. National Energy continued to shape the energy infrastructure, focusing on renewable energy projects and projects which are less gas-intensive in the short-term. It also sought to leverage investments in port, marine and estate infrastructure. Additionally, it is employing, where appropriate, a Public/Private Partnership ('PPP') construct and one-stop-shop model to accelerate national development in all spheres of activity—business development, investment facilitation, infrastructure development, estate and port operations. Consistent with national objectives, it is leading the way in driving investment in downstream energy and renewables.

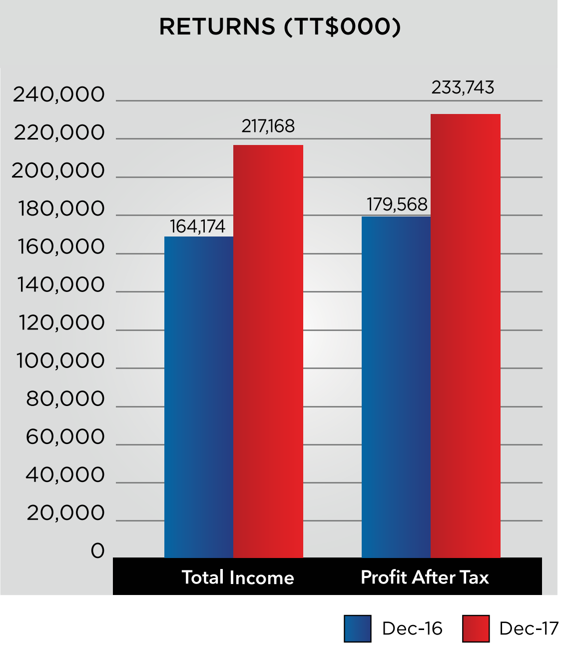
Several initiatives were progressed to the stage of an MOU with prospective investors in 2017, including a wind farm project and the manufacture of photovoltaic cells. In addition, a solar energy park and two aluminium-based processing plants are also on the development front burner. Further development works including dredging were completed at the Ports of Galeota and Brighton, in a deliberate strategy to position them to provide logistical ship-to-shore services to new oil exploration and development in the southern Caribbean.

National Energy owns and operates the Union Industrial Estate on which the CGCL plant, now under construction, is located. This plant, with Trinidad Generation Unlimited, represents another major tenant on the estate, setting the stage for the growth of ancillary service industries, with concomitant enhancement of local employment and income generation, as well as the development of the strategically important La Brea and South-Western peninsula.

Chairman's Review (continued)

Phoenix Park Gas Processors Limited ('PPGPL') continued to be one of the most admired companies in Trinidad and Tobago. The positive results of 2017 are a testimony to the success of an astute, lean manufacturing strategy in a highly competitive market. Having secured new sales contracts and advance agreements on new product trading options, PPGPL is now poised to become a major node for expansion and growth within the Group over the next five years.

TTNGL Financial Performance



	Dec-16	Dec-17
Earnings Per Share	1.16	1.51
Shareholder's Equity	3,360,654	3,370,656

PPGPL's solid performance has enabled shareholders of Trinidad and Tobago NGL Limited ('TTNGL') to earn a 5.66% dividend yield and benefit from an appreciation of 26.2% in the share price for 2017. Total returns to shareholders in 2017 was a healthy 33.3%.

NGC CNG Company Limited ('NGC CNG') has continued to expand the CNG network, offering alternative fuel options to potential customers across a wider geographic zone. In 2017, five service stations were opened, bringing the number of service stations to 11. The market is now served by three fully licensed converters, while there are now eight models of OEM CNG vehicles available. It is estimated that some 778 conversions and OEM vehicles entered the market in 2017. CNG demand is expected to accelerate in 2018, stimulated by the higher prices for transportation fuels, as well as a policy decision by Government to mandate the conversion of 30% of its fleet to CNG.

CNG Network Expansion:
Starlite Service Station, Diego Martin

In anticipation of growing demand, NGC CNG proposes to add 11 new stations in 2018, including a signature station at Preysal and in Tobago.

Chairman's Review (continued)

Surmounting the Challenges

The year opened with the Group facing significant challenges, some threatening to undermine the sustainability of the natural gas-based sector. Arguably, the most important challenge was to re-establish confidence in the adequacy and reliability of a natural gas supply to meet the current and future requirements of downstream customers. The coming on stream of two major supply projects—the aforementioned Juniper and TROC projects—has provided greater short-term supply relief. New contracts signed with BPTT and EOG Resources have also provided the commercial impetus for these companies to advance the development of new fields.

NGC Phoenix Park Valve Station

Over the medium to long-term, a plethora of upstream field discoveries and development projects have been approved for implementation by both large and small companies. These discoveries/projects include BP's Angelin, Savannah, Starfish and other similar and/or smaller fields. In 2017, BP confirmed that both Savannah and Macadamia were successful gas discoveries which in the future would likely underpin new developments. In addition, negotiations among member companies comprising the consortium for the commercialisation of Venezuelan natural gas in the Loran Manatee and Dragon Fields for the Trinidad and Tobago market were ongoing at the end of 2017. These cross-border and across-the-border offshore fields have proven natural gas reserves of more than 13 trillion cubic feet.

Another critical issue is the general stakeholder consensus that the market architecture is outmoded. Therefore, even as work is progressing to ensure more volumes become secure, it is imperative that a new gas architecture be reset to ensure jurisdictional and stakeholder competitiveness.

This will require the recalibration of upstream and downstream agreements, and a re-evaluation of risk-sharing mechanisms. Policy considerations will also have to revisit the allocation of limited natural gas resources between export and domestic markets—in the interest of all stakeholders and to ensure a more equitable impact on government revenue.

However, it is NGC that has historically been at the centre of the value chain, taking both market and supply risks and inspiring the development of an entire generation of petrochemical plants which gave birth to the world-renowned Trinidad and Tobago Natural Gas Model we have today. Yet, circumstances have changed, the gap in price expectations has widened, with the upstream and downstream sectors not in alignment. The challenge is: NGC must balance expectations, and align the sectors for risk-sharing contract terms and fair pricing.

In this context, the NGC Group will continue to explore the most efficient way to reconfigure operations to execute its multiple roles as aggregator, natural gas merchant, business developer, pipeline and internationally integrated energy company, in delivering superior value to its shareholders—the Government and citizens of the Republic of Trinidad and Tobago.

Chairman's Review (continued)

An important step in that process was building the organisational capacity to execute the task at hand effectively. During 2017, the Group's structure was operationalised and is working smoothly. All senior executive positions have been staffed with experienced, well-respected and highly competent people.

The Group's strategy has been articulated and ongoing, synergistic collaboration among the respective subsidiary Presidents will ensure sharpened, professional execution. There is now assignment of personnel across the Group in an organised manner, facilitating professional growth while enhancing productivity and competitiveness. Our Board is confident that our team can produce results that are sustainable and which will consistently improve.

In 2017, the NGC Group strengthened its corporate governance framework to mitigate the risks of corporate fraud, and civil and/or criminal liabilities. Key elements of this strategy include the revision of Delegation of Authorities Manual which embeds financial authorities that govern all decision-making. Additionally, the Group has implemented flash reporting and has adapted public company reporting standards. The Company's Auditors have also expressed an Unqualified Audit Opinion following the audit of the financial statements. This gives the stakeholders the assurance that the risk exposures of the recent past will not be repeated.

Forging the Future – Imperative for Growth

In 2017, the Group Strategic Plan was revisited, re-evaluated and where appropriate, revised. Pursuant to NGC's aspiration to be a profitable, globally integrated organisation with consistent growth at 12% Compounded Average Growth Rate ('CAGR') by 2020, our strategy will focus on operating excellence as well as organic and non-organic growth, the seeds of which have been planted in 2017.

Provinces of interest to the NGC Group

Organic growth

As indicated publicly, NGC will continue to assess carefully and, where appropriate, take equity positions (approved by Management and shareholders) in projects locally, within the region and internationally. NGC holds a 20% equity interest in CGCL which will come on stream in 2019, allowing the Group to add 140,000 metric tons of methanol per year to its marketing and trading portfolio. NGC will expand the marketing activities of the Commodity Trading Desk to include the sale of methanol and any additional LNG cargoes that may arise out of renegotiated contractual agreements for LNG Train 1, and Government's cargoes which may become available under Production Sharing Contracts ('PSCs') with upstream producers. This can augment the current NGL cargoes self-produced and bulk-purchased for resale by PPGPL. NGC will continue to explore new opportunities for further expansions along the value chain.

Inorganic growth

NGC will also focus on mergers and acquisitions. With assets of more than TT$43 billion and a debt-to-equity ratio of less than 11%, the NGC Group can leverage its balance sheet to finance profitable expansion.

Chairman's Review (continued)

Thus, we are continuously evaluating, both at home and abroad, appropriate projects and opportunities which can provide synergistic growth, internationalise the NGC Group footprint, and enhance shareholder worth along the value chain. Such investments will assist in dampening revenue volatility and in improving earnings potential.

Work on this front has accelerated in the 2018-19 time frame, and it will be supported by due diligence with respect to legal, financial, human resource and tax planning requirements. A key element will also be the digitisation of the Group to improve Operational Excellence. NGC will be replacing its legacy IT systems with an advanced IT business solution which will improve business efficiencies and accountability.

The introduction of this new system will enable the NGC Group to become more advanced, agile and future-focused. Major benefits to be derived will include: the Group's ability to embed governance metrics and practices into the system so that all approvals happen on one system; the provision of data-cleansing, and the better use of predictive analytics in areas involving pipeline maintenance, inventory management and fuelling to improve margins, profitability and value creation.

Appreciation

The Group owes a debt of gratitude to the Management and Staff across the NGC Group who have worked tirelessly and single-mindedly to improve Group safety, productivity and results.

Through their efforts, they have collectively contributed to rekindling national respect for the NGC parent company and the Group, as the flagship State Enterprise in the local natural gas–based energy sector.

I wish to particularly commend Staff for their contribution to our Group strategy, for their forthright questions and comments at the employee forums, and for their invaluable support of Management in the delivery of corporate mandates.

As Chairman, I am confident that a meaningful foundation has been laid in 2017, and that the NGC Group is now well-positioned to forge an exciting future.

Gerry C. Brooks
Chairman

> NGC will continue to lead the way in resetting the market architecture and applying value chain analyses to ensure a more equitable distribution of risks and rewards across the value chain.

Mark Loquan
President

President's Report

I am delighted to report on the year 2017, which was my first year as President of The National Gas Company of Trinidad and Tobago Limited ('NGC' or the 'Company'). This was a testing yet exciting year for the Company, as we worked assiduously at implementing our Corporate Strategic Plan 2016-2020. Addressing challenges related to the availability of natural gas supply and the expiration of key contracts on both ends of the local value chain remained our top priority. At the same time, our enhanced financial performance, improved safety culture and our progress on key strategic transformation initiatives gave impetus to our prospects and our sustainability as a key player in the natural gas-based energy sector of Trinidad and Tobago.

NGC's 2016-2020 Strategic Plan

The Plan positions NGC to grow and expand by taking an approach that maximises its contracts and operational excellence and increases returns from its key and support subsidiaries and investments. Our strategy is built around four pillars which outline how the Company can respond to the market and achieve sustainability:

- **Develop the Organisation**
- **Secure Current Business**
- **Grow Locally and Internationally**
- **Strengthen National Contribution**

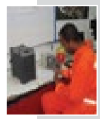
In reporting on the performance of the Company for 2017, it is perhaps most appropriate to examine our performance under each of the strategic pillars, addressed as follows.

Securing Current Business

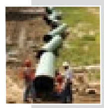
During 2017, NGC implemented several plans to enhance prospects for the current business. I am pleased to report that the problem of gas curtailment has been substantially stabilised, but it would still require careful navigation by all stakeholders in the short to medium-term before new sources of gas come on stream. As anticipated in our last Annual Report, the Trinidad Onshore Compression ('TROC') project commenced operations in April 2017 while the BP Juniper platform commenced delivery of natural gas in September 2017. These projects resulted in improved reliability and capacity in the system, and less fluctuations in supply conditions. In addition, NGC encouraged closer collaboration between the companies operating along the value chain to minimise negative impacts from planned and unplanned disruptions, thus ensuring greater all-round efficiency in natural gas delivery. NGC is also examining bottlenecks and is focused on molecular optimisation of the network.

New natural gas supply contracts were settled with BP Trinidad and Tobago LLC ('BPTT') and EOG Resources in the second quarter of 2017.

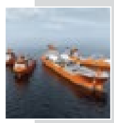
Pillars of the NGC Group Strategic Plan 2016-2020



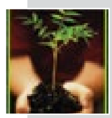
Develop Organisation



Secure Current Business



Grow Locally & Internationally



Strengthen National Contribution

President's Report (continued)

These new contracts secure our natural gas supply requirements over the medium-term. New discoveries by BPTT in the Savannah and Macadamia marine fields provide an additional 2 TCF of proven natural gas resources and support long-term development of the domestic natural gas-based energy sector. Further steps are being taken to secure additional supplies of natural gas from small and marginal fields operated by independent producers. NGC has a keen interest in these fields and has hired a dedicated resource to do geological investigations into the marginal fields in the country's offshore acreage and to work closely with the Ministry of Energy and Energy Industries and all relevant parties.

Commemorating the completion of Gas Contract Negotiations with BPTT

Looking further afield, NGC has been actively involved with other stakeholders, including the State, to accelerate negotiations with the Venezuelan authorities to access natural gas supplies from that country's Dragon marine field. The project reached an important milestone on 15 March 2017, when a Heads of Agreement was signed between NGC, Shell and Petróleos de Venezuela, S.A. ('PDVSA') for the advancement of the project to commercial decision. The Dragon project is expected to produce an estimated 150 to 250 mmscf/d in phases over the period 2020 to 2023.

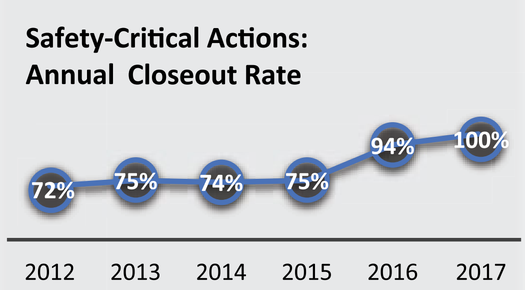
The year 2018 will see more contract negotiations with suppliers and downstream customers while aiming to keep the Point Lisas Industrial Estate and Trinidad and Tobago competitive, recognising that the acquisition cost of gas has significantly increased. As a leadership team, we are of the view that the market fundamentals have changed in several ways. As the country's sole merchant aggregator for the non-LNG sectors, NGC will continue to lead the way in resetting the market architecture and applying value chain analyses to ensure a more equitable distribution of risks and rewards across the value chain.

Asset Integrity Management was another critical area of focus and received high visibility in 2017 throughout the entire Group of Companies. NGC's lamentable below-national average score in the National Facilities Audit in 2016, raised several red flags requiring urgent attention. Guided by recommendations of consultants Det Norske Veritas ('DNV'), a comprehensive remediation programme was implemented.

President's Report (continued)

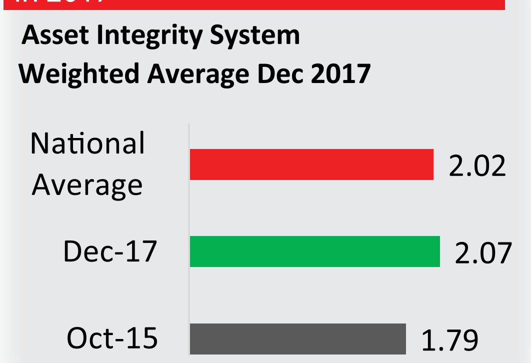
The results achieved by the organisation have been commendable, but there is still a long journey ahead. The Company now exceeds the national average and is empowered to press on with additional work on the equipment side.

Closeout Rate for Critical Audits



Source: NGC Office of Strategy Management

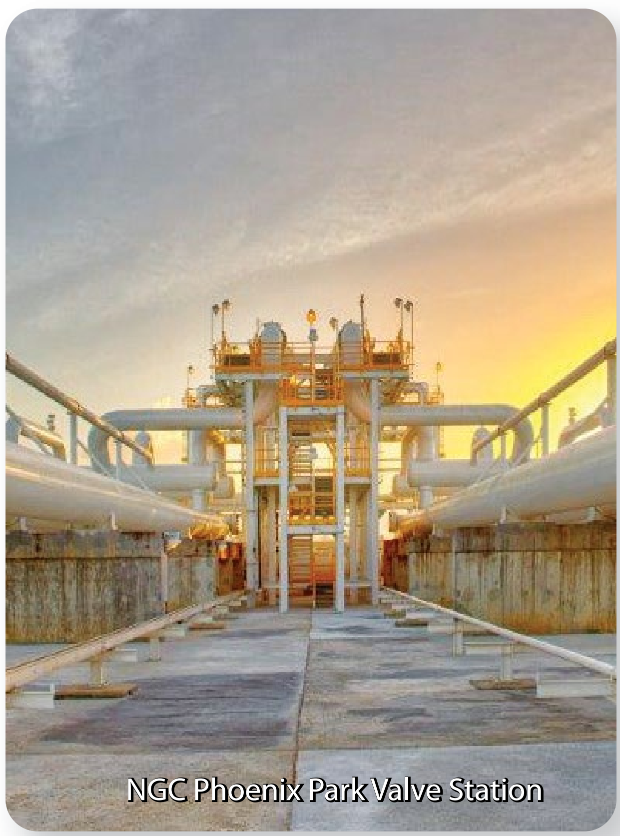
NGC Improvement in Asset Integrity in 2017



Source: NGC Office of Strategy Management

Relatedly, a risk management framework plan was rolled out and implemented during 2017 across all the companies in the NGC Group, ensuring that there was a common methodology being adopted and ingrained in the management routines. The changes in terms of our risk mitigation efforts can only be described as dramatic. In 2017, the Company closed some 80% of its P1 Audits compared with zero the previous year. This supports our 'licence-to-operate' objectives and helps to make the business more sustainable.

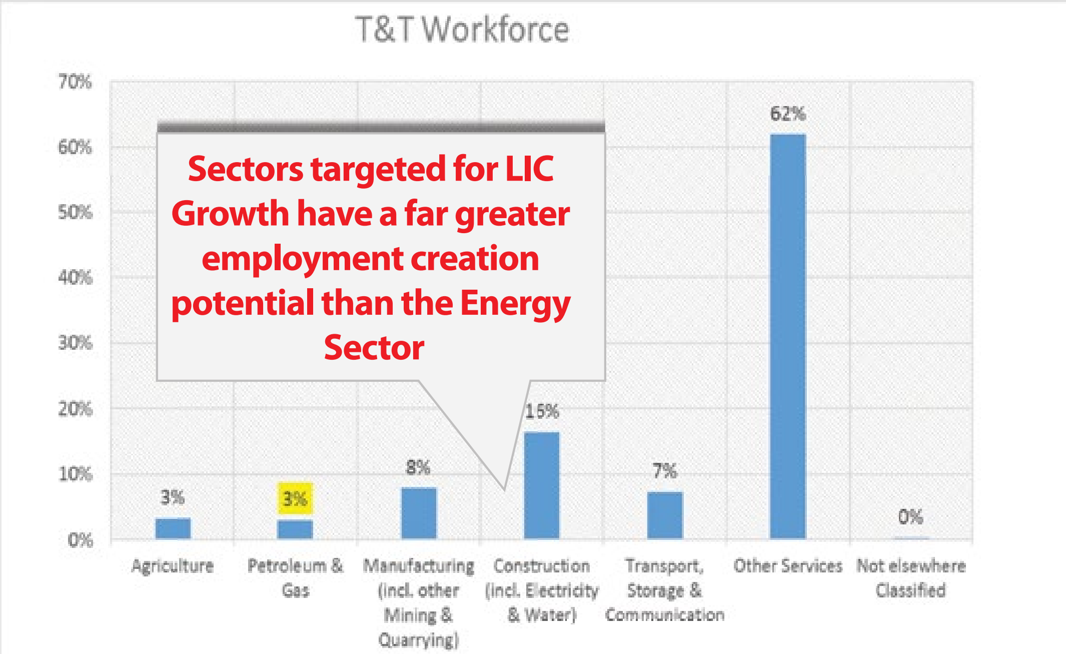
Effective project management creates value for the organisation while weak project management can be a drain on its resources. Thus, in our quest to revamp the NGC business model for value maximisation, project delivery—on time and within costs—continues to be a major area of focus. Two long-outstanding projects were brought closer to fruition. The Phoenix Park Valve Station ('PPVS') Project is carded to be commissioned in the 2nd quarter of 2018. Working in collaboration with the other partners at Petrotrin and NP, the Liquid Fuel Pipeline Project at Frederick Settlement is closer to completion and is expected to be commissioned by the end of second quarter 2018.



NGC Phoenix Park Valve Station

President's Report (continued)

T&T Employment by Sector



Source: CBTT, Review of Economy 2017

NGC is also seeking to deepen its engagement with the Light Industrial Commercial ('LIC') sector. Outreach to this sector, which consumes approximately 1.2% of NGC's gas but employs thousands, began in 2017 and will continue into 2018. A new portal is being constructed for NGC's website which will serve as an interface between the Company and LIC customers, and enable closer collaboration and more targeted communication. Several other engagement initiatives including bi-annual forums will be implemented.

Arrears continue to build with the Trinidad and Tobago Electricity Commission ('T&TEC'), with several discussions taking place on a new contract, and the possible move to power tranches in the future by all upstream suppliers. At the same time, significant discussion has been generated on renewables and energy efficiency, optimisation and debottlenecking, so that the gas molecules can be used for greater value in the petrochemical sector.

Growing Locally and Internationally

Significant attention is being paid to exploring business opportunities within and outside of our borders. NGC has been actively seeking opportunities not just within Trinidad and Tobago but also abroad. NGC is increasing its presence in the gas value chain through upstream acquisitions and/or downstream investments.

President's Report (continued)

NGC already has a portfolio of upstream interests in the South-East Coast Consortium ('SECC'), Teak, Samaan and Poui Fields ('TSP') and in the Angostura Field. In 2017, the Company acquired Petrotrin's 20% interest in Block 1a (Iguana and Zandolie Fields in the Gulf of Paria) with De Novo Energy. Indeed, access to our own supply of natural gas can potentially reduce the average price of acquisition, improve margins and increase competitiveness. In the downstream, NGC will continue to look for new opportunities, particularly in developmental projects nurtured by National Energy.

Aerial View of the Point Lisas Industrial Estate

Outside our shores, the Company had a very active year regionally building the brand and cementing relationships. Members of the leadership teams have made presentations on the business and marketable expertise at conferences in Jamaica, Cuba, Suriname and Guyana. Keen interest has been generated in the Trinidad and Tobago Natural Gas Model of Development and the experience and capabilities of its personnel.

At the global level, NGC has reconnected with prospects in East and West Africa setting the stage for potential investment collaboration. In Mozambique, a Memorandum of Understanding ('MOU') was signed with the State-owned petroleum company Empresa Nacional De Hidrocarbonetos E.P. ('ENH'). Further discussions were held with government representatives regarding pipeline construction and management, gas processing and other prospects of mutual interest. Similar talks have been held with officials in Ghana and Tanzania. Visits to/from Trinidad and Tobago to further such deliberations are expected to continue in 2018.

Developing the Organisation

Human Resources

Our success in achieving the targeted growth and transformation of the organisation requires the development of our people by equipping them with the necessary competency skills and attitudes. There were three main areas of focus in 2017—safety, competency development and employee engagement. Our goal is to be a transformative and adaptive organisation. An initial step in that process is to ensure that the organisation possesses the quality and quantity of competencies required for the tasks at hand. Our Competency Knowledge Skills Development ('CKSD') Project seeks to identify gaps in competency, knowledge and skills of each employee.

President's Report (continued)

This assessment then informs the Employee Development Plan and associated training to close any gaps identified. The project is ongoing and by the end of 2017, 40% of staff had completed the process.

HSSE

2017 HSSE Performance

YTD 31 December 2017

MAN-HOURS WORKED: 1,859,295

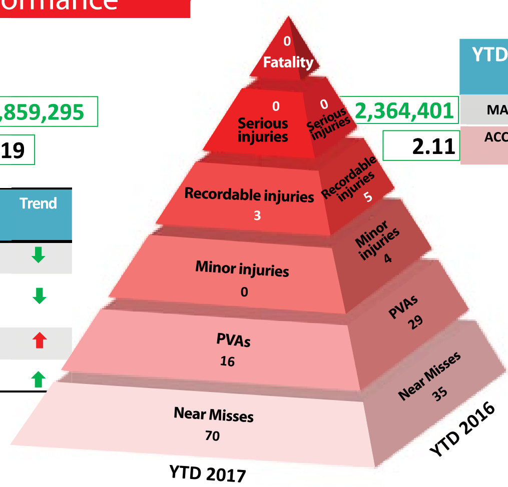
ACCIDENT FREQUENCY RATE: 2.19

YTD 31 December 2016

MAN-HOURS WORKED: 2,364,401

ACCIDENT FREQUENCY RATE: 2.11

Performance Indicators	YTD 2016	YTD 2017	Trend
PVAs	29	16	↓
Recordable Injuries	5	3	↓
Days Lost	38	73	↑
Near Misses	35	70	↑



NGC has aligned its process safety management with risk management methodology. Unplanned or uncontrolled releases of materials, including non-toxic and non-flammable materials, for example steam, hot condensate or compressed air from operations, and 'Near Misses', recorded due to weaknesses in an operational situation, are being stringently measured in terms of their impact on the receiving environment, any lost time injury, illness or disability.

We have also committed to making a step change in safety culture through learning and observation. Our safety culture change programme 'Let's Connect' has been warmly embraced by employees. The programme has exceeded its targets and has contributed to a landmark 40% reduction in motor vehicle accidents compared to the previous year with an ambition to go even further in 2018.

Strategic Communications

In a dynamic business environment, communication is important to keep staff abreast of developments in the Company. During 2017, three scheduled quarterly town hall meetings were held to communicate with and inform all staff of the Company's performance and ongoing developments in the Group. We have also introduced monthly employee focus groups to allow for one-on-one communications with staff on topical issues that impact them as a body. Team-building interventions to strengthen intra-departmental harmony and foster a culture of cooperation have become part of the culture change landscape.

Strengthening National Contribution

NGC has had a very proud record of contributing to national development through its Corporate Social Responsibility programmes. In 2017, NGC continued with its traditional programmes in the areas of arts and culture, youth development and sport. Long-standing signature events and partnerships—NGC Sanfest, NGC Bocas Lit Fest, NGC Right on Track, Youth Elite Athletic Programme and Championship Month, support to Habitat for Humanity, Police Youth Clubs, steel and tassa bands—continued to contribute to the empowerment and positive personal development of thousands of young citizens.

President's Report (continued)

However, given our commitment to provide greater value added from our social investments, NGC developed additional pioneering projects in 2017.

Launch of the "Invicta" Exhibit
L to R: Prof. Rhoda Reddock, UWI Professor; Prof. Brian Copeland, UWI Principal; Mark Loquan, President NGC; H.E. Hasely Crawford, TC and Wendell Mottley

The first was the National Heroes Project, which involves the annual recognition of the contribution of one national achiever. This project is meant to present our exemplars to the next generation. Icons to be honoured as part of this programme are to be selected based on their contribution to a chosen field of endeavour and their agreement to participate in the project. In 2017, Mr. Hasely Crawford was identified by NGC as the inaugural honouree, being Trinidad and Tobago's first Olympic Gold Medallist. Mr. Crawford has made a significant contribution to the society given his Olympic triumph and subsequent pursuits in national track and field development during his tenure as Head of Community Relations at NGC.

The programme of activities honouring Hasely included:

- The curation and exhibition of his life—this project was done in collaboration with The University of the West Indies St Augustine ('The UWI') and the National Library and Information System Authority of Trinidad and Tobago ('NALIS')
- A roving exhibition throughout Trinidad and Tobago, facilitated by NALIS and hosted at libraries nationwide. School-children were specially invited to tours to view the display—with Hasely on hand on selected days to interact with the visitors. A permanent location will be identified for the exhibit
- The creation of a site as part of The UWI Virtual Museum where the exhibit material will be digitised and displayed.

The late Pat Bishop—Trinity Cross-holder, historian, educator, artist and musician—has been identified as the upcoming honouree for 2018. Pat Bishop was Musical Director of the Lydian Singers, which was sponsored by NGC from 1991 to 2014, as a result of which lasting relationships were forged among NGC, Pat and the choir.

The 2018 programme will seek to preserve, promote and sustain the legacy of Pat Bishop for future generations in the spheres of art, literature and music.

The second pioneering project is the NGC Music Literacy Project. Currently, NGC provides full sponsorship to three steelbands in our site communities. In 2017, NGC, in collaboration with the bands, their arrangers and The UWI, agreed to record, score, package and distribute their Panorama music to schools and music institutions locally. This initiative's intent is to assist with the development of a cadre of young pan players who can read sheet music. It also seeks to preserve indigenous pan music, promote music literacy and ultimately strive towards sustainability in Trinidad and Tobago's approach to culture from preservation and educational perspectives.

President's Report (continued)

NGC's Head Office at the Point Lisas Industrial Estate

Outlook

At the end of a challenging year, NGC stands stronger and better-equipped to meet the future. The natural gas supply picture in 2018 and beyond should show appreciable improvement compared with previous years. Business processes are being revamped with the aim of leveraging technology to make them more efficient. Performance has been improved and the Company is poised to exploit viable investment opportunities as it seeks to expand beyond our shores, regionally and internationally. Talent management and the creation of a learning organisation are imperatives for us going forward. However, as a Company and country we still need to navigate troubled waters related to the alignment of expectations with respect to risks and rewards from the local natural gas value chain.

NGC stands ready to bring immense value to its role as aggregator, merchandiser and key player representing the interests of Trinidad and Tobago.

In closing, I wish to thank the Chairman and Board of Directors for providing visionary leadership and unflagging support in the task of rebuilding a platform for growth at NGC. Special thanks as well to our Management and Staff for their dedication to working safely and efficiently in the interest of the Company and country. All are welcome aboard, gratefully, as we seek to awaken and sustain the potential and creative spirit of our people to launch NGC to the next level.

Mark Loquan

Mark Loquan
NGC President

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Board of Directors

1 **Professor Andrew Jupiter**
Director

2 **Mr. Kenneth Allum**
Director

3 **Mr. Sham Mahabir**
Director

Building a Better Future Today

4 **Mr. Marcus Ganness**
Director

5 **Mr. Gerry C. Brooks**
Chairman

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

For the Year Ended 31 December 2017

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December 2017.

1. **BUSINESS ACTIVITIES**

During 2017, the Group continued to diligently pursue its core business of the purchase, transmission, distribution, processing and sale of natural gas and the aggregation, fractionation and marketing of natural gas liquids to industrial and commercial users, 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 Group also has strategic investments in the downstream and upstream segments of the natural gas value chain.

2. **FINANCIAL RESULTS**

The NGC Group recorded Profit after Taxation of TT$0.99 billion which was TT$0.27 billion or 37.26% greater than the 2016 reported profit of TT$0.72 billion.

Group revenues increased by TT$2.98 billion from TT$10.90 billion in 2016 to TT$13.88 billion in 2017. The increase in revenues was primarily driven by increases in ammonia and methanol prices which increased by 2% and 61%, respectively. Consequently, gross profit increased to TT$3.42 billion in 2017 from TT$2.06 billion in 2016, an increase of TT$1.36 billion or 66%. The higher gross profit was partly eroded by higher expenses and taxation charges resulting in Net Profit of TT$0.98 billion from TT$0.72 billion in 2016.

Dividends of TT$1.42 billion were paid during the year 2017 to the Ministry of Finance as compared to the amount of TT$1.41 billion paid in 2016.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017 is set out below:

	2017 $'000	2016 $'000
Sales	13,880,519	10,903,340
Cost of sales	(10,459,136)	(8,846,781)
Gross profit	3,421,383	2,056,559
Other operating income	359,253	410,216
Interest, investment and other income	536,930	480,206
Administrative, maintenance & general expenses	(1,642,139)	(1,192,656)
Impairment expense	(238,953)	(202,537)
Finance costs	(146,421)	(240,217)
Share of loss from associate	(10,138)	(16,866)
Other expenses	6,026	(26,934)
Loss of foreign exchange transactions	(34,265)	(47,261)
Profit for the year before taxation	2,251,676	1,220,510
Taxation	(1,262,476)	(499,817)
Profit for the year after taxation	**989,200**	**720,693**

For the Year Ended 31 December 2017

2. **FINANCIAL RESULTS** (continued)

	2017 $'000	2016 $'000
Other comprehensive income, net of taxes:		
Items that will not be reclassified subsequently to profit or loss		
Re-measurement of net defined benefit liability	11,035	(17,628)
Income tax relating to net defined benefit liability	(3,862)	6,170
Revaluation surplus on pipeline (net of income tax)	-	2,207,474
Foreign currency translation differences	59,092	1,092,271
	66,265	3,288,287
Items that may be reclassified subsequently to profit or loss		
Net unrealised loss on available-for-sale financial assets	(18,501)	(513,571)
Total other comprehensive income for the year, net of tax	47,764	2,774,716
Total comprehensive income for the year	**1,036,964**	**3,495,409**

3. **DIRECTORS**

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

1 January 2017 to 31 December 2017

- Mr. Gerry C. Brooks – Chairman
- Professor Andrew Jupiter – Director
- Mr. Kenneth Allum – Director
- Mr. Sham Mahabir – Director
- Mr. Marcus Ganness – Director
- Mr. Hadyn A. Gittens – Director (Resigned from the Board of NGC with effect from 31 July 2017)

The NGC Board held fourteen (14) meetings for the period 1 January to 31 December 2017.

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:

1 January 2017 to 31 December 2017

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

The Audit Committee held eight (8) meetings in 2017.

For the Year Ended 31 December 2017

3. **DIRECTORS** (continued)

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

1 January 2017 to 31 December 2017

- Mr. Gerry C. Brooks – Chairman
- Mr. Kenneth Allum
- Mr. Marcus Ganness
- Mr. Hadyn A. Gittens (Resigned from the Board of NGC with effect from 31 July 2017)

The Finance and Investment Committee held seven (7) meetings in 2017.

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

1 January 2017 to 31 December 2017

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

The Tenders Committee held ten (10) meetings in 2017.

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

1 January 2017 to 31 December 2017

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

The Human Resources Committee held six (6) meetings in 2017.

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

1 January 2017 to 31 December 2017

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

The Operations Committee held eight (8) meetings in 2017.

4. **AUDITORS**

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

Dated this 27th day of March, 2018

By ORDER OF THE BOARD
Maria Thorne
Company Secretary

Consolidated Financial Statements

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited (the 'Company'), and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Mark Loquan

Mark Loquan
President

19 March 2018

Narinejit Pariag.

Narinejit Pariag
Vice President, Finance and Information Management

19 March 2018

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 2017, 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 2017 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 auditor's 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.

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.

Independent Auditor's Report (continued)
to the shareholder of The National Gas Company of Trinidad and Tobago Limited

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

21 March 2018

Consolidated Statement of Financial Position

As at 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

ASSETS	Notes	2017 $'000	2016 $'000
Non-current assets			
Property, plant and equipment	5	17,458,611	17,783,425
Capital assets and licences	6	2,301,979	2,513,564
Investment properties	7	578,840	583,150
Goodwill	8	2,413,929	2,407,897
Other intangible assets	9	949	7,256
Investment in associate	10	325,968	308,367
Other financial assets	11	2,412,422	2,521,017
Financial assets at fair value through profit or loss	12	600,537	475,809
Loans receivable	13	325,333	538,826
Net investment in leased assets	14	394,983	530,135
Deferred tax asset	15	589,830	907,557
Deferred expenses	16	9,039	785,333
Debt reserve funds	17	116,083	114,867
Total non-current assets		27,528,503	29,477,203
Current assets			
Cash and cash equivalents	18	6,434,290	4,551,557
Short-term investments	19	437,227	1,243,082
Loans receivable	13	224,647	381,117
Net investment in leased assets	14	136,161	95,778
Accounts receivable	20	6,438,147	5,203,752
Sundry debtors and prepayments	21	695,972	626,546
Inventories	22	306,356	214,636
Deferred expenses	16	856,416	95,505
Income taxes receivable		378,472	291,982
Total current assets		15,907,688	12,703,955
Total assets		**43,436,191**	**42,181,158**

The accompanying notes on pages 39 to 139 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (continued)

As at 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2017 $'000	2016 $'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	5,382,847	5,425,791
Retained earnings		16,550,972	17,008,162
Total equity attributable to owners of the parent		24,227,277	24,727,411
Non-controlling interests	43 (d)	2,786,415	2,106,648
Total shareholder's equity		27,013,692	26,834,059
Non-current liabilities			
Deferred tax liability	15	5,601,356	5,354,765
Borrowings	26	2,700,355	2,881,050
Deferred income	27	135,083	138,439
Provisions	28	908,826	954,962
Post-retirement, medical and group life obligation	29	148,334	167,234
Pension obligation	30	88,268	103,889
Take-or-pay liability	31	-	782,162
Total non-current liabilities		9,582,222	10,382,501
Current liabilities			
Trade payables	32	4,203,310	2,822,944
Sundry payables and accruals	33	2,263,456	1,793,737
Borrowings	26	188,885	183,691
Deferred income	27	145,281	146,239
Dividends payable		5,072	3,373
Income taxes payable		34,273	14,614
Total current liabilities		6,840,277	4,964,598
Total liabilities		16,422,499	15,347,099
Total equity and liabilities		**43,436,191**	**42,181,158**

The accompanying notes on pages 39 to 139 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 19 March 2018.

: Gerry C. Brooks, Chairman *: Kenneth Allum, Director*

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2017 $'000	2016 $'000
Sales	34	13,880,519	10,903,340
Cost of sales	34	(10,459,136)	(8,846,781)
Gross profit		3,421,383	2,056,559
Other operating income	35	359,253	410,216
Interest, investment and other income	36	536,930	480,206
Administrative, maintenance & general expenses	37	(1,642,139)	(1,192,656)
Impairment expense	38	(238,953)	(202,537)
Finance costs	39	(146,421)	(240,217)
Share of loss from associate	40	(10,138)	(16,866)
Other expenses		6,026	(26,934)
Loss of foreign exchange transactions		(34,265)	(47,261)
Profit for the year before taxation		2,251,676	1,220,510
Taxation	41	(1,262,476)	(499,817)
Profit for the year after taxation		**989,200**	**720,693**
Other comprehensive income, net of taxes:			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability	30	11,035	(17,628)
Income tax relating to net defined benefit liability		(3,862)	6,170
Revaluation surplus on pipeline (net of income tax)		-	2,207,474
Foreign currency translation differences		59,092	1,092,271
		66,265	3,288,287
Items that may be reclassified subsequently to profit or loss			
Net unrealised loss on available-for-sale financial assets		(18,501)	(513,571)
Total other comprehensive income for the year, net of tax		47,764	2,774,716
Total comprehensive income for the year		**1,036,964**	**3,495,409**

The accompanying notes on pages 39 to 139 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 2017

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2017 $'000	2016 $'000
Profit for the year after tax attributable to:			
- Owners of the parent		805,617	599,090
- Non-controlling interests		183,583	121,603
		989,200	**720,693**
Total comprehensive income for the year, net of tax attributable to:			
- Owners of the parent		851,338	3,334,908
- Non-controlling interests		185,626	160,501
		1,036,964	**3,495,409**

The accompanying notes on pages 39 to 139 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

	Share capital $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance as at 1 January 2017	1,855,266	438,192	5,425,791	17,008,162	24,727,411	2,106,648	26,834,059
Profit for the period after taxation	-	-	-	805,617	805,617	183,583	989,200
Other comprehensive income for the period, net of tax	-	-	38,548	7,173	45,721	2,043	47,764
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(81,492)	81,492	-	-	-
Disposal of partial interest in subsidiary	-	-	-	70,736	70,736	720,751	791,487
Dividends (Note 52)	-	-	-	(1,422,208)	(1,422,208)	(226,610)	(1,648,818)
Balance as at 31 December 2017	**1,855,266**	**438,192**	**5,382,847**	**16,550,972**	**24,227,277**	**2,786,415**	**27,013,692**
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**

The accompanying notes on pages 39 to 139 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash generated from operations	42	2,518,532	1,604,466
Pension and other post-retirement contributions paid		(48,095)	(49,673)
Income taxes paid		(775,255)	(571,555)
Income taxes paid by Ministry of Energy and Energy Industries		(7,663)	(1,323)
Income tax refunds received during the year		4,244	226
Interest paid		(191,028)	(194,384)
Interest received		347,206	440,665
Net cash generated from operating activities		1,847,941	1,228,422
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(373,640)	(241,212)
Purchase of capital assets and licences		19,138	(327,681)
Purchase of investment property		(25,661)	(39,317)
Proceeds from disposal of property, plant and equipment		3,955	5,537
Net change in short-term investments		807,810	(769,038)
Proceeds from sale/redemption of investments		867,403	11,309
Repayment of loans receivable		396,738	331,987
Dividends received		151,911	164,492
Net cash generated from/(used in) investing activities		1,847,654	(863,923)
Cash flows from financing activities			
Repayment of borrowings		(183,911)	(176,978)
Decrease in debt reserve funds		(920)	(239)
Dividends paid	52	(1,647,102)	(1,810,727)
Net cash used in financing activities		(1,831,933)	(1,987,944)
Net increase/(decrease) in cash and cash equivalents		1,863,662	(1,623,445)
Net foreign exchange difference on cash balances		19,071	(198,128)
Cash and cash equivalents at beginning of year		4,551,557	6,373,130
Cash and cash equivalents at end of year	18	**6,434,290**	**4,551,557**

The accompanying notes on pages 39 to 139 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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, pipeline and related facilities and financial assets 'at fair value through profit or loss' ('FVTPL'), 'available-for-sale' ('AFS') 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 shareholder's 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.

Changes in the Group's ownership interests in existing subsidiaries

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 re-measured 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 re-measured 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 re-measured 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 does not have 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

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

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.

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 re-measurement 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 or 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 interest 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

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

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.

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 or 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 or 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

2.8 **Non-current assets held for sale** (continued)

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.

2.9 **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 and 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$6.7628 to US$1 (2016: TT$6.7459 to US$1) and the average exchange rate was TT$6.7540 to US$1 (2016: TT$6.6408 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**

Pipeline and 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 (5) to seven (7) years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount.

The pipeline 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 five (5) to sixty (60) years, but not exceeding 31 December 2076.

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

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

Any revaluation increase arising on the revaluation of such pipeline 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 pipeline 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.

Depreciation on revalued pipeline and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

2.11 **Intangible assets** (continued)

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, and are recognised in profit or loss when the asset is derecognised.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

2.12 **Impairment of tangible and intangible assets other than goodwill** (continued)

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.

2.14 **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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

2.14 **Taxation** (continued)

b) **Deferred tax** (continued)

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.

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For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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.

Notes to the Consolidated Financial Statements

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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 FVTPL, 'held-to-maturity' investments, 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.

Notes to the Consolidated Financial Statements

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(Amounts expressed in Trinidad and Tobago dollars)

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

2.16 **Financial instruments** (continued)

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

The Group 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 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 re-measurement 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**

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 considers 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 AFS 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

2.16 **Financial instruments** (continued)

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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.

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For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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')*
The inventory represents LNG produced and stored by Atlantic LNG for Trinidad and Tobago LNG Limited ('TTLNG'). The valuation of inventory includes cost of gas, processing fee and transportation cost.

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 (3) 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 or loss net of any reimbursement, if the effects of the time value of money is material.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 reforestation**

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**

NGC, National Energy Corporation of Trinidad and Tobago Limited ('National Energy') and NGC CNG Company Limited ('NGC CNG') have a defined benefit pension plan which covers all of their 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 (3) 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. Re-measurement, 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. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

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

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

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
- re-measurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'administrative, maintenance and general expenses'. Reduction of 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 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**

The employees of Phoenix Park Gas Processors Limited ('PPGPL') are under a defined contribution plan which came in effect from 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 PPGPL and is funded by payments from employees and employer taking into account the recommendations of independent qualified actuaries. The Company'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 2017, 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. **Significant accounting policies** (continued)

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.

2.26 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.

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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 IFRSs 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 2017.

- **Amendments to IAS 7 Disclosure Initiative**

  The amendments of IAS 7 'Statement of Cash Flows' require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

  The Group's liabilities arising from financing activities consist of borrowings (Note 26).

  A reconciliation between the opening and closing balances of these items is provided in Note 26. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 26, the application of these amendments has no impact on the Group's 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 has assessed that the application of these amendments did not have an impact on the consolidated financial statements.

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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 to IFRS Standards 2014–2016 Cycle**

The *Annual Improvements to IFRS 2014-2016* includes an amendment to IFRS 12, which is summarised below.

IFRS 12 — Clarified the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs 10B–16B (summarised financial information for subsidiaries, joint ventures and associates), applies to an entity that has an interest in subsidiaries, joint arrangements, associates and unconsolidated structure entities, that are classified as held for sale, as held for distribution or as discontinued operation in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

The Management of the Group has assessed that the application of these amendments did not have an impact on the consolidated financial statements.

3.2 **New and revised IFRSs 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 (1)
• IFRS 15	Revenue from Contracts with Customers (1)
• IFRS 16	Leases (2)
• Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (1)
• Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)
• Amendments to IAS 40	Transfers of Investment Property (1)
• Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle (1)
• IFRIC 22	Foreign Currency Transactions and Advance Consideration (1)
• IFRIC 23	Uncertainty over Income Tax Treatments (2)

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

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(Amounts expressed in Trinidad and Tobago dollars)

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

3.2 **New and revised IFRSs 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 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.

- 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

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

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

Key requirements of IFRS 9 (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 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 bases as is currently adopted under IAS 39.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

3.2 **New and revised IFRSs 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 Group anticipates that the application of IFRS 9 in the future may have an 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.

- **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 anticipates that the application of IFRS 15 in the future may have an 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.

(Amounts expressed in Trinidad and Tobago dollars)

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

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

- **IFRS 16 'Leases'**

  IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 'Leases' and the related interpretations when it becomes effective.

  IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

  The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability.

  The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

  Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

  In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

  The Management of the Group anticipates that the application of IFRS 16 in the future may have an 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.

- **Amendments to IFRS 2 Classification and Measurement of the Share-Based 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

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

- **Amendments to IFRS 2 Classification and Measurement of the Share-Based Payment Transactions** (continued)

  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-based 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 or loss immediately.

  The amendments clarify the following:

  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 does not anticipate that the application of the amendments in the future will have any 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.

  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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

3.2 **New and revised IFRSs 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)

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

- **Amendments to IAS 40 Transfers of Investment Property**

  The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

  The amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

  The Management of the Group anticipates that the application of these amendments may have an impact on the consolidated financial statements in future periods should there be a change in use of any of its properties.

- **Annual Improvements to IFRS Standards 2014-2016 Cycle**

  The *Annual Improvements* includes amendments to IFRS 1 and IAS 28 which are not yet mandatorily effective for the Group. The package also includes amendments to IFRS 12 which is mandatorily effective for the Group in the current year — see Note 3.1 for the details of application.

  The amendments to IAS 28 clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture. In respect of the option for the entity that is not an investment entity ('IE') to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture. The amendments apply retrospectively with earlier application permitted.

  Both the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018.

  The Management of the Group does not anticipate that the application of the amendments in the future will have any impact on the consolidated financial statements as the Group is neither a first-time adopter of IFRS nor a venture capital organisation.

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For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

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

- **IFRIC 22 'Foreign Currency Transactions and Advance Consideration'**

  IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on the initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset on non-monetary liability.

  The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

  The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

  The Management of the Group does not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements. This is because the Group already accounts for transactions involving the payment or receipt of advance consideration in a foreign currency in a way that is consistent with the amendments.

- **IFRIC 23 'Uncertainty over Income Tax Treatments'**

  The Interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

  - Whether tax treatments should be considered collectively
  - Assumptions for taxation authorities' examinations
  - The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - The effect of changes in facts and circumstances

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

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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 is 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 has 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.

4.2 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)
- *Revaluation*
  (Refer to Note 5 (a) – Property, plant and equipment: Revaluation of pipeline 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)

Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

4.2 **Key sources of estimation uncertainty** (continued)

- *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)

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(Amounts expressed in Trinidad and Tobago dollars)

5. Property, plant and equipment

	Freehold land $'000	Leasehold property $'000	Development costs $'000	Machinery & equipment $'000	Pipeline & related facilities $'000	Exploration & production assets $'000	Gas plant & other related assets $'000	Offshore plant & equipment $'000	Marine infrastructural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2017												
Opening net book value	93,874	195,116	500	27,003	11,455,045	168,470	4,242,320	-	417,963	44,007	1,139,127	17,783,425
Additions	4,481	-	-	2,763	5,505	6,220	1,513	-	54,329	3,246	295,125	373,182
Transfers	-	-	-	12,831	486,861	-	30,899	-	294,552	16,515	(841,988)	(330)
Disposals	-	-	-	-	-	-	-	-	-	(777)	-	(777)
Depreciation for year	-	(3,747)	(80)	(11,569)	(274,900)	(25,956)	(348,905)	-	(42,735)	(18,316)	-	(726,208)
Impairment	-	-	-	-	-	3,179	-	-	-	-	(716)	2,463
Foreign exchange difference	65	461	-	18	(4,815)	362	4,344	-	-	101	26,320	26,856
Closing net book value	**98,420**	**191,830**	**420**	**31,046**	**11,667,696**	**152,275**	**3,930,171**	**-**	**724,109**	**44,776**	**617,868**	**17,458,611**
At 31 December 2017												
Cost	98,420	272,390	2,562	183,639	11,992,510	1,028,217	5,469,988	493,532	1,275,614	206,828	1,587,303	22,611,003
Accumulated depreciation/ impairment	-	(80,560)	(2,142)	(152,593)	(324,814)	(875,942)	(1,539,817)	(493,532)	(551,505)	(162,052)	(969,435)	(5,152,392)
Net book value	**98,420**	**191,830**	**420**	**31,046**	**11,667,696**	**152,275**	**3,930,171**	**-**	**724,109**	**44,776**	**617,868**	**17,458,611**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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

	Freehold land $'000	Leasehold property $'000	Development costs $'000	Machinery & equipment $'000	Pipeline & related facilities $'000	Exploration & production assets $'000	Gas plant & other related assets $'000	Offshore plant & equipment $'000	Marine infrastructural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2016												
Opening net book value	89,807	188,342	735	21,127	8,567,734	45,103	4,490,062	-	432,513	48,134	982,236	14,865,793
Additions	2,879	1,351	-	6,086	9,396	13,421	-	1,859	11,544	9,134	185,296	240,966
Transfers	-	-	-	6,256	3,106	-	4,439	-	4,367	6,861	(60,143)	(35,114)
Disposals	-	(27)	-	(71)	-	-	-	-	(5)	(1,241)	-	(1,344)
Revaluation increase	-	-	-	-	3,399,716	-	-	-	-	-	-	3,399,716
Depreciation for year	-	(3,691)	(235)	(7,067)	(197,552)	(7,716)	(344,099)	-	(30,456)	(20,494)	-	(611,310)
Impairment	-	-	-	-	(729,294)	99,261	-	(1,859)	-	-	(15,165)	(647,057)
Foreign exchange difference	1,188	9,141	-	672	401,939	18,401	91,918	-	-	1,613	46,903	571,775
Closing net book value	**93,874**	**195,116**	**500**	**27,003**	**11,455,045**	**168,470**	**4,242,320**	**-**	**417,963**	**44,007**	**1,139,127**	**17,783,425**
At 31 December 2016												
Cost	93,874	271,929	2,562	168,027	11,504,959	1,021,635	5,433,234	493,532	926,733	187,743	2,107,845	22,212,073
Accumulated depreciation/ impairment	-	(76,813)	(2,062)	(141,024)	(49,914)	(853,165)	(1,190,914)	(493,532)	(508,770)	(143,736)	(968,718)	(4,428,648)
Net book value	**93,874**	**195,116**	**500**	**27,003**	**11,455,045**	**168,470**	**4,242,320**	**-**	**417,963**	**44,007**	**1,139,127**	**17,783,425**

Notes to the Consolidated Financial Statements

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(Amounts expressed in Trinidad and Tobago dollars)

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

a) **Revaluation of pipeline and related facilities**

The Group revalues its pipelines every five (5) to seven (7) years. The Management approved an independent valuation, performed by PricewaterhouseCoopers Limited at 31 December 2016, of the pipeline 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 sixty (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 $2,670.3 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 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.

b) **Pipeline and related facilities**

i. Included in 'Pipeline 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 2017, the Group has recorded a provision of $39.9 million (2016: $39.8 million) for compensation payable to owners of land along Rights of Way of the Group's pipelines.

iii. In December 2017, Phoenix Park Valve Station ('PPVS') Upgrade was commissioned and transferred to fixed asset at a cost of $453.4 million.

c) **Assets under construction**

Included in assets under construction as at 31 December 2017 is cost relating to the Pig Launcher for BPTT Cassia platform of TT$55.3 million (US$8.1 million), Beachfield Condensate Facility TT$133.7 million (US$19.7 million) and the Liquids Contingency Handling at PPVS TT$26.8 million (US$4.0 million).

Details of the Group's pipeline and related facilities 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 2017	-	**11,667,696**	-	**11,667,696**
At 31 December 2016	-	**11,455,045**	-	**11,455,045**

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 $6,703.0 million as at 31 December 2017 (2016: $6,434.3 million).

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6. Capital assets and licences

	Block 2c $'000	Block 3a $'000	Total $'000
Year ended 31 December 2017			
Balance at 1 January	2,499,358	14,206	2,513,564
Additions/(reversals)	(18,458)	(680)	(19,138)
Depreciation, depletion and amortisation expense	(269,265)	-	(269,265)
Impairment reversal (Note 6 (a))	73,683	-	73,683
Foreign exchange gain	3,094	41	3,135
Closing net book value	**2,288,412**	**13,567**	**2,301,979**
At 31 December 2017			
Cost	4,079,912	55,240	4,135,152
Accumulated depreciation, depletion and amortisation expense	(1,791,500)	(41,673)	(1,833,173)
Net book value	**2,288,412**	**13,567**	**2,301,979**
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 6 (a))	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**

In 2013, the Group acquired NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. which together held 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 nine (9) 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 (d) – Impairment expense).

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For the year ended 31 December 2017

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7. Investment properties

	Buildings $'000	Freehold land $'000	Development costs $'000	Fabrication Yard $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2017						
Opening net book value	109,694	46,465	373,460	27,285	26,246	583,150
Additions	1,095	-	23,007	-	1,559	25,661
Transfers	-	-	25,791	-	(25,791)	-
Depreciation for year	(3,964)	-	(24,469)	(1,538)	-	(29,971)
Closing net book value	**106,825**	**46,465**	**397,789**	**25,747**	**2,014**	**578,840**
At 31 December 2017						
Cost	600,539	46,465	643,182	45,174	2,014	1,337,374
Accumulated depreciation/impairment	(493,714)	-	(245,393)	(19,427)	-	(758,534)
Net book value	**106,825**	**46,465**	**397,789**	**25,747**	**2,014**	**578,840**
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**

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7. **Investment properties** (continued)

	2017 $'000	2016 $'000
Amounts recognised in the statement of profit or loss		
Rental income from investment properties	30,833	29,659
Direct operating expenses	3,259	2,469

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 cognisance of the forecasted 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 5.72%. As a result of this analysis, no impairment was recognised by Management for 2017 (2016: no impairment).

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 2018 financial budgets prepared by Management and approved by the Board of Directors and extrapolated for a four-year period, at a discount rate of 4.63%. As a result of this analysis, no impairment was recognised by Management for 2017 (2016: no impairment).

The fair values of investment properties were estimated as follows:

	2017 $'000	2016 $'000
Union Industrial Estate	362,159	303,375
Brighton Materials Storage and Handling Warehouse Facility	175,796	87,954
Land situated at fabrication yard	159,668	137,312
At 31 December	**697,623**	**528,641**

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8. Goodwill

	2017 $'000	2016 $'000
Balance at beginning of the period	2,407,897	2,264,941
Effects of movement in foreign exchange rates	6,032	142,956
Balance at end of the period	**2,413,929**	**2,407,897**

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 additional disposal of 26% of the parent's investment in Trinidad and Tobago NGL Limited ('TTNGL'), the Group currently holds a 50.55% 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 sixteen-year period to the year 2033, and a discount rate of 12.1% per annum which was based on an estimate of the weighted average cost of capital. Cash flows beyond the sixteen-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 12.1%
- Long range production volumes to Point Lisas
- Long range natural gas liquids projections

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

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9. Other intangible assets

	2017 $'000	2016 $'000
Opening net book value	7,256	15,211
Additions at cost	458	246
Transfers	330	-
Disposals	-	(2)
Depreciation expense	(7,104)	(8,836)
Foreign exchange difference	9	637
Closing net book value	**949**	**7,256**
Cost	133,168	132,049
Accumulated depreciation	(132,219)	(124,793)
Net book value	**949**	**7,256**

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

	2017 $'000	2016 $'000
Investment in Caribbean Gas Chemical Limited	**325,968**	**308,367**

NGC Petrochemicals Limited is a fully-owned subsidiary. The subsidiary was incorporated in Trinidad and Tobago on 22 April 2016 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 a Methanol and Dimethyl Ether ('DME') plant to produce initially 20,000 metric tons per year ('MTPY') of DME.

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11. Other financial assets

	2017 $'000	2016 $'000
Investments comprise the following:		
Held-to-maturity investments (Note 11 (a))	258,211	262,534
Available-for-sale financial assets (Note 11 (b))	2,154,211	2,257,518
Other	-	965
	2,412,422	**2,521,017**

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 comprise the following:

	2017 $'000	2016 $'000
Petrotrin bonds	24,939	30,116
Government of Trinidad and Tobago bonds	22,035	21,708
Home Mortgage Bank Limited bonds	211,237	210,710
	258,211	**262,534**

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.

	2017 $'000	2016 $'000
First Citizens Bank Limited – shares	27,323	30,162
Petrotrin bonds	143,524	150,523
Corporate bonds/shares	796,174	732,636
Other listed shares	934,382	1,085,379
Shares – unlisted	252,808	258,818
	2,154,211	**2,257,518**

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

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

Other listed shares

Available-for-sale financial assets consist of investments in ordinary shares and the first unit scheme of the Trinidad and 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.

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. These investments comprise:

	2017 $'000	2016 $'000
Atlantic 1 Holdings LLC	63,469	63,310
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	189,339	188,866
National Helicopter Services Limited	-	6,642
	252,808	**258,818**

12. **Financial assets at fair value through profit or 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 $225.70 million (US$35.50 million) in two 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-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 2017 was $600.50 million (US$88.80 million) (2016: $475.80 million (US$70.50 million)). The fair value gain/loss in respect of this investment is credited/charged to the statement of profit or loss.

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13. Loans receivable

	2017 $'000	2016 $'000
Trinidad and Tobago Electricity Commission (T&TEC) (Note 13 (a))	154,432	462,142
Less: Impairment of T&TEC	(2,990)	(17,474)
	151,442	444,668
Atlantic LNG 4 Group of Trinidad and Tobago Limited (Note 13 (b))	325,333	365,741
Atlantic LNG Group of Trinidad and Tobago Unlimited (Note 13 (c))	73,205	109,534
	549,980	919,943
Current portion	(224,647)	(381,117)
Long-term portion	**325,333**	**538,826**

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 seven (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 $14.5 million during 2017.

The fair value of the long-term loan receivable was $151.4 million at 31 December 2017 (2016: $444.7 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 2017, the Group has contributed US$112.0 million (2016: 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 3.4280% (2016: 2.8977%). This loan is expected to mature on 15 December 2020.

Loan repayments of US$6.1 million (2016: US$2.2 million) were made during the year. The loan balance at 31 December 2017 is US$48.1 million (TT$325.3 million), (2016: US$54.2 million/ TT$365.7 million).

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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 10% of the total loan facility.

The term facility was funded on 30 August 2011. The loan is repayable in five 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 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 2017 was 2.4498% (2016: 1.7056%).

14. **Net investment in leased assets**

	2017 $'000	2016 $'000
Finance lease - gross investment	931,232	1,194,645
Less: unearned finance charges	(400,088)	(568,732)
	531,144	**625,913**
Gross investment in leased assets has the following maturity profile:		
Within 1 year	273,063	265,741
1 to 5 years	488,914	724,222
Over 5 years	169,255	204,682
	931,232	**1,194,645**
Net investment in leased assets has the following maturity profile:		
Within 1 year	136,161	96,286
1 to 5 years	300,940	428,421
Over 5 years	94,043	101,206
	531,144	**625,913**
Current	136,161	95,778
Non-current	394,983	530,135
	531,144	**625,913**

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14. **Net investment in leased assets** (continued)

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 Texaco 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:

	2017 $'000	2016 $'000
Deferred tax asset:		
Asset retirement obligation	427,573	447,573
Post-retirement, medical and group life and pension obligation	82,810	105,108
Property, plant and equipment (net of valuation allowance)	-	81,804
Tax losses	25,011	211,786
Accrued interest expense	32,856	32,959
Other	21,580	28,327
	589,830	**907,557**
Deferred tax liability:		
Property, plant and equipment	**5,601,356**	**5,354,765**
Movement in net deferred tax balance:		
Balance at 1 January	4,447,208	3,159,873
Tax charge recognised in profit or loss	629,680	21,361
Charge recognised in other comprehensive income	-	1,186,073
Fair value measurement of net assets acquired:		
- in profit or loss	(71,343)	(71,164)
Foreign exchange translation	5,981	151,065
Balance as at the end of the year	**5,011,526**	**4,447,208**

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16. Deferred expenses

	2017 $'000	2016 $'000
Take-or-pay (Note 16 (a))	837,121	835,028
Capacity rights (Note 16 (b))	21,079	38,967
Other	7,255	6,843
	865,455	**880,838**
Current	856,416	95,505
Non-current	9,039	785,333
	865,455	**880,838**

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 and take gas volumes, if available. The expenditure is only recognised on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period. If the supplier is unable to supply the make-up gas volumes within the stipulated time period, no expenditure would be incurred by the buyer.

b) **Capacity rights**

The Group has acquired reserved capacity rights in a 36-inch 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

	2017 $'000	2016 $'000
Cash at banks	**6,434,290**	**4,551,557**

a) Cash at banks earns interest at floating rates based on daily deposit rates. The fair value of cash is $6.4 billion (2016: $4.6 billion).

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18. **Cash and cash equivalents** (continued)

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

	2017 $'000	2016 $'000
Cash at banks	6,434,290	4,551,557

19. **Short-term investments**

	2017 $'000	2016 $'000
Short-term investments	437,227	1,243,082

a) Short-term investments are made for varying periods of between one (1) day and twelve (12) 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 $437.2 million (2016: $1.2 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 2017 which have matured and were not repaid.

c) CIB experienced financial and liquidity issues. As such, 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 and Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of the Republic of Trinidad and Tobago. Therefore, the investment note certificates and the related accrued interest were fully impaired as at 31 December 2008 as there was no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December 2017.

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 and the liquidator has accepted the claim. DIC has commenced proceedings to distribute assets in proportion to creditors' entitlements.

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20. Accounts receivable

	2017 $'000	2016 $'000
Trade receivables	**6,438,147**	**5,203,752**

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

As at 31 December 2017, trade receivables impaired and fully provided for totalled $432.4 million (2016: $151.2 million). Movements in the allowance for impairment of receivables were as follows:

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2017	8,953	142,237	151,190
Charge for year	1	286,064	286,065
Reversal of prior year impairment	-	(4,806)	(4,806)
At 31 December 2017	**8,954**	**423,495**	**432,449**
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**

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21. Sundry debtors and prepayments

	2017 $'000	2016 $'000
Sundry debtors and prepayments comprise the following:		
Due from the GORTT - billed	416,375	311,598
Due from the GORTT - not yet billed	3,806	64,528
Impairment charge - Liquid Fuel Pipeline (Note 21 (a))	(325,008)	(290,214)
	95,173	85,912
Prepayments	198,394	101,843
Staff related balances	1,131	8,050
Related party balances	4,677	1,193
Value Added Tax	116,983	201,239
Interest receivable	28,268	32,461
Accrued income	22,197	2,460
Other	229,149	193,388
	695,972	**626,546**

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-à-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

	2017 $'000	2016 $'000
LNG	78,033	16,792
Consumable spares	142,597	154,623
TSP spares	32,439	7,175
NGLs	76,974	57,354
Stock of crude oil	1,496	6,209
Other	1,587	1,780
Allowance for slow moving and obsolete stock	(26,770)	(29,297)
	306,356	**214,636**

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23. Share capital

Authorised

An unlimited number of ordinary shares of no par value

Issued and fully paid

	2017 $'000	2016 $'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 NGC.

25. Other reserves

	2017 $'000	2016 $'000
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax (Notes 2.10,5)	3,248,687	3,330,179
Unrealised gain on available-for-sale financial assets (Note 2.16 (e))	655,592	637,091
Foreign currency translation (Note 2.9)	1,478,568	1,458,521
	5,382,847	**5,425,791**

26. Borrowings

	2017 $'000	2016 $'000
US $400M 30-year bond (Note 26 (a))	2,261,957	2,255,334
CALYON Bank Limited (Note 26 (b))	308,924	401,112
First Citizens Bank Limited (Note 26 (c))	318,359	408,295
	2,889,240	3,064,741
Current portion	(188,885)	(183,691)
Non-current portion	**2,700,355**	**2,881,050**

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26. **Borrowings** (continued)

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 and 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 $2,805.6 million (US$414.9 million) at 31 December 2017 (2016: TT$2,698.6 million/ US$400.0 million).

The total bond re-purchased by the Group is US$60.3 million as at 31 December 2017 (2016: US$60.3 million).

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 Crédit 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-year long-term loan. The principal is repayable in thirty 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 2017, all drawdowns are Eurodollar rate advances. The Group has entered into an interest rate hedge with Crédit Agricole Bank effective 1 December 2005 for fifteen (15) years, for 50% of the financing (US$100 million) at a fixed rate of interest of 4.98% per annum.

The impact of this hedge in 2017 was a decrease in interest expense in the amount of TT$6.65 million (2016: TT$9.32 million). The fair value of the loan at 31 December 2017 is TT$311.51 million (2016: TT$402.52 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

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26. **Borrowings** (continued)

c) The Group has a long-term loan with First Citizens Bank Limited maturing in March 2021, which was disbursed on 26 March 2016, at a fixed interest rate of 2.04%. Semi-annual payments of principal and interest for the loan commenced in September 2016. The loan facility is unsecured and was used to repay the outstanding balances on two long-term senior bonds due April 2017 and April 2020.

	2017 $'000	2016 $'000
Maturity profile of borrowings		
In 1 year or less	188,885	183,691
In more than 1 year but not more than 2 years	193,484	188,413
In more than 2 years but not more than 3 years	199,435	193,000
In more than 3 years but not more than 4 years	45,479	198,936
In more than 4 years but not more than 5 years	-	45,367
In more than 5 years	2,261,957	2,255,334
	2,889,240	**3,064,741**

27. **Deferred income**

	2017 $'000	2016 $'000
Gas sales (Note 27 (a))	85,452	85,239
Non-refundable capital contributions (Note 27 (b))	19,266	28,878
Capital grants (Note 27 (c))	79,897	85,165
Transportation tariff (Note 27 (d))	47,805	51,667
Pier user charges (Note 27 (e))	17,136	16,904
Other	30,808	16,825
	280,364	**284,678**
Current	145,281	146,239
Non-current	135,083	138,439
	280,364	**284,678**

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27. **Deferred income** (continued)

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 shippers reserve capacity, which is billed one (1) month in advance.

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

28. **Provisions**

	Asset retirement obligation $'000	Environmental obligation $'000	Total $'000
Year ended 31 December 2017			
Balance as at 1 January 2017	954,962	-	954,962
Increase/(decrease) in provision	(48,530)	-	(48,530)
Foreign currency translation	2,394	-	2,394
Balance as at 31 December 2017	**908,826**	**-**	**908,826**
Current portion	-	-	-
Non-current portion	908,826	-	908,826
	908,826	**-**	**908,826**
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**

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28. **Provisions** (continued)

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, 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.

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

Funding

The parent provides both medical and life benefits to its retirees; the benefits are determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and medical cost inflation. Due to the long-term nature of these plans such estimates are subject to significant uncertainty. The Plan has no assets. The parent expects to pay $0.39 million and $2.09 million in post-retirement life and medical respectively, in 2018.

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

	2017 %	2016 %
Medical cost inflation	5.75	5.75
Discount rate	5.50	5.50
General salary increases	4.00	4.00

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 2016 and 2017 are as follows:

	2017	2016
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

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

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

	2017 $'000	2016 $'000
Current service cost	7,966	7,783
Net interest on net defined benefit liability	9,117	8,862
Net benefit cost	**17,083**	**16,645**
Re-measurement recognised in other comprehensive income		
Experience losses	(33,448)	(9,640)
Total amount recognised in other comprehensive income	**(33,448)**	**(9,640)**

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

	2017 $'000	2016 $'000
Present value of defined benefit obligation	148,334	167,234
Net defined benefit liability	**148,334**	**167,234**
Reconciliation of opening and closing statement of financial position:		
Opening defined benefit liability	167,234	162,453
Net benefit cost	17,083	16,645
Re-measurement recognised in other comprehensive income	(33,448)	(9,640)
Group contributions paid	(2,535)	(2,224)
Closing defined benefit obligation	**148,334**	**167,234**
Movement in present value of defined benefit obligation:		
Defined benefit obligation at start of year	167,234	162,453
Current service cost	7,966	7,783
Interest cost	9,117	8,862
Re-measurements:		
Experience adjustments	(33,448)	(9,640)
Group's premiums paid	(2,535)	(2,224)
Defined benefit obligation at end of year	**148,334**	**167,234**

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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 2016 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 three (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 pensions during 2018.

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:

	2017 %	2016 %
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 2016 and 2017 are as follows:

	2017	2016
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

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30. **Pension obligation** (continued)

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

	2017 $'000	2016 $'000
Current service cost	24,332	24,465
Net interest on net defined benefit liability	3,598	4,164
Past service cost	-	(204,577)
Administration expenses	998	1,007
Net benefit cost	**28,928**	**(174,941)**
Re-measurement recognised in other comprehensive income:		
Experience gain/(losses)	22,413	27,268
Total amount recognised in other comprehensive income	**22,413**	**27,268**

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:

	2017 $'000	2016 $'000
Present value of defined benefit obligation	935,621	875,074
Fair value of plan assets	(847,353)	(771,185)
Deficit	88,268	103,889
Net defined benefit liability	**88,268**	**103,889**
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit liability	103,889	319,036
Net pension cost	28,928	(174,942)
Re-measurement recognised in other comprehensive income	22,413	27,268
Group contributions paid	(66,962)	(67,473)
Closing defined benefit obligation	**88,268**	**103,889**
Movement in present value of defined benefit obligation:		
Defined benefit obligation at start of year	875,074	1,026,826
Current service cost	24,332	24,465
Interest cost	46,715	44,331
Members contribution	11,993	12,084
Post service cost/(credit)	-	(204,577)
Re-measurements:		
Experience adjustments	29,612	4,778
Benefits paid	(52,105)	(32,833)
Defined benefit obligation at end of year	**935,621**	**875,074**

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30. **Pension obligation** (continued)

Movement in fair value of plan assets/asset allocation:

	2017 $'000	2016 $'000
Fair value of plan assets at start of year	771,185	707,791
Interest income	43,117	40,169
Return on plan assets excluding interest income	7,199	(22,492)
Group contributions	66,962	67,473
Members contributions	11,993	12,084
Benefits paid	(52,105)	(32,833)
Expenses	(998)	(1,007)
Fair value of plan assets at end of year	**847,353**	**771,185**
Asset allocation:		
Locally listed equities	196,056	142,448
Overseas equities	112,630	83,687
Government issued bonds	269,560	234,033
Corporate bonds	171,964	196,789
Mutual funds	13,946	14,540
Cash and cash equivalents	77,882	94,048
Annuities	5,315	5,640
Fair value of plan assets at end of year	**847,353**	**771,185**
Re-measurement recognised in Other Comprehensive Income:		
Experience losses/(gains)		
Pension	22,413	27,268
Post-retirement, medical and group life (see Note 29)	(33,448)	(9,640)
Experience (gains)/losses at end of year	**(11,035)**	**17,628**

All asset values as at 31 December 2017 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.

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30. **Pension obligation** (continued)

The majority of the Plan's bonds were issued by the Government of the Republic of Trinidad and 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 and 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 time frame 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 with contractual agreements.

32. **Trade payables**

	2017 $'000	2016 $'000
Trade payables are settled on 30-day terms	4,203,310	2,822,944

33. **Sundry payables and accruals**

	2017 $'000	2016 $'000
Interest – Board of Inland Revenue	11,008	3,170
Interest – other	89,675	89,730
Material/service amounts	1,883,648	1,434,854
Contract provisions	196,961	221,496
Employee related accruals	82,164	44,487
	2,263,456	1,793,737

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.

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34. **Sales and cost of sales**

	2017 $'000	2016 $'000
Sales		
Gas sales	9,459,663	7,370,658
Natural gasoline	991,285	928,238
Natural gas liquids sales	1,425,290	937,336
Condensate sales	21,370	24,860
Transportation tariffs income	286,619	271,640
Compression charges income	-	(504)
Crude oil income	490,593	350,294
Rental income	30,833	29,659
LNG sales	844,352	693,026
Marine facilities and services income	330,514	298,133
	13,880,519	**10,903,340**
Cost of sales		
Gas purchases	8,079,566	7,042,224
Feedstock purchases	813,814	662,450
Depreciation	677,638	468,361
Production taxes including supplemental petroleum taxes	58,414	239
Maintenance cost	66,808	83,801
Dredging	64,111	-
Staff cost	78,277	82,349
Royalties	29,770	23,517
Exploration and production costs	209,038	155,281
Other operating cost	381,700	328,559
	10,459,136	**8,846,781**

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35. Other operating income

	2017 $'000	2016 $'000
Lease income	1,556	23,700
Interest income – Dolphin lease	170,764	231,207
Operating and maintenance fees income – Dolphin/Beachfield pipeline and other	127,550	133,791
Project management fees income – GORTT	830	1,828
Amortisation of non-refundable capital contribution	9,190	8,785
Other income	49,363	10,905
	359,253	**410,216**

36. Interest, investment and other income

	2017 $'000	2016 $'000
Investment income	35,418	22,200
Interest income – related party income	24,653	32,669
Net gain on financial asset through profit or loss	123,375	112,581
Available-for-sale financial assets	32,296	35,075
Held-to-maturity investments	24,202	8,185
Fair value gain on T&TEC loan and other receivables	17,495	25,428
Net gain on disposal of equities	-	3,228
Dividend income – AFS investments	138,223	152,351
Interest and investment income	**395,662**	**391,717**
LNG production payments	141,268	88,489
Other income	**141,268**	**88,489**
	536,930	**480,206**

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37. Administrative, maintenance and general expenses

	2017 $'000	2016 $'000
Staff costs (see below) *	381,072	350,440
Post-retirement obligation	50,617	(153,767)
Depreciation, depletion and amortisation	354,909	349,907
Allowance for irrecoverable receivables	(10,222)	49,613
Operations and maintenance - Dolphin Pipeline	122,035	148,467
Capacity charge - Dolphin Pipeline	229,935	-
Material, service and contract labour	73,494	88,512
Professional fees	149,201	65,343
Other	291,098	294,141
	1,642,139	**1,192,656**
Staff costs:		
Wages and salaries	448,136	421,621
National Insurance	11,213	11,168
Pension and post-retirement medical and group life	50,617	(153,767)
	509,966	**279,022**
Staff costs included within:		
Cost of sales (Note 34)	78,277	82,349
Administrative and general expenses *	381,072	350,440
Pension and post-retirement medical and group life	50,617	(153,767)
	509,966	**279,022**

38. Impairment expense

	2017 $'000	2016 $'000
Impairment on other receivables (Note 38 (a))	308,401	31,387
Impairment on other financial assets (Note 38 (b))	6,649	-
Impairment of capital spares	(207)	1,859
Property, plant and equipment – other assets	(2,923)	633,757
Property, plant and equipment – Beetham Waste Water Project (Note 38 (c))	716	15,165
Capital assets and licences (Note 38 (d))	(73,683)	(479,631)
	238,953	**202,537**

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38. **Impairment expense** (continued)

a) **Other receivables – TT$308.4M**

Liquid Fuel Pipeline Project – TT$34.0M

The Group's management reviewed the recoverability in its investment in Liquid Fuel Pipeline Project as at 31 December 2017. This assessment led to an impairment of the total cost incurred on the project for 2017 of TT$34.0 million (2016: TT$31.4 million).

Trinidad and Tobago Electricity Commission – TT$274.4M

The Group's management assessed the settlement of Trinidad and Tobago Electricity Commission ('T&TEC') receivables as at 31 December 2017. Based on the expected timing of cash flows within two (2) to four (4) years, a fair value adjustment was recorded in the amount of TT$274.3 million.

b) **Other financial assets – TT$6.6M**

The Group's management reviewed the recoverability in its investment in National Helicopter Services Limited as at 31 December 2017. This assessment led to an impairment of the total investment of TT$6.6 million.

c) **Beetham Waste Water Project ('BWWP')**

The Group's management reviewed the recoverability in its investment in Beetham Waste Water Project as at 31 December 2017. The assessment led to an impairment of the total cost incurred on the project for 2017 of TT$0.7 million (2016: TT$15.2 million).

d) **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 11.41% interest in Block 3a of the Greater Angostura Field assets.

Management conducted an impairment assessment with the assistance of an independent valuation expert (to compute the weighted average cost of capital) of NGC E&P Investment (Netherlands) B.V., interest in Block 2c, as at 31 December 2017.

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 nine-year period from 2018 to 2026 and a discount rate of 10.10% 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 10.10%
- The Group's entitlement of gas assets was estimated between a range of 16.91% to 22.50% of total gas revenue and oil entitlement was estimated between a range of 14.01% to 18.30%, over the nine-year period

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38. **Impairment expense** (continued)

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

- Gas revenue is forecasted to remain relatively stable, hovering at an average of $45.1 million over the period 2018 to 2024 based on the assumed gas prices ranging between $2.19 to $3.24 per Mmbtu. In 2025, the projected gas revenue was $27.2 million with an assumed gas price of $3.12 per Mmbtu. In 2026, the contract period January to April is forecasted to produce gas revenue $6.3 million with an assumed average gas price of $3.09 per Mmbtu
- Oil and gas production is expected to steadily decline for the forecasted period.

The impairment assessment led to the recognition of a reversal of impairment loss in the amount of $73.68 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 or loss and other comprehensive income for the year.

Based on the cash flows 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 9.11%
b) Discount rate was increased by 100 basis points to 11.11%
c) Discount rate was increased by 200 basis points to 12.11%

From the scenarios above, while holding all other variables constant, the impairment loss will increase/(decrease) 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 $52.0 million.
– Scenario (b), where discount rate was increased by 100 basis points, while holding all other variables constant, will decrease the impairment reversal by $48.0 million.
– Scenario (c), where discount rate was increased by 200 basis points, while holding all other variables constant, will decrease the impairment reversal by $93.8 million.

Currently Block 3a is in its Market Development Phase where the operator plans to develop the recently discovered reserves.

39. **Finance costs**

	2017 $'000	2016 $'000
Interest	194,889	198,538
Decommissioning – unwinding of discount rate	(48,468)	32,485
Take-or-pay interest	-	9,194
	146,421	**240,217**

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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	
		2017	**2016**
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.

	2017 $'000	2016 $'000
Share of loss from associate	**10,138**	**16,866**

41. Taxation

	2017 $'000	2016 $'000
Corporation tax	638,407	414,177
Petroleum profit tax	12,726	41,622
Business levy	2,277	50,926
Green fund levy	50,729	42,895
	704,139	549,620
Deferred tax expense	558,337	(49,803)
	1,262,476	**499,817**

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41. **Taxation** (continued)

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate:

	2017 $'000	2016 $'000
Profit for the year before taxation	2,251,676	1,220,510
Tax at the rate of 35%	788,087	427,179
Tax exempt income	(112,952)	(146,850)
Non-deductible (income)/expenses	109,293	20,916
Permanent differences	15,220	13,209
Other differences	(3,608)	530
Prior years' tax	88,125	12,330
Business levy	2,277	50,927
Green fund levy	50,729	42,895
Increase in valuation allowance	28,252	6,909
Tax effect of subsidiaries at different rate	147,162	(44,951)
Deferred tax asset on tax losses	5,929	597
Tax losses utilised	41,490	-
Deferred tax resulting from change in tax rate	-	9,448
Effect of oil and gas assets taxed at a different rate	6,281	36,401
Foreign exchange translation	96,191	70,277
Income tax expense	**1,262,476**	**499,817**

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42. **Cash generated from operations**

	2017 $'000	2016 $'000
Profit for the year before taxation	2,251,676	1,220,510
Adjustments to reconcile profit for the year before taxation with net cash from operating activities:		
Depreciation	763,283	645,673
Impairment of property, plant and equipment	(3,130)	(93,679)
Amortisation of capital assets and licences	269,265	172,591
Reversal of impairment of capital assets and licences	(73,683)	(479,631)
Impairment of assets under construction	716	15,165
Impairment of other receivables	308,401	31,387
Revaluation of pipelines	-	729,294
Impairment on other financial assets	6,649	-
Gain on disposal of property, plant and equipment	(3,760)	(7,063)
Share of loss in associate	10,138	16,866
Increase in deferred income	547	52,994
Decrease in deferred expenses	24,358	211,209
Post-retirement costs	29,137	(169,214)
Penalty	(3,028)	-
Dividend income	(151,903)	(166,327)
Gain on disposal of other financial assets	-	(3,224)
Amortisation of deferred income	(5,268)	(5,237)
Finance costs	146,421	240,217
Interest income on finance lease	(170,764)	(231,206)
Interest and investment income	(228,243)	(220,101)
Operating profit before working capital changes	3,170,812	1,960,224
Working capital changes:		
Increase in accounts receivable and sundry debtors	(1,623,467)	(48,725)
(Increase)/decrease in inventories	(91,064)	32,754
Increase/(decrease) in trade creditors, sundry creditors and accruals	1,062,251	(339,787)
Cash flows from operating activities	**2,518,532**	**1,604,466**

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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 2017	2016
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	25%	51%

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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 2017	2016
SUBSIDIARIES (continued)				
NGC Trinidad and Tobago LNG 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%

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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 2017	2016
SUBSIDIARIES (continued)				
NGC E&P Investments Limited (effective 27 January 2017)	Investment holding company which holds 20% share investment in DeNovo Energy Block 1a Limited	Trinidad and Tobago	100%	–
NGC Group Captive Insurance (Barbados) Limited (effective 29 December 2016)	To provide wider range of insurance coverage to business operations and minimise their financial risk of the NGC Group	Barbados	100%	–
SUB-SUBSIDIARIES				
Phoenix Park Gas Processors Limited	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	50.55%	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%

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43. **Subsidiaries** (continued)

b) Wholly-owned subsidiaries

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2017	2016
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	Trinidad and Tobago	1	-
Exploration, development and production of oil and gas	Netherlands	2	2
Self-Insurance	Barbados	1	-
Intermediate holding companies	Trinidad and Tobago	1	1
	Barbados	2	2
	Netherlands	1	1
		13	**11**

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43. **Subsidiaries** (continued)

c) Non-wholly-owned subsidiaries

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2017	2016
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**

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43. **Subsidiaries** (continued)

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

Name of Company	Place of incorporation and operation	Proportion of shareholding and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Phoenix Park Gas Processors Limited	Trinidad and Tobago	10%*	10%*	55,528	42,040	168,336	160,687
Trinidad and Tobago NGL Limited due to additional sale of shares in July 2017 to general public	Trinidad and Tobago	75%*	49%*	69,550	80,338	(47,843)	(49,099)
NGC Trinidad and Tobago LNG Limited	Trinidad and Tobago	37.84%	37.84%	4,465	6,543	64,857	63,928
NGC NGL Company Limited	Trinidad and Tobago	20%	20%	56,993	42,654	231,312	214,443
Share capital for non-controlling interest arising on the disposal of interest in 75% of Trinidad and Tobago NGL Limited						2,079,090	1,358,339
Fair value adjustment to non-controlling interest in PPGPL						256,390	321,123
Individually immaterial subsidiaries with non-controlling interests						34,273	37,227
Total						**2,786,415**	**2,106,648**

* In 2017, NGC sold an additional 26% of its investment in Trinidad and Tobago NGL Limited ('TTNGL'). Following the disposal of the additional shares in TTNGL in 2017, the parent's interest in Phoenix Park Gas Processors Limited is now 50.55%.

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43. **Subsidiaries** (continued)

d) Details of non-wholly-owned subsidiaries with material non-controlling interests (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.

	2017 $'000	2016 $'000
Phoenix Park Gas Processors Limited ('PPGPL')		
Summary statement of financial position		
Current assets	1,251,111	956,454
Non-current assets	1,760,857	1,880,197
Current liabilities	(599,265)	(388,213)
Non-current liabilities	(729,341)	(841,565)
Equity attributable to owners of PPGPL	1,515,026	1,446,186
Non-controlling interest	168,336	160,687
Summary statement of profit or loss and other comprehensive income		
Revenue	2,551,229	1,998,230
Expenses	(1,995,949)	(1,577,834)
Profit for the year	**555,280**	**420,396**
Profit attributable to owners of PPGPL	499,752	378,356
Profit attributable to the non-controlling interest	55,528	42,040
Profit for the year	**555,280**	**420,396**
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	499,752	378,356
Total comprehensive income attributable to the non-controlling interest	55,528	42,040
Total comprehensive income for the year	**555,280**	**420,396**
Dividends paid to non-controlling interest	**33,814**	**43,848**
Summary statement of cash flows		
Net cash generated from/(used in) operating activities	472,280	(32,819)
Net cash used in investing activities	(30,434)	(15,367)
Net cash used in financing activities	(90,841)	(89,319)
Net cash outflows	**351,005**	**(137,505)**

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43. **Subsidiaries** (continued)

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

	2017 $'000	2016 $'000
Trinidad and Tobago NGL Limited ('TTNGL')		
Summary statement of financial position		
Current assets	330,694	379,235
Non-current assets	3,020,911	2,985,162
Current liabilities	(474)	(3,743)
Equity attributable to owners of TTNGL	1,301,475	2,033,790
Non-controlling interest	2,049,656	1,326,864
Summary statement of profit or loss and other comprehensive income		
Revenue	217,168	164,174
Other expenses	(2,924)	15,394
Profit for the year	**214,244**	**179,568**
Profit attributable to owners of TTNGL	144,694	99,230
Profit attributable to the non-controlling interest	69,550	80,338
Profit for the year	**214,244**	**179,568**
Other comprehensive income attributable to owners of TTNGL	55,669	84,251
Other comprehensive income attributable to the non-controlling interest	167,008	80,948
Other comprehensive income for the year	**222,677**	**165,199**
Total comprehensive income attributable to owners of TTNGL	200,363	183,482
Total comprehensive income attributable to the non-controlling interest	236,558	161,285
Total comprehensive income for the year	**436,921**	**344,767**
Dividends paid to non-controlling interest	**133,902**	**113,778**
Summary statement of cash flows		
Net cash (used in)/generated from operating activities	(6,204)	416,905
Net cash generated from investing activities	182,358	181,513
Net cash used in financing activities	(232,200)	(232,200)
Net cash (outflow)/inflow	**(56,046)**	**366,218**

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(Amounts expressed in Trinidad and Tobago dollars)

43. **Subsidiaries** (continued)

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

	2017 $'000	2016 $'000
NGC NGL Company Limited ('NGC NGL')		
Summary statement of financial position		
Current assets	287,703	242,126
Non-current assets	858,515	819,505
Current liabilities	(306)	(65)
Equity attributable to owners of NGC NGL	914,600	849,253
Non-controlling interest	231,312	212,378
Summary statement of profit or loss and other comprehensive income		
Revenue	288,256	217,086
Other expenses	(3,291)	(3,816)
Profit for the year	**284,965**	**213,270**
Profit attributable to owners of NGC NGL	227,972	170,616
Profit attributable to the non-controlling interest	56,993	42,654
Profit for the year	**284,965**	**213,270**
Other comprehensive income attributable to owners of NGC NGL	2,102	45,324
Other comprehensive income attributable to the non-controlling interest	525	11,331
Other comprehensive income for the year	**2,627**	**56,655**
Total comprehensive income attributable to owners of NGC NGL	230,074	215,940
Total comprehensive income attributable to the non-controlling interest	57,518	53,985
Total comprehensive income for the year	**287,592**	**269,925**
Dividends paid to non-controlling interest	**40,649**	**65,464**
Summary statement of cash flows		
Net cash used in operating activities	(3,047)	(3,632)
Net cash generated from investing activities	236,046	235,621
Net cash used in financing activities	(203,246)	(327,318)
Net cash inflow/(outflow)	**29,753**	**(95,329)**

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(Amounts expressed in Trinidad and Tobago dollars)

43. **Subsidiaries** (continued)

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

	2017 $'000	2016 $'000
NGC Trinidad and Tobago LNG Limited ('NGC LNG')		
Summary statement of financial position		
Current assets	107,982	105,764
Non-current assets	63,469	63,310
Current liabilities	(54)	(131)
Equity attributable to owners of NGC LNG	106,540	105,015
Non-controlling interest	64,857	63,928
Summary statement of profit or loss and other comprehensive income		
Revenue	13,992	20,062
Expenses	(2,191)	(2,771)
Profit for the year	**11,801**	**17,291**
Profit attributable to owners of NGC LNG	7,336	10,748
Profit attributable to the non-controlling interest	4,465	6,543
Profit for the year	**11,801**	**17,291**
Other comprehensive income attributable to owners of NGC LNG	275	4,722
Other comprehensive income attributable to the non-controlling interest	168	2,875
Other comprehensive income for the year	**443**	**7,597**
Total comprehensive income attributable to owners of NGC LNG	7,611	15,470
Total comprehensive income attributable to the non-controlling interest	4,633	9,418
Total comprehensive income for the year	**12,244**	**24,888**
Dividends paid to non-controlling interest	**(3,705)**	**-**
Summary statement of cash flows		
Net cash generated from operating activities	11,241	17,195
Net cash generated from investing activities	484	140
Net cash used in financing activities	(9,790)	-
Net cash inflow	**1,935**	**17,335**

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43. **Subsidiaries** (continued)

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

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 shareholder's 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	Portion of ownership interest and voting powers held by the Group 2017	2016
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 on 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 on 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 totalling TT$271.9 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 would 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.

Notes to the Consolidated Financial Statements

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(Amounts expressed in Trinidad and Tobago dollars)

45. **Contingent liabilities** (continued)

a) **Taxes** (continued)

Claims made on PPGPL (continued)

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 2016, 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 31 March 2016 (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.

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 cannot be reliably estimated. Consequently, no provision has been recorded in the financial statements in respect to these claims.

c) **Customs bonds**

The Group has contingent liabilities in respect of customs bonds amounting to $3.3 million (2016: $1.2 million).

46. **Guarantees**

The Group has provided the following guarantees as at 31 December 2017 and 2016:

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 $308.9 million (US$45.7 million) at 31 December 2017, $401.1 million (US$59.5 million) at 31 December 2016.

Notes to the Consolidated Financial Statements

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(Amounts expressed in Trinidad and Tobago dollars)

47. Capital commitments

	2017 $'000	2016 $'000
Approved and contracted capital expenditure	**313,953**	**230,547**

48. Operating lease commitments

i. Group as a lessee

The Group has lease arrangements for motor vehicles and office equipment with durations 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 thirty (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:

	2017 $'000	2016 $'000
Within 1 year	28,071	12,800
1 to 5 years	97,500	41,201
More than 5 years	67,655	70,596
	193,226	**124,597**

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 properties and direct operating expenses arising on the investment properties 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:

	2017 $'000	2016 $'000
Within 1 year	35,302	36,885
1 to 5 years	93,973	97,377
More than 5 years	401,027	423,950
	530,302	**558,212**

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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 forecasted. For 2017, the Group had no take-or-pay liability.

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 is 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 (1) to five (5) 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 Government of the Republic of Trinidad and Tobago.

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.

50. Related party transactions

NGC is wholly-owned by the GORTT. In the ordinary course of its business, 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 2017, the Group has not made any additional allowance for doubtful debts relating to amounts owed by related parties. At 31 December 2017, the Group has an allowance for doubtful debts relating to amounts owed by related parties of $20.3 million (2016: $20.3 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.

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50. **Related party transactions** (continued)

Compensation of key management personnel:

	2017 $'000	2016 $'000
Short-term employee benefits	69,193	49,181
Post-employment benefits	10,117	5,538
	79,310	**54,719**

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 on policies for managing each of these risks which are summarised below.

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51. **Financial instruments** (continued)

b) **Categories of financial instruments**

	2017 $'000	2016 $'000
Financial assets:		
Financial assets at fair value through profit or loss	600,537	475,809
Available-for-sale financial assets through other comprehensive income:		
Other financial assets	2,154,211	2,257,518
Financial assets at amortised cost:		
– **Held-to-maturity**		
Other financial assets	258,211	262,534
– **Loans and receivables**		
Loans receivable	549,980	919,943
Other financial assets	-	965
Debt reserve funds	116,083	114,867
Cash and cash equivalents	6,434,290	4,551,557
Short-term investments	437,227	1,243,082
Accounts receivable	6,438,147	5,203,752
Sundry debtors	380,595	323,464
	14,356,322	**12,357,630**
Net investment in leased assets	531,144	625,913
Total financial assets	**17,900,425**	**15,979,404**
Non-financial assets	**25,535,766**	**26,201,754**
Total assets	**43,436,191**	**42,181,158**

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51. **Financial instruments** (continued)

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

	2017 $'000	2016 $'000
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	2,889,240	3,064,741
Take-or-pay liability	-	782,162
Trade payables	4,203,310	2,822,944
Sundry payables and accruals	2,263,456	1,793,737
Dividends payable	5,072	3,373
Total financial liabilities	**9,361,078**	**8,466,957**
Non-financial liabilities	**7,061,421**	**6,880,142**
Shareholder's equity	**27,013,692**	**26,834,059**
Total shareholder's equity and liabilities	**43,436,191**	**42,181,158**

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 counterparty 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.

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51. **Financial instruments** (continued)

c) **Credit risk** (continued)

	Gross maximum exposure 2017 $'000	Gross maximum exposure 2016 $'000
On statement of financial position		
Loans receivable	549,980	919,943
Financial assets at fair value through profit or loss	600,537	475,809
Other financial assets	2,412,422	2,521,017
Net investment in leased assets	531,144	625,913
Debt reserve funds	116,083	114,867
Cash and cash equivalents	6,434,290	4,551,557
Short-term investments	437,227	1,243,082
Accounts receivable	6,438,147	5,203,752
Sundry debtors	380,595	323,464
	17,900,425	**15,979,404**

The Group trades only with recognised creditworthy 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 2017				
Gross amounts	13,321,821	4,578,604	865,372	18,765,797
Impaired amounts	-	-	(865,372)	(865,372)
Net amounts	**13,321,821**	**4,578,604**	**-**	**17,900,425**
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**

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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 2017				
Loans receivable	549,980	-	2,990	552,970
Financial assets at fair value through profit or loss	600,537	-	-	600,537
Other financial assets:				
Held-to-maturity	258,211	-	-	258,211
Available-for-sale	2,154,211	-	-	2,154,211
	2,412,422	-	-	2,412,422
Net investment in leased assets	531,144	-	-	531,144
Debt reserve funds	116,083	-	-	116,083
Cash and cash equivalents	6,434,290	-	-	6,434,290
Short-term investments	437,227	-	-	437,227
Accounts receivable	1,859,543	4,578,604	432,449	6,870,596
Sundry debtors	380,595	-	429,933	810,528
	13,321,821	**4,578,604**	**865,372**	**18,765,797**

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(Amounts expressed in Trinidad and Tobago dollars)

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 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**

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 2017					
Accounts receivable	**207,378**	**923,035**	**3,171,334**	**276,857**	**4,578,604**
As at 31 December 2016					
Accounts receivable	**442,848**	**1,692,814**	**1,612,629**	**144,309**	**3,892,600**

No financial assets have been renegotiated in 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

51. **Financial instruments** (continued)

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.

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

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2017						
Assets						
Loans receivable	36,602	1,859	203,088	347,641	-	589,190
Financial assets at fair value through profit or loss	600,537	-	-	-	-	600,537
Other financial assets:						
Held-to-maturity	1,406	-	13,970	54,199	239,090	308,665
Available-for-sale	1,838,488	4,604	17,528	418,659	17,255	2,296,534
Net investment in leased assets	-	66,358	206,706	488,914	169,254	931,232
Debt reserve funds	-	116,083	-	-	-	116,083
Cash and cash equivalents	6,434,290	-	-	-	-	6,434,290
Short-term investments	22,498	307,949	111,326	-	-	441,773
Accounts receivable	-	6,438,147	-	-	-	6,438,147
Sundry debtors	-	380,595	-	-	-	380,595
	8,933,821	**7,315,595**	**552,618**	**1,309,413**	**425,599**	**18,537,046**
Liabilities						
Borrowings	-	126,421	246,262	1,101,653	4,467,995	5,942,331
Trade and other payables	-	6,269,788	196,978	-	-	6,466,766
Dividends payable	-	5,072	-	-	-	5,072
	-	**6,401,281**	**443,240**	**1,101,653**	**4,467,995**	**12,414,169**
Net position	**8,933,821**	**914,314**	**109,378**	**207,760**	**(4,042,396)**	**6,122,877**
Not included in the statement of financial position						
Guarantees	308,924	-	-	-	-	308,924
Credit commitments	-	-	289,934	23,979	-	313,913
Operating lease commitments	-	-	63,373	191,473	468,682	723,528
	308,924	**-**	**353,307**	**215,452**	**468,682**	**1,346,365**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

51. **Financial instruments** (continued)

d) **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						
Assets						
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**
Liabilities						
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**
Net position	**6,915,466**	**2,140,525**	**472,601**	**(537,094)**	**(4,091,479)**	**4,900,019**
Not included in the statement of financial position						
Guarantees	401,112	-	-	-	-	401,112
Credit 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**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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.

	Increase/ (decrease) in basis points	Effect on profit before tax $'000
Borrowings		
2017	+50	**1,545**
	−50	**(1,545)**
2016	+50	**2,006**
	−50	**(2,006)**
Loans receivable		
2017	+50	**2,241**
	−50	**(2,241)**
2016	+50	**2,451**
	−50	**(2,451)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 (US$) since its major product, natural gas is priced in US$. Foreign currency transaction exposures mainly arise on the Group's sales, purchases and financial instruments denominated in currencies other than US$. These risks are managed by holding adequate resources denominated in both US$ and TT$ to meet its obligations as they arise.

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

	TT $'000	US $'000	Other $'000	Total $'000
As at 31 December 2017				
Assets				
Loans receivable	-	549,980	-	549,980
Financial assets at fair value through profit or loss	-	600,537	-	600,537
Other financial assets	1,313,751	1,098,671	-	2,412,422
Net investment in leased assets	-	531,144	-	531,144
Debt reserve funds	-	116,083	-	116,083
Cash and cash equivalents	332,138	6,102,152	-	6,434,290
Short-term investments	88,684	348,543	-	437,227
Accounts receivable	373	6,437,572	202	6,438,147
Sundry debtors	234,345	146,250	-	380,595
	1,969,291	**15,930,932**	**202**	**17,900,425**
Liabilities				
Borrowings	-	2,889,240	-	2,889,240
Trade and other payables	1,730,659	4,735,489	618	6,466,766
Dividends payable	-	5,072	-	5,072
	1,730,659	**7,629,801**	**618**	**9,361,078**
Net position	**238,632**	**8,301,131**	**(416)**	**8,539,347**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

51. **Financial instruments** (continued)

e) **Market risk** (continued)

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

	TT $'000	US $'000	Other $'000	Total $'000
As at 31 December 2017 (continued)				
Not included in the statement of financial position				
Guarantees	**-**	**308,924**	**-**	**308,924**
Credit commitments	**166,058**	**147,572**	**283**	**313,913**
Operating lease commitments	**193,226**	**530,302**	**-**	**723,528**
As at 31 December 2016				
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**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

51. **Financial instruments** (continued)

e) **Market risk** (continued)

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

	TT $'000	US $'000	Other $'000	Total $'000
As at 31 December 2016 (continued)				
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

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 Trinidad and Tobago 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').

	Increase/ (decrease) in equity price	Effect on equity $'000
2017	10%	201,901
	(10%)	(201,901)
2016	10%	205,755
	(10%)	(205,755)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

51. **Financial instruments** (continued)

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 2016.

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 years ended 31 December 2017 and 31 December 2016.

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 2017 and 31 December 2016.

	2017 $'000	2016 $'000
Debt	2,889,240	3,064,741
Equity	24,227,277	24,727,411
Debt plus equity	**27,116,517**	**27,792,152**
Gearing ratio	**10.7%**	**11.0%**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 transactions on an arm's length basis. At 31 December 2017, 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 2017, the financial asset at fair value through profit or 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 2017			
Available-for-sale financial assets (investments carried at fair value)	**2,203,165**	**-**	**-**
Financial assets at fair value through profit or loss	**600,537**	**-**	**-**
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**	**-**	**-**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 as follows:

	2017		2016	
	Fair Value $'000	Carrying Value $'000	Fair Value $'000	Carrying Value $'000
Long-term receivables				
Trinidad and Tobago Electricity Commission	**151,443**	**154,433**	**444,669**	**444,669**
Atlantic LNG 4 Company of Trinidad and Tobago Limited	**325,333**	**325,333**	**365,741**	**365,741**
Atlantic LNG Company of Trinidad and Tobago Unlimited	**73,205**	**73,205**	**109,533**	**109,533**
Borrowings				
US$400M 30-year bond	**2,397,730**	**2,261,957**	**2,291,778**	**2,255,334**
Crédit Agricole Bank	**311,510**	**308,924**	**389,411**	**401,111**
First Citizens Bank Limited	**304,062**	**318,359**	**397,995**	**408,296**
Take-or-pay liability	**-**	**-**	**782,162**	**782,162**

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2017				
Loans receivable	-	-	549,981	549,981
Borrowings	2,397,730	-	615,572	3,013,302
	2,397,730	**-**	**1,165,553**	**3,563,283**
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)**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

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 as such are 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 Crédit Agricole Bank effective 1 December 2005 for fifteen (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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

(Amounts expressed in Trinidad and Tobago dollars)

52. Dividends

	2017 $'000	2016 $'000
Dividends declared		
Dividends for 2015	-	750,000
Dividends for 2016	-	660,000
Dividends for 2017	1,422,208	-
	1,422,208	1,410,000
Dividends attributable to non-controlling interests:		
Dividends for 2015	-	82,598
Dividends for 2016	88,747	140,492
Dividends for 2017	137,863	-
	226,610	223,090
Total dividends declared	**1,648,818**	**1,633,090**
Dividends paid		
Dividends for 2014	-	175,000
Dividends for 2015	-	750,000
Dividends for 2016	-	660,000
Dividends for 2017	1,422,208	-
	1,422,208	1,585,000
Dividends attributable to non-controlling interests:		
Dividends for 2015	-	82,493
Dividends for 2016	88,743	143,234
Dividends for 2017	136,151	-
	224,894	225,727
Total dividends paid	**1,647,102**	**1,810,727**

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.

Five-Year Consolidated Financial Review

Building a Better Future Today

ANNUAL REPORT 2017

Five-Year Consolidated Balance Sheet

As at 31 December 2017

(With Comparative Figures – TT$'000)

	At 31/12/2017	At 31/12/2016	At 31/12/2015	At 31/12/2014	At 31/12/2013
ASSETS					
Non-current assets					
Property, plant and equipment	17,458,611	17,783,425	14,865,793	15,636,626	15,631,417
Capital assets and licences	2,301,979	2,513,564	1,839,571	2,926,110	2,981,366
Investment properties	578,840	583,150	542,932	539,835	551,731
Goodwill	2,413,929	2,407,897	2,264,941	2,269,617	2,298,173
Other intangible assets	949	7,256	15,211	1,566	2,746
Investment in associate	325,968	308,367	185,338	-	-
Other financial assets	2,412,422	2,521,017	2,924,887	3,371,664	3,701,637
Financial assets at fair value through profit or loss	600,537	475,809	343,962	332,041	232,623
Loans receivable	325,333	538,826	865,128	1,154,455	1,448,987
Net investment in leased asset	394,983	530,135	582,478	659,566	519,445
Deferred tax asset	589,830	907,557	771,216	732,242	632,558
Deferred expenses	9,039	785,333	846,099	131,828	341,351
Debt reserve funds	116,083	114,867	109,073	231,321	290,146
Total non-current assets	**27,528,503**	**29,477,203**	**26,156,629**	**27,986,871**	**28,632,180**
Current assets					
Cash and cash equivalents	6,434,290	4,551,557	6,373,130	8,028,970	7,590,825
Short-term investments	437,227	1,243,082	441,769	2,777,442	2,972,766
Loans receivable	224,647	381,117	362,682	318,665	296,206
Net investment in leased assets	136,161	95,778	60,129	43,598	14,647
Accounts receivable	6,438,147	5,203,752	4,133,975	3,667,762	3,783,468
Sundry debtors and prepayments	695,972	626,546	825,248	671,247	1,136,142
Inventories	306,356	214,636	242,701	301,139	231,936
Deferred expenses	856,416	95,505	196,303	200,122	19,774
Income taxes receivable	378,472	291,982	330,828	338,654	450,097
Total current assets	**15,907,688**	**12,703,955**	**12,966,765**	**16,347,599**	**16,495,861**
Total assets	**43,436,191**	**42,181,158**	**39,123,394**	**44,334,470**	**45,128,041**

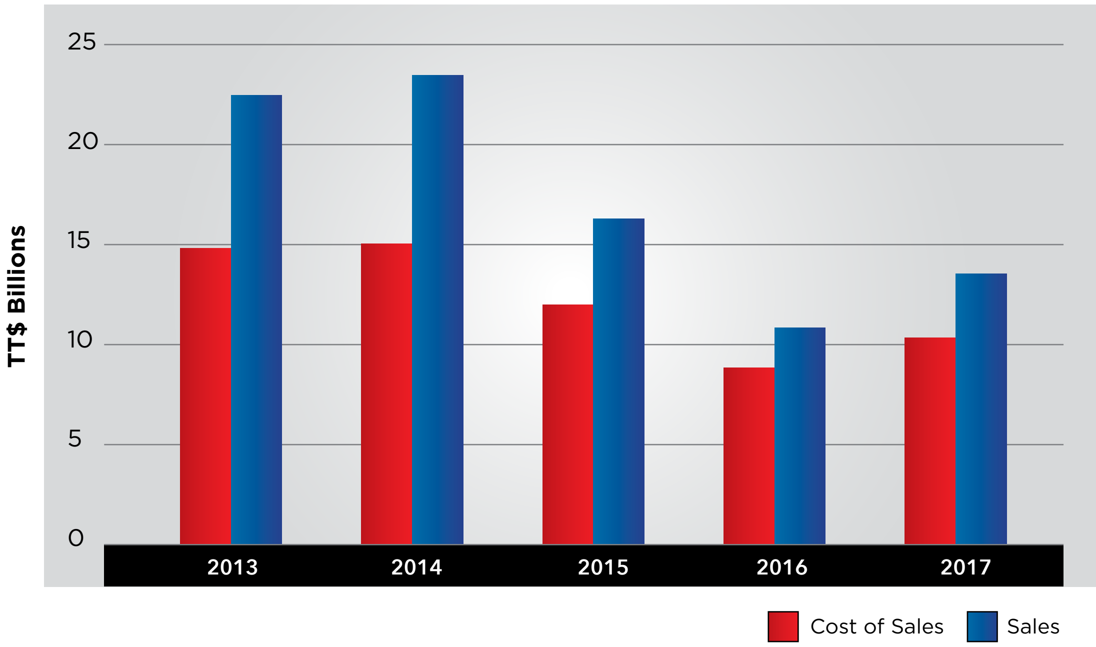
Five-Year Consolidated Balance Sheet (continued)

As at 31 December 2017

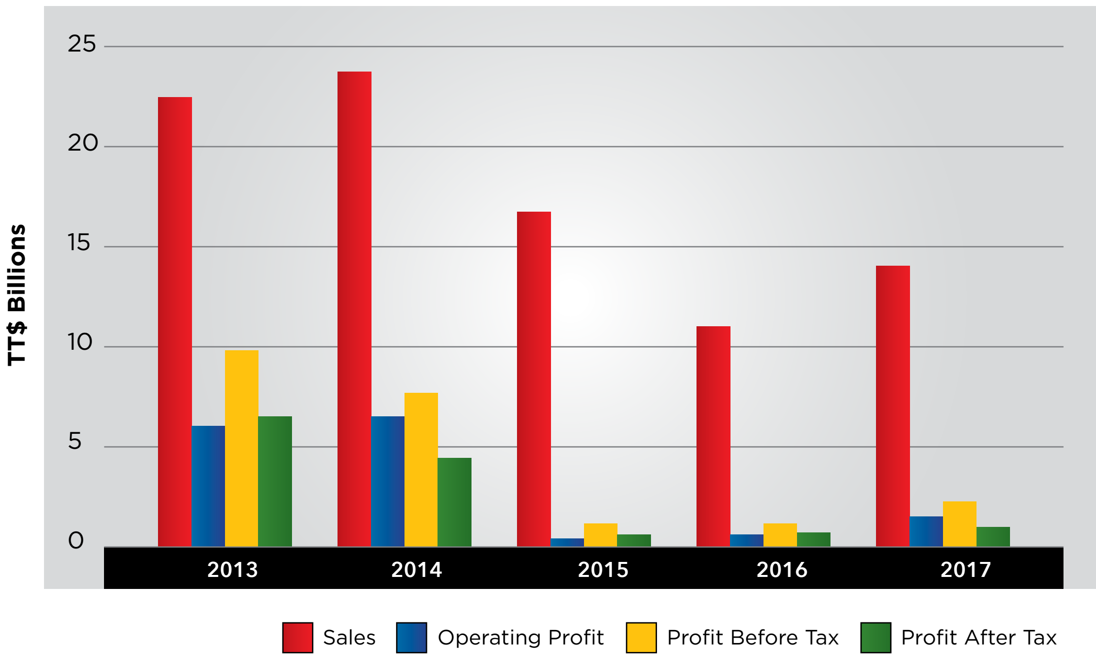
(With Comparative Figures – TT$'000)

	At 31/12/2017	At 31/12/2016	At 31/12/2015	At 31/12/2014	At 31/12/2013
SHAREHOLDER'S 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	5,382,847	5,425,791	2,720,150	2,766,744	3,075,536
Retained earnings	16,550,972	17,008,162	17,788,895	23,720,064	23,365,380
Total equity attributable to owners of the parent	24,227,277	24,727,411	22,802,503	28,780,266	28,734,374
Non-controlling interests	2,786,415	2,106,648	2,169,237	1,037,999	1,063,166
Total shareholder's equity	**27,013,692**	**26,834,059**	**24,971,740**	**29,818,265**	**29,797,540**
Non-current liabilities					
Deferred tax liability	5,601,356	5,354,765	3,931,089	4,333,396	4,056,352
Borrowings	2,700,355	2,881,050	2,915,633	2,936,293	3,191,428
Deferred income	135,083	138,439	153,963	165,499	185,464
Provisions	908,826	954,962	877,367	1,091,565	1,049,825
Post-retirement, medical and group life obligation	148,334	167,234	162,453	192,506	135,125
Pension obligation	88,268	103,889	319,036	603,587	481,320
Take-or-pay liability	-	782,162	808,473	72,337	356,918
Environmental obligation	-	-	-	-	3,446
Total non-current liabilities	**9,582,222**	**10,382,501**	**9,168,014**	**9,395,183**	**9,459,878**
Current liabilities					
Trade payables	4,203,310	2,822,944	2,819,133	2,920,793	3,242,625
Sundry payables and accruals	2,263,456	1,793,737	1,706,579	1,652,602	1,576,032
Borrowings	188,885	183,691	171,082	216,281	221,684
Deferred income	145,281	146,239	76,298	68,412	209,088
Provisions	-	-	1,405	3,926	3,000
Dividends payable	5,072	3,373	181,420	181,359	187,877
Income taxes payable	34,273	14,614	27,723	77,649	430,317
Total current liabilities	**6,840,277**	**4,964,598**	**4,983,640**	**5,121,022**	**5,870,623**
Total liabilities	**16,422,499**	**15,347,099**	**14,151,654**	**14,516,205**	**15,330,501**
Total equity and liabilities	**43,436,191**	**42,181,158**	**39,123,394**	**44,334,470**	**45,128,041**

SALES TO COST OF SALES

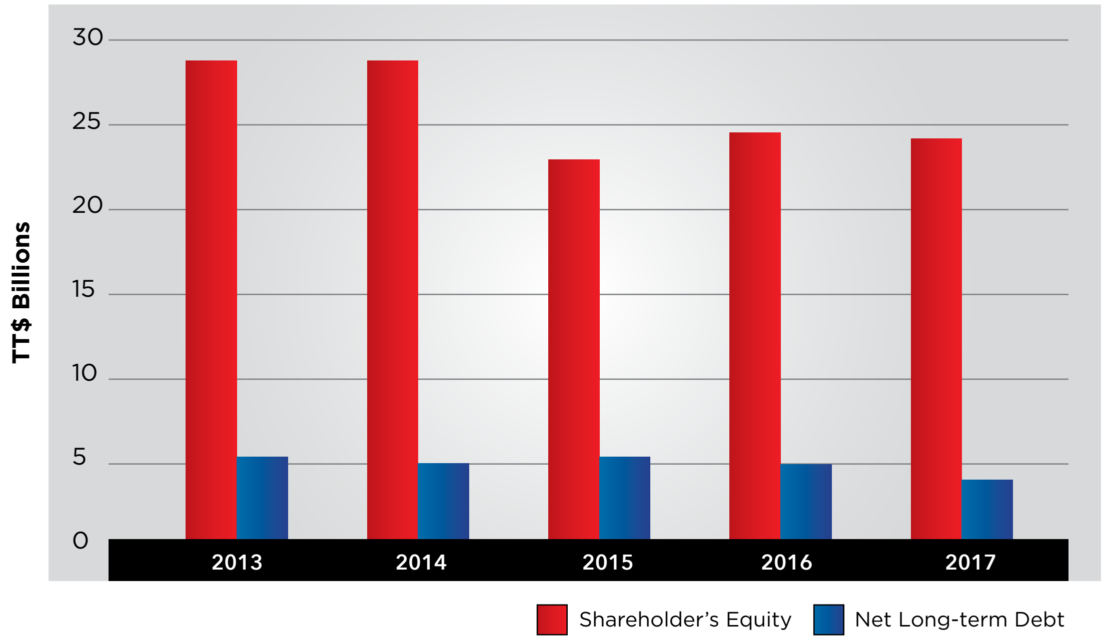


SALES TO PROFITABILITY

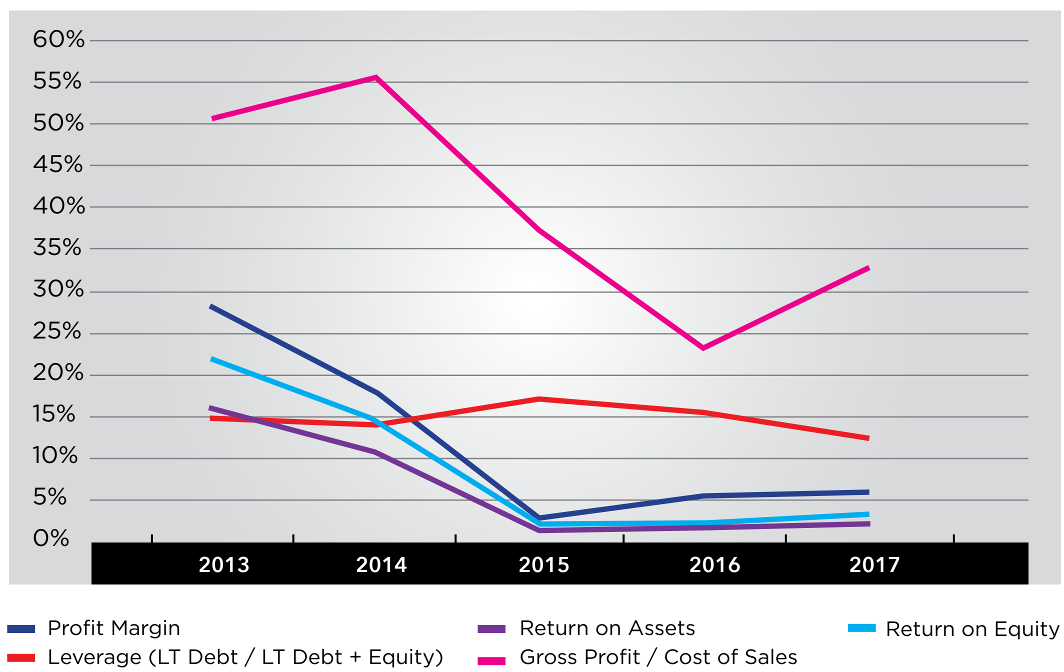


Five-Year Consolidated Financial Review

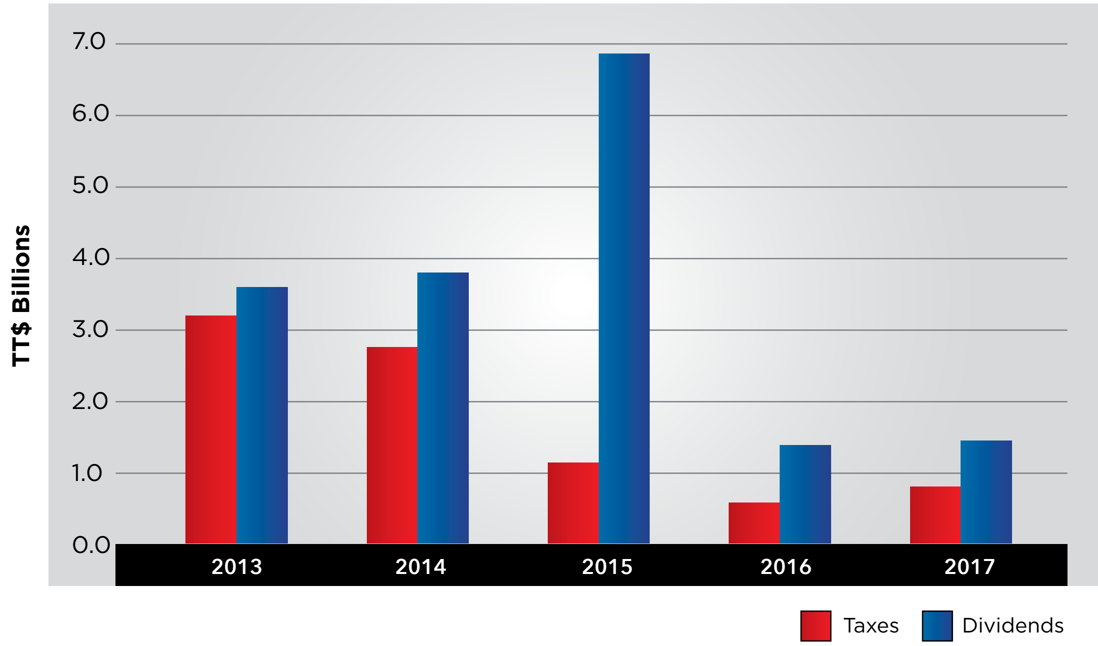
CAPITAL EMPLOYED



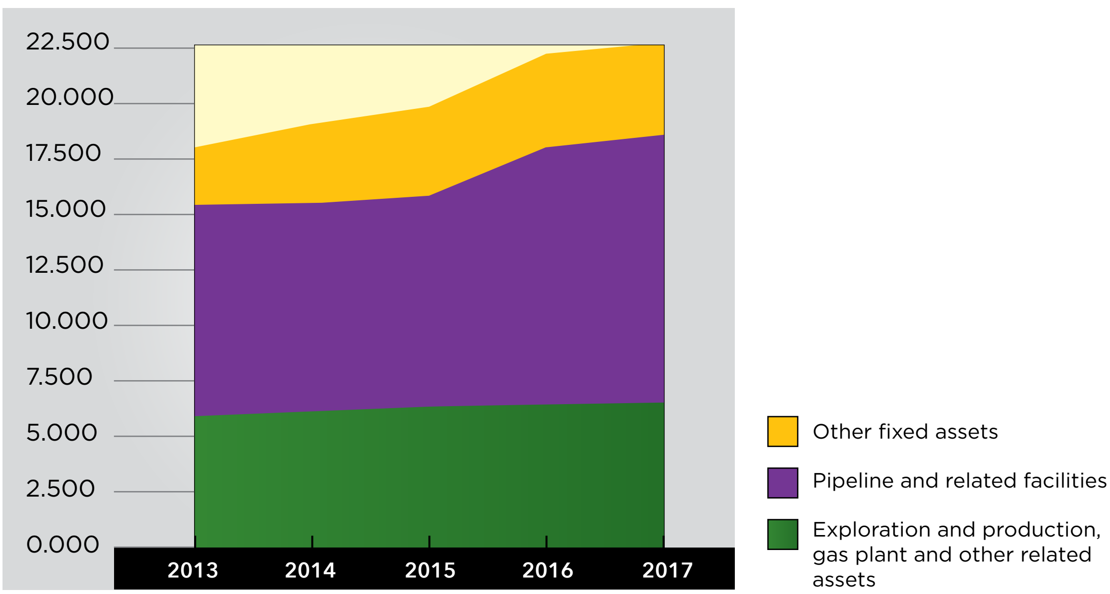
CORPORATE PERFORMANCE INDICATORS



TAXES & DIVIDENDS CONTRIBUTED TO THE TREASURY



GROWTH IN FIXED ASSETS



Corporate Information

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Vernon Paltoo
President, National Energy

Dominic Rampersad
President, PPGPL

Curtis Mohammed
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