THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

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SUSTAINABILITY THROUGH technology AND people

ANNUAL REPORT 2018

SUSTAINABILITY THROUGH
technology
AND people

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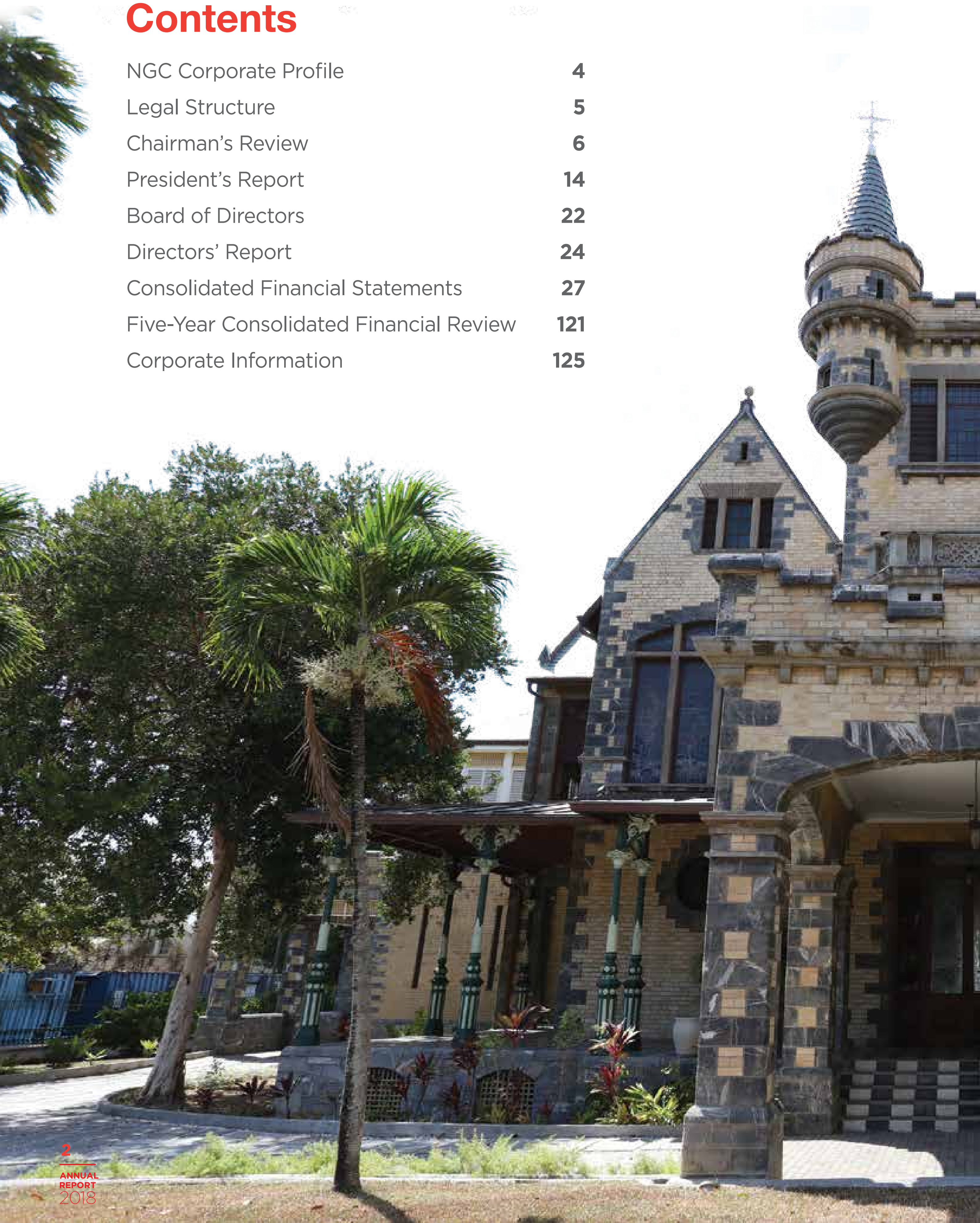


Who We Are

Incorporated in August 1975 by the Government 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.

What We Do

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.

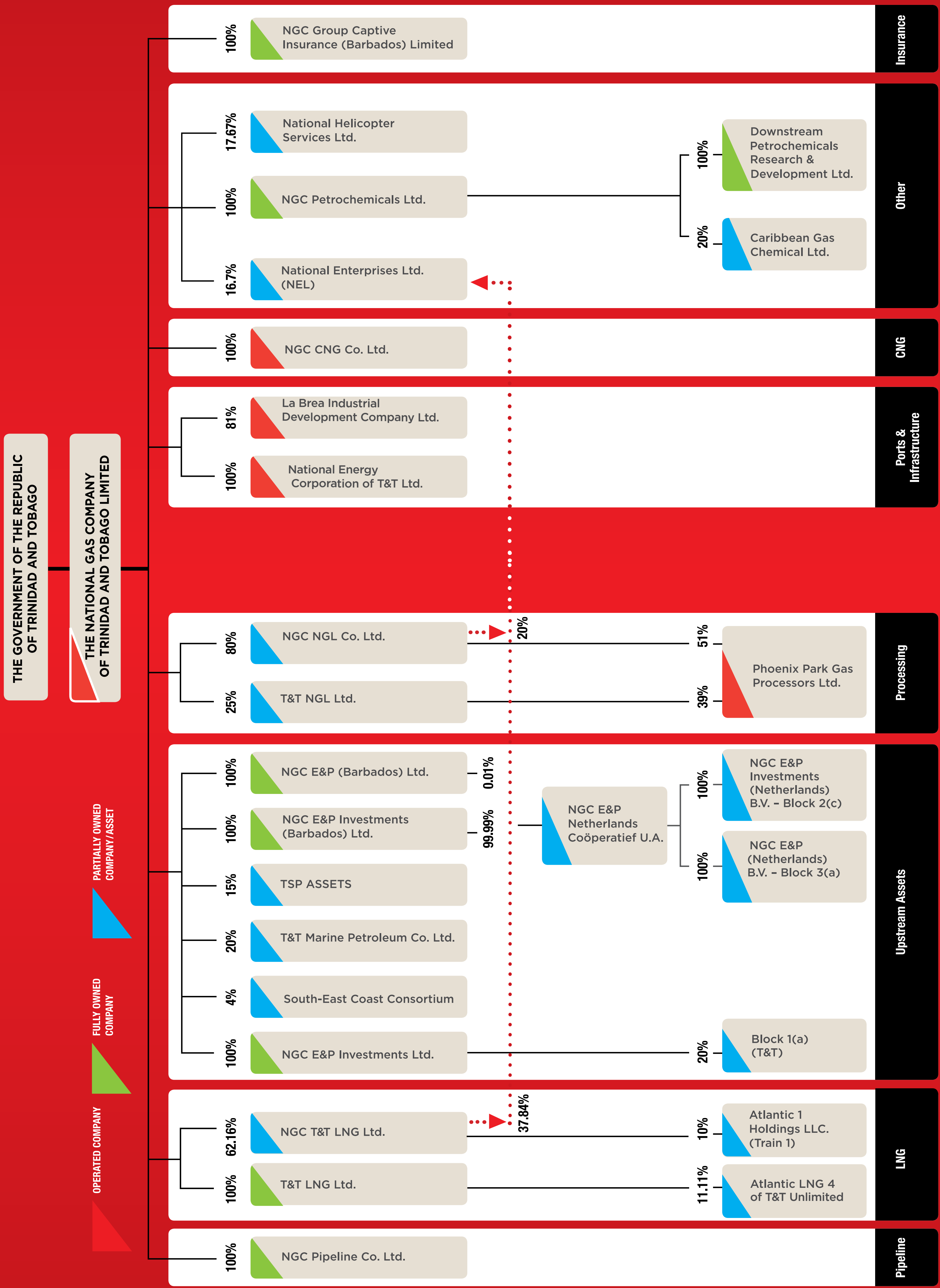
NGC owns, maintains and operates the country's transmission and distribution gas pipeline network of approximately 1,000 km which comprises both offshore and onshore segments. The network's installed capacity is currently 4.4 billion standard cubic feet per day (Bscf/d) and supplies power generation 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.

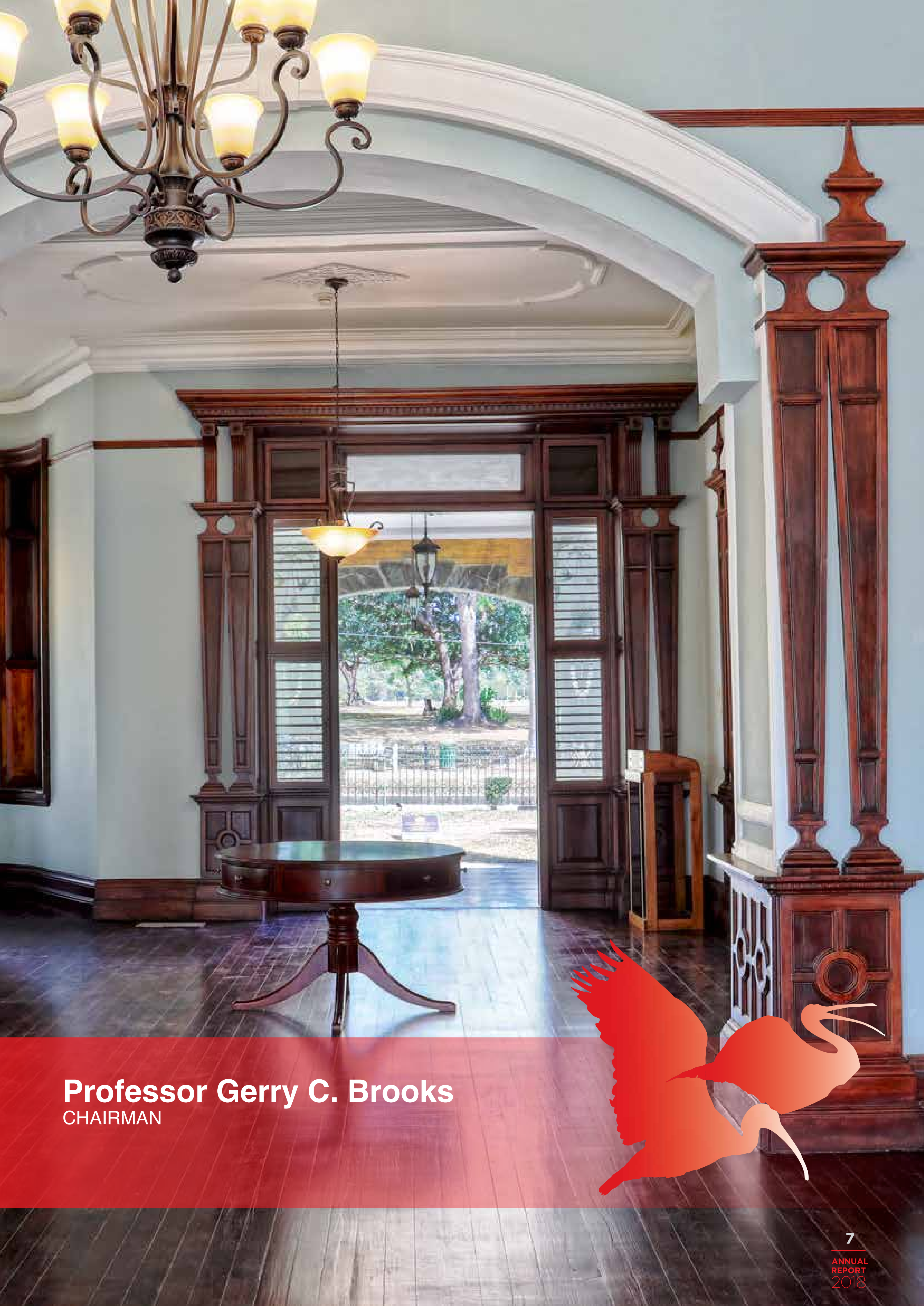
Through its subsidiaries and investments, NGC has strong linkages in the downstream and upstream sectors. Today, NGC leads a diversified Group of Companies which is evolving into a global business entity, working to develop a structure that supports its international mission to create exceptional value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

NGC's main subsidiaries include:

- National Energy Corporation of Trinidad and Tobago (National Energy)
- Phoenix Park Gas Processors Limited (PPGPL)
- NGC CNG Company Limited (NGC CNG)
- Trinidad and Tobago NGL Limited (TTNGL)

A valued player in our nation's natural gas-based energy sector, NGC, and by extension the NGC Group of Companies, has 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.


THE GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO
THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED
OPERATED COMPANY
FULLY OWNED COMPANY
PARTIALLY OWNED COMPANY/ASSET
Insurance
100% NGC Group Captive Insurance (Barbados) Limited
Other
17.67% National Helicopter Services Ltd.
100% NGC Petrochemicals Ltd.
100% Downstream Petrochemicals Research & Development Ltd.
20% Caribbean Gas Chemical Ltd.
16.7% National Enterprises Ltd. (NEL)
CNG
100% NGC CNG Co. Ltd.
Ports & Infrastructure
81% La Brea Industrial Development Company Ltd.
100% National Energy Corporation of T&T Ltd.
Processing
80% NGC NGL Co. Ltd.
20%
25% T&T NGL Ltd.
51%
39%
Phoenix Park Gas Processors Ltd.
Upstream Assets
100% NGC E&P (Barbados) Ltd.
0.01%
100% NGC E&P Investments (Barbados) Ltd.
99.99%
NGC E&P Netherlands Coöperatief U.A.
100% NGC E&P Investments (Netherlands) B.V. - Block 2(c)
100% NGC E&P (Netherlands) B.V. - Block 3(a)
15% TSP ASSETS
20% T&T Marine Petroleum Co. Ltd.
4% South-East Coast Consortium
100% NGC E&P Investments Ltd.
20% Block 1(a) (T&T)
LNG
62.16% NGC T&T LNG Ltd.
37.84%
10% Atlantic 1 Holdings LLC. (Train 1)
100% T&T LNG Ltd.
11.11% Atlantic LNG 4 of T&T Unlimited
Pipeline
100% NGC Pipeline Co. Ltd.



Professor Gerry C. Brooks
CHAIRMAN

Chairman's Report

The NGC Group achieved its third successive year of profitable growth in 2018. Consistent success in today's volatile energy industry requires a well-conceived strategy, continuous recalibration and re-engineering of the business model, commitment of our team and our stakeholders and excellence in execution.

GROUP AFTER-TAX PROFITS
TT$ 2.3 Bn

PAYMENTS TO GOVERNMENT
TT$2.21 Bn

PHOENIX PARK GAS PROCESSORS LIMITED
GROWTH ▲12 %

At NGC, we continue to focus relentlessly on these strategic drivers to ensure the resurgence of our energy fortunes and the overall economic well-being of the people of Trinidad and Tobago. Equally important, is our focus on the deliberate, strategic expansion of our flagship state group to other jurisdictions enabling us to enrich earnings in the gas value chain.

Group Performance

NGC is in the third year of executing its Strategic Plan and has delivered another year of positive financial performance. However, the Group cannot become complacent as we continue to navigate a complex and difficult environment. In 2018, every operating subsidiary in the Group delivered improved performance and profitability. Indeed, and against the background of a challenging but improving economy and a volatile industry environment, the NGC Group posted an after-tax profit of TT$2.3 billion, which represents an increase of 135% above the 2017 after tax profits of $0.98 billion. This follows a growth of 37.26% in 2017 and 29% growth in 2016. Payments to Government of dividends and taxes in 2018 totalled TT$2.21 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 re-engineered business model.

Our primary objective has been to secure and stabilise the business while laying the foundation for profitable expansion and diversification. Consequently, 2018 was characterised by a continued focus on strategies and initiatives aimed at embedding good governance, strengthened administration to drive best practice, securing and stabilising natural gas supplies and assiduously working to extinguish claims initiated against the Company in the 2011-15 period. Simultaneously, and looking to the future, we have revisited, recalibrated and where appropriate, modified our Group Strategic Plan and made purposeful moves to build out a strong, sustainable, vertically integrated business.

Trinidad and Tobago NGL Limited (TTNGL), a publicly traded entity, has again earned a top five spot on the Trinidad and Tobago Stock Exchange for 2018 "amongst the best-performing shares". Underpinned by its operating asset, Phoenix Park Gas Processors Limited (PPGPL), the company has generated 12% growth. In 2018, shareholders enjoyed a 15.47% return on their investment and earned a handsome 70.50% from inception.

These gains were anchored in deliberate initiatives executed by PPGPL's management and Board to streamline our processes and build competencies to enhance competitiveness across the Group and lay the platform for consistent future growth.

Trinidad and Tobago NGL Limited (TTNGL), a publicly traded entity, has again earned a **top five spot** on the Trinidad and Tobago Stock Exchange for 2018 **'amongst the best performing shares'.**

The International Context

In 2018, global economic conditions improved with global economic growth estimated at 3.7%, marginally higher than 2017. However, the pace of growth decelerated considerably in the last third of the year due to heightened geopolitical risks, trade tensions, Brexit-related anxieties and slowing global demand and investment flows. More specifically and in the energy sector, continued volatility in prices characterised commodity pricing in 2018. However, improved pricing in the early part of 2018 offset subsequent declines of more than 30% to yield mean oil prices of US$65 (compared to US$50.72 in 2017). Expectations of continued abundant supply, particularly from the US, and tempered demand will exert continued downward pressure on natural gas pricing.

The ammonia market was generally strong with prices averaging US$279 per tonne. While pricing was up 13% from 2017, prices receded in the last quarter of 2018. Methanol prices also displayed similar trends with prices in key global markets averaging US$424 per tonne (up 20% from 2017) but also receding in December 2018. In both petrochemical segments, planned international plant expansions will have a dampening effect on commodity prices in the 2019-2021 period.

Global natural gas demand grew by 4.6%, the highest increase since 2010 (IEA Gas Market Report 2019). This was reflected in higher spot LNG demand from China. In the Far East markets, LNG traded at an average of US$9.86 compared with US$6.90 per mmbtu in 2017. Similarly, in Western Europe, the benchmark LNG price averaged US$8.05 – a 38% uplift over 2017 prices. More modest but similar trends were demonstrated in US markets where Henry Hub prices inched up by 5% to US$3.15 per mmbtu in 2018. The price increase was bolstered by an extremely cold winter season which resulted in prices exceeding US$4.00 for the first time since 2014. However, a "warm" winter in 2018/2019 and increasing US gas exports are expected to have a dampening effect on natural gas and LNG prices. This downside drag will be reinforced by weakening global demand, other geopolitical tensions and continued trade sanctions in 2019.

The Regional Context

The regional energy landscape has changed and continues to change profoundly. Jamaica and Grenada are poised to enter the energy market while Guyana has been described as the "sweetest deep energy spot globally". Venezuela, long ranked among the top five oil and gas provinces in the world, continues to be a focal point in the face of ongoing socioeconomic and political challenges.

Noteworthy too, is the fact that the International Monetary Fund's October 2018 outlook for economic growth in Latin America and the Caribbean was estimated at 1.2%, increasing to 2.2% in 2019. These projections trail that of many developed countries. Given the region's historic vulnerability to natural disasters, it is imperative that the regional energy framework continue to be addressed and fine-tuned at the level of CARICOM and at the state sector level. NGC's role will continue to be pivotal and has been an important determinant in our decision to open offices in Guyana. This will deepen on the ground relationships and energy-based co-operation while benefiting both countries.

The Local Context

The economy of Trinidad and Tobago is projected to return to growth in 2018 when growth is projected to exceed 1%. Growth was propelled primarily by increased output in the natural gas sector despite declining oil production and the closure of Petrotrin. Increased gas production in 2018 was bolstered by sectoral cooperation and investment with incremental gas production from Shell's Starfish and Dolphin Infill Drilling Programmes. Additionally, De Novo produced first gas from the Iguana field in which NGC has a 20% stake. Growth has also been accompanied by a slowing in the rate of decline in the non-energy sector. However, this sector is still quite challenged.

Chairman's Report (continued)

Prospectively in 2019, growth, though tempered, is expected to continue, supported by continued increases in gas production. These are expected to come from new fields being brought into production such as the Angelin development and continued drilling from existing platforms. Projects that are currently in execution or in advanced stages of execution include the Bounty and Endeavour Fields, as well as the Colibri Project off the north coast.

Equally encouraging is the expected coming on stream of the Caribbean Gas Chemicals Limited (CGCL) plant in Q1 2020. Commissioning and production from the plant is expected to boost output in the methanol sector. NGC has a 20% stake in CGCL Plant. Shareholders will recall key elements of the agreement were successfully renegotiated in 2016 which enable NGC to strategically market its share of methanol output. However, in 2019, downside pricing risks will continue to characterise the sector with continued price volatility which must be carefully navigated.

Success in the sector will continue to require disruptive thinking and a transformative approach. This philosophy has been actively embraced and pursued by NGC. The validity of this approach was emphatically reaffirmed by the Government's very successful "Spotlight on Energy" event in 2018 and the clear underscoring of NGC's multiple roles in the natural gas value chain. Continued growth in 2019, albeit in even more difficult circumstances than 2018, must be our mantra as we move towards becoming an integrated international gas company like many international energy companies – many of which are present locally. This, however, must be accompanied by a broader oil-based and economy-wide uplift.

The closure and reconfiguration of Petrotrin's assets has altered the landscape of the energy sector. It is a game changer and, used prudently, can be a catalyst for future growth and development of our energy sector. With our affinity to the sector, institutional capacity, balance sheet and international reach, NGC can add significant value in marshalling and leveraging these assets. It will also seek to explore a symbiotic and mutually beneficial relationship with Heritage Petroleum Company Limited, relative to shared services and other initiatives to leverage opportunities, rationalise costs and enhance shareholder and national value.

In October 2018, PPGPL was called upon at very short notice to supply the local market with LPG as the Government announced the closure and restructuring of Petrotrin. I wish to commend the leadership teams of PPGPL and NP who worked tirelessly and co-operatively at short notice to ensure the continued and consistent supply to the local market without supply interruptions. Equally commendable has been the strategic and expeditious commissioning of PPGPL's import facilities to satisfy demand while creating export opportunities commercially.

Digitisation

One of the Group's strategic imperatives is our determination to improve our business platform to improve country competitiveness. In order to continue to be attractive as a jurisdiction, strategic investment in digitisation and automation is vital to realignment of our business models and rationalisation of our cost structure. At the NGC Group, we have embraced this philosophy and have deliberately embarked on a significant strategic digital and business re-engineering thrust to streamline the Group's platforms and secure a transformative leap.

In undertaking the digitising and modernising of our organisation, our teams are seizing the opportunity to re-examine all business processes and re-engineer these with the objective of becoming a leaner and more agile, future focused company. Consequently, we are investing in our Systems Applications and Products (SAP) system deepening the democratisation of information, pushing decision-making closer to decision-makers to facilitate more data-driven decision-making, improving governance and making our processes more auditable.

SAP is one of the important anchor systems. The digitisation thrust will be accompanied by and embedded in our business reengineering exercises and reinforced by a philosophical and cultural mindset shift. As an example, E-procurement will be an important enabler in helping to rationalise costs by 15-20% which will be reinforced by supply chain and other inventory management initiatives. Another avenue where digitisation is being employed is the use of drone technology for plant and pipeline maintenance. Put simply, conducting reviews of our pipelines under sea and aerially, in many circumstances using Artificial Intelligence and drone technology, is faster and more cost effective.

Supply Certainty

Supply certainty to the petrochemical sector and other customers is a critical imperative for the NGC Group for long-term sustainability of the sector. We have again been able to progress critical initiatives to improve supply certainty which is the anchor for our country's energy-based recovery.

In 2018, we secured additional interruptible gas supplies for the short to medium term. We have progressed negotiations with Venezuela and now have a non-binding Gas Sales Term Sheet with Petróleos de Venezuela, S.A. of Venezuela and a Memorandum of Understanding (MOU) with the Global Petroleum Group for supplies that may flow from potential discoveries of gas in Grenada.

In the case of the downstream sector, negotiations were concluded with Caribbean Nitrogen Company (CNC), Nitrogen (2000) Unlimited (N2000) and Nutrien. This gives partners in the downstream sector greater medium-term assurance. These factors, coupled with higher prices in ammonia and methanol (in the earlier part of 2018), have inspired the economic uptick. Proactively and positively, NGC was also able to substantially reduce our claims bill through shrewd and deliberate negotiation. I thank our NGC Legal, Commercial and Leadership teams for this important work and our Board for its support.

Growing Internationally

In our endeavour to grow internationally, we have progressed our relationship with Ghana from an MOU to a Technical Services Agreement. We have executed an agreement with Ghana Gas whose officials spent six weeks observing and refining their ability to operate a Gas Fractionation plant. We will now be deepening this south/south partnership with the incorporation of a company in Ghana in 2019. We will also be actively bidding on projects promoted by the government of Ghana where our proven expertise and track record give us leverage and competitive advantage. This can be of mutual benefit to the people of Ghana and Trinidad and Tobago. As indicated previously, we will also expand our footprint in Guyana, consequent upon several earlier team visits to Guyana and the establishment of an MOU between Trinidad and Tobago and Guyana. NGC, through National Energy, will be opening an office in Guyana in 2019.

To support our strategic vision to become an international, integrated energy player, our mantra is that NGC cannot remain a domestically based entity competing in a jurisdiction whose costs have risen. We must pursue opportunities in other jurisdictions which will give us diversification, scale and an improved cost profile. This requires courage, greater organisational entrepreneurship and becoming more opportunistic. This latest corporate evolution will force us to become even more innovative – a philosophy which we are embracing and deepening across the Group.

Future growth will be driven organically and inorganically. Work is being progressed to secure a significant acquisition synergistic to the Group. Significant work has taken place in identifying potential opportunities, the attendant accretive values and the strategic benefits that will accrue. This process is now at an advanced stage, but care is being taken to ensure the most appropriate opportunities are selected. This process is a sensitive and time-consuming one but critical to repositioning the Group in the energy value chain, dampening earnings volatility and enriching our future earnings stream. We will ensure that the appropriate Government of the Republic of Trinidad and Tobago (GORTT) sensitisation occurs as an important part of this process.

Energy Efficiency

Nationally, our approach to energy conservation and efficiency must be strengthened. NGC will continue to discharge its responsibilities in this sphere and through our subsidiary National Energy, we are strengthening our national contribution in energy efficiency and renewables via two execution-ready energy and solar projects, which have been formalised in 2018. Trinidad and Tobago is the second lowest power-cost provider in the Caribbean yet this has come at a significant cost to the State which is proving exceedingly onerous. It is critical that both the citizenry and industry invest in energy efficient approaches to divert scarce molecules into export earnings, as well as preserve and enhance their manufacturing costs base.

In this vein, in 2018, National Energy launched the concept of the Super Energy Saving Company (ESCO). This project is funded by a multilateral agency and is a partnership between National Energy (NE) and an international private sector firm which will allow it to work with manufacturers to introduce more energy efficient systems. It will offer energy-efficiency audits of systems,

Chairman's Report (continued)

provide methodology and reference sites. This will also afford NGC the opportunity to work with manufacturers and The University of the West Indies (The UWI) to introduce more energy efficient systems.

Diversification Initiatives

Additional diversification projects are in the pipeline. In 2018 an aluminum project – a wire rod and cable manufacturing plant – was significantly advanced through the signing of an MOU, as well as confidentiality agreements. This project is now execution ready. In addition, Trinidad and Tobago can become a regional epicenter for dredging based on another project that is being developed, which is also execution ready. Both projects will create jobs and generate vital foreign exchange.

Emphasis was also placed on enhancing the prospective investor experience through heightened collaboration among state agencies and streamlining the investment processes. National Energy will launch its TT Engage Project in 2019. This project will support a deeper national effort for investment facilitation. It will bring relevant ministries and entities together to create one portal for energy-based foreign investment facilitation, thereby significantly cutting the time required for investment start-up and the associated challenges. The investor facilitation platform is designed to reduce the timeframe between project conceptualisation to commissioning, promote downstream energy/investment opportunities in Trinidad and Tobago, and is geared towards increasing Foreign Direct Investment (FDI).

CNG

NGC CNG continues to lead the transition to a greener transportation environment in Trinidad and Tobago. The increase in fuel prices in October 2017 and again in 2018 provided a major stimulus to the CNG market. In 2018, the Natural Gas Vehicle (NGV) population increased by 59% to 6,340 vehicles. Correspondingly natural gas sales were up by 48% in 2018. This was easily the most successful year in the history of the CNG business in the country. The investments made by NGC CNG are yielding positive macroeconomic benefits. It is estimated that NGC's investment in the sector has generated economic activity estimated at TT$487 million, a multiplier of 3.5%. The CNG thrust will continue in 2019 with the expansion of the CNG network in Trinidad and Tobago and the opening of the largest CNG station in the region at the strategically located Point Lisas Interchange.

CSR

In addition to our pivotal role and contributions to the country through taxes and dividends, the NGC Group continues to deliver great value to our people through our Corporate Social Responsibility (CSR) portfolio. Each company is leading impactful projects that are collectively effecting meaningful change for youth and community development, health, sport, empowerment and arts and culture. We commit to deepening our service to nation as we continue to grow our business and capacity to give.

Outlook

We have embarked on several initiatives framed by our Strategic Plan and the demands of a changing global architecture. We continue to strengthen the team at NGC and across the Group to deliver on our growth objectives. Measures have been implemented to enforce the role of NGC as a spearpoint to improve international competitiveness. Our second-tier management team has been reinforced with additional hires and we augmented our IT capacity by moving towards our digitisation thrust, framework and architecture.

We recognise that we operate in an international market place and therefore we work with our industry partners to prepare our country for what is truly a global, flatter competitive environment, and we must do so at every level.

This therefore moves us to leverage our asset base of TT$43 billion to enable us to engage in organic acquisitions while using the mechanism of partnering to expand our geographical footprint, thus affording us more resilience, capacity and scale. We also aim to create opportunities for our stakeholders and partners such as The University of Trinidad and Tobago (UTT), The UWI and energy services companies.

This therefore moves us to leverage our asset base of **TT$43 billion** to enable us to engage in organic acquisitions while using the mechanism of partnering to expand our geographical footprint, thus affording us more resilience, capacity and scale.

Appreciation

The NGC Group has again performed commendably in 2018 and the Board and I take this opportunity to commend both the leadership team and staff for their commitment and hard work in delivering these results which are so important for our citizenry. Every company in the Group has delivered double digit growth and this is due in great part to the unrelenting efforts of all our employees. We could not have achieved without your diligence.

May I convey my profound gratitude to our Board of Directors and I look forward to their continuing contribution and support in 2019. Mr. Sham Mahabir resigned from the Board in April 2018, followed by Professor Andrew Jupiter in December 2018. They have both been a wellspring of support and knowledge to the organisation, helping us to steer the difficult journey from 2015 to 2018, and for that our Board is deeply grateful. May I also welcome our new Director, Mr. Sean Balkissoon.

Finally, the continued support of the Government and people of Trinidad and Tobago has not gone unnoticed as I thank you and look forward to your continued support.

To the many citizens who had confidence in and supported us through the process of changing our architecture, I am thankful for your endorsement and contributions.

Professor Gerry C. Brooks
Chairman

Mark Loquan
PRESIDENT

President's Report

It is with tremendous pride that I report to you, our valued stakeholders, on the performance and achievements of The National Gas Company of Trinidad and Tobago Limited (NGC) for the year 2018.

In this my second annual report as President of NGC, after continuing to face challenges in balancing and optimising gas supply and demand, while facing several negotiations, it is rewarding to tell the story of another highly successful year for the Company and the NGC Group (the Group) in general. In 2018, guided by our strategic road map, we continued the journey towards sustainability. Our progress is testimony to the saying that behind every adversity lies an opportunity.

After making it through a difficult 2017, we have emerged from 2018 with increased profitability, significant mitigation of the risks on the supply side, and several opportunities to deepen the business portfolio along the value chain locally, regionally and internationally and work on prospects for inorganic growth. These gains were buttressed by deliberate action to reinforce our strategic foundation by leveraging our people, systems and technology and synergies across the various NGC companies and subsidiaries.

Through studious cost management and efficiency improvements, the Company has been able to control costs and sustain its margins. This positive financial outturn may be considered a fitting reward for the ongoing efforts to transform NGC into an agile, modern and globally competitive entity. Significant progress has been made under each of the four pillars of the Strategic Plan, now in its third year of implementation:

Securing the Business

In 2017, the commissioning of BPTT's TROC and Juniper projects brought some measure of stability to the gas supply situation. Greater assurance was achieved in 2018, as a result of several important developments:

- Supply agreements were completed with EOG Resources, BPTT and De Novo. The latter is a new local player providing gas from Iguana field (Block 1(a)), in which NGC is a partner;
- Negotiations with Shell on a domestic gas supply agreement are at an advanced stage;
- Shell brought the Starfish field back on stream in July 2018, increasing the stability of supply.

Not resting on our laurels, NGC has actively pursued options for securing gas supplies to meet projected demand over the medium to long term. Resources from neighbouring countries Venezuela and Grenada are expected to play a major role in this regard. With respect to the gas supplies from Venezuela's Dragon Field, terms of agreements were signed by NGC and the other parties involved in the project.

In Grenada, a binding commercial term sheet was also agreed with the Global Petroleum Group (GPG) – the licensed operator of four (4) blocks. Within our borders, the success of De Novo gives impetus to the strategy of seeking out marginal fields on land and nearshore to boost supplies in the medium term. NGC, in conjunction with the Ministry of Energy and Energy Industries, is exploring the most promising options.

During 2018, the Group embarked on a number of cost-saving initiatives. These included the restructuring of the Group's pension plan, an organisational realignment, containment of overtime costs and the successful renegotiation of software licences and insurance policies.

Considerable progress was also made downstream. After much public remonstration, the CNC gas purchase contract was amicably settled. New gas purchase contract agreements were completed with N2000, as well as our largest buyer outside of Trinidad and Tobago Electricity Commission (T&TEC), Nutrien (formerly PCS). In 2019, contract negotiations will continue with other downstream customers as old contracts reach their expiry date. The price of electricity is an important element in the overall competitiveness of the Trinidad and

Mark Loquan, President, NGC and Ian Welch, Managing Director, Nutrien shake hands following the signing of a new gas sales agreement.

Tobago manufacturing sector. In order to maintain power prices at reasonable levels over time, and without impairing our financial condition, NGC and the Government have adopted a new policy to have all new suppliers reserve a tranche of gas for the power generation business. Such provision has already been included in one of our supply contract and term sheets.

The importance of NGC's role as aggregator was evident again in the last year. In November 2018, a major supplier went offline and there were serious threats to plants having to also go offline due to aggravated supply shortage. As aggregator, NGC was able to leverage relationships with the other suppliers to increase deliveries to cover the temporary shortfall. The use of advanced technology and an enhanced flow of information across the value chain has also assisted in stabilising supply. Our network optimisation software provides real-time information to improve network management. In addition, unprecedented levels of collaboration, transparency and exchange of information among parties allowed for greater symbiosis between upstream and downstream players.

The relatively quick resolution of contract issues on both ends of the value chain has reduced the uncertainty and boosted confidence in the industry landscape. On the upstream side, all major players have been making announcements about their exploration and development plans, including new seismic activity.

On the flip side, given the pricing terms in new agreements upstream and downstream, the prognosis is for reduced margins for NGC from the merchant business in 2019. Therefore, the diversification of our revenue stream is imperative. The business of LNG marketing and trading is emerging as an important area for expansion. When first introduced in 2016, LNG marketing focused primarily on sales of our own cargoes out of Atlantic Train 4. The business has now grown to include the sale of third-party cargoes, as well as natural gas liquids (NGLs). In 2018, NGC increased traded volumes by 16% and benefited from higher prices in the market to post a 32% uplift in revenues.

Developing the Organisation

The restructuring of the organisation to improve functionality and efficiency (which commenced in 2016) is now complete. Critical positions have been filled in the commercial, legal and other functional areas to ensure that NGC now has the capacity and capability to successfully execute its growth strategies. In short, we are now purpose built for

President's Report (continued)

the future business needs and strategic focus areas.

With the right people in place, the 2018 emphasis shifted to recasting key operational foundation blocks in support of successful strategy execution. More specifically, our aim was to improve in the areas of safety, corporate governance, cost management, procurement, project management and people development by upgrading skills and behaviours, and focusing on building the organisation towards sustainability.

Developing Our People

Our people are a cornerstone of our business. There is a greater focus on looking ahead and determining what is needed, with greater employee engagement and participation to achieve the business objectives of the future. We are moving towards digitising the entire HR process from recruitment to retirement. The Competence Knowledge Skills Development (CKSD) project has been implemented across the Group. A key element of it is employee development plans which seek to map out career paths, close competency gaps and align individual goals with corporate priorities.

NGC management and staff participated in several externally facilitated team-building and leadership development sessions, held as part of a Group-wide initiative. These sessions helped to build consensus and foster strategic alignment around the mission vision and values as they shape behaviours in NGC. We have defined our core values, specified the aligned behaviours and are embedding these within the organisation.

Safety

Safety is a key area of focus for NGC as we seek to raise the level of safety consciousness and awareness of risks. In 2018, we introduced the Central Health and Safety Steering Committee, which is chaired by the President. The committee provides oversight on the safety practices and policies in the organisation. On a regular basis, safety representatives meet with the leadership team to discuss implementation of safety initiatives and behaviours. In 2018, preventable vehicular accidents fell to circa one-third of the level witnessed two to three years ago, while there was just one lost time incident. Despite the fact that we witnessed measurable improvements, we will not be completely satisfied until we achieve zero accidents and the highest level rating in safety culture.

In 2019, the safety focus will be on the process safety aspect of the business. All outstanding safety audit actions were also closed off. Some key features will be the advancement of root cause analysis and safety drills and continued focus on Asset Integrity. Across the company, employees will be using the same diagnostic tools to discover root causes and take corrective action. There has also been increased sharing of learnings from incidents across the organisation and the industry.

Corporate Governance/Risk Management

Established in 2016, the Corporate Governance and Compliance Group is mandated to ensure that the Company and its employees follow the internal and national laws, regulations, standards and ethical practices that apply to the organisation. In keeping with this mandate, several new policies were rolled out or advanced in 2018 with a focus on business ethics. Specifically, a Whistleblowing Policy was implemented, while a Business Practice and Ethics Policy was finalised. In addition, we continued to ensure compliance with the State Enterprises Performance Monitoring Manual.

A new approved Risk Management Policy is now in place, with a focus on derisking NGC. We have introduced risk management policies across the Group and the top 10 risks were identified in all areas. We once again have a functional Risk Council which meets every quarter, with the aim of reducing the imminent threats to business operations.

Projects and Supply Chain Management

In 2018, our goal was to close off legacy projects, restructure the Project group and restructure the Procurement group. An important indicator of successful transformation is the capacity to deliver on projects. I am pleased to announce the completion of two legacy projects. The Phoenix Park Valve Station (PPVS) is now fully commissioned and operational after over a decade as a project for the Company. The Liquid Fuels Pipeline Complex has also reached mechanical completion in all systems with the jet fuel line fully commissioned also after a decade of attention and resources by NGC, Petrotrin and NP. Paria Trading (formerly Petrotrin) has to provide fuel to the system to facilitate full commissioning of gasoline and diesel systems. That facility will be operated by the Liquid Fuels Company of Trinidad and Tobago Limited (LFCTT) – a subsidiary of the National Petroleum Marketing Company (NPMC).

In the wake of the passage of the Public Procurement and Disposal of Public Property Act (PPDPPA), the Company has restructured and rebranded its procurement function into the Supply Chain Management Group. The procurement function is being centralised and is highly technology enabled to reduce risks and improve efficiency and accountability. Key aspects of the modernisation and streamlining of procurement practices have been:

- Rolling out of SAP-ARIBA – a global leader in procurement software. It provides strategic sourcing capability and allows for managing supplier relationships digitally, providing end-to-end coverage; and
- Use of E-Auction element on at least two major items. E-Auction can potentially reduce the cost of procurement by upwards of 20%.

Costs and Revenue Management

We have made a conscious effort to improve the way we manage costs and revenue. In this business, minor errors or lapses in judgement can result in the loss of millions of dollars. Supported by the information system, our approach to commercial and legal undertakings is now far more sophisticated and supported by market research and business intelligence. A more robust, disciplined team-based approach to negotiations has been embraced.

Business Growth

Business growth is the key driver of shareholder value. In the context of our mission to create exceptional value from natural gas and related energy businesses through our people and strategic partnerships, growth is imperative. This business expansion thrust is being led by two new divisions within the Commercial Group – Gas Business Development and Energy Marketing and Trading. In 2018, NGC progressed several initiatives that commenced the previous year. On the international front, the focus was on capturing opportunities in emerging natural gas-rich countries of Africa. A Technical Services Agreement (TSA) was signed between NGC and Mozambique's National Hydrocarbon Company (ENH) by which NGC would provide consultancy services to ENH on technical areas of natural gas development. Mozambique has a Floating LNG facility in place and is at the point of making foreign investment decisions for onshore facilities including a processing plant, development of industrial estates, pipelines and port infrastructure. These constitute a rich portfolio of prospective investment opportunities for NGC in both medium- and long-term horizons. NGC has also been open to pursuing opportunities for inorganic growth regionally and internationally, as it looks at improving value across the value chain. Some of these opportunities will have more definitive shape in 2019.

Regionally, NGC will seek ground-floor opportunity in Guyana. We continued to explore opportunities for growth within the Caribbean LNG market. Some major players are already involved in the northern Caribbean with LNG supplies sourced from the US Gulf. The Energy Marketing and Trading Division is exploring, with strategic partners, the opportunity for small-scale LNG in neighbouring islands, particularly in the southern Caribbean.

Domestically, NGC continues to see opportunities to grow its value through new investments along the value chain. To this end, NGC has been involved in discussions with the shareholders, as well as the Government in the contract renewal negotiations for Atlantic Train 1. Several items are under review including pricing formulas, commercial structure including securing cargoes for NGC in the mid-stream while also improving value back at the wellhead in the upstream. The overarching goal is to ensure that greater value returns to the people of Trinidad and Tobago.

National Contribution

Our engagement with the national community is driven by a commitment to build sustainability through people and partnerships. While some of the traditional forms of corporate social responsibility (CSR) remain in place, the new model aims to shift from a focus on events to people, from public relations messaging to capacity building and from dependency to sustainability. It gives me great pride to highlight accomplishments in three of such projects.

In 2017, NGC launched an initiative to honour the legacy of national icons and institutions. The first honouree was our own Hasely Crawford. A

President's Report (continued)

series of exhibitions held with the National Library and Information System Authority (NALIS), a comic book produced in conjunction with the Heroes Foundation and a website on his life and accomplishments celebrated through this programme, were completed in 2018. The late Dr. Pat Bishop, historian, artist and musicologist, held centre stage in 2018. Commemorative events and activities included panel discussions on Dr. Pat Bishop, the artist and an exhibition of her last collection of paintings. A microsite dedicated to her life and work was also launched.

Sustainability is a focus area for us at NGC and this extends to our CSR projects. We have piloted a pan music literacy programme in conjunction with The University of the West Indies (The UWI), Department of Creative and Festival Arts. Under this initiative, the Panorama arrangements of our sponsored bands have been scored and now form a permanent record available for the teaching of music for pan. In a deliberate effort to build sustainability into the operations of sponsored steelbands, NGC has partnered with the MIC Institute of Technology to train pannists in making and tuning pans and a range of associated skills, including welding and fabrication, over a three-year period.

In 2018, NGC embraced a more active role in promoting energy efficiency and renewable energy as part of our overall sustainability strategy. In championing the more efficient use of electricity by industry and households, we expect to achieve greater efficiency in the use of natural gas as fuel concomitantly, making more molecules available for processing into value added petrochemicals. In December 2018, NGC, in partnership with the IAM Movement, launched a three-part video series on energy efficiency for public education. The videos are available on social media and can be taken to schools and communities in a broad-based effort to raise national consciousness about the importance of energy conservation and efficiency.

The planting of the final 48 hectares (Ha) of forest in our 348 Ha reforestation programme was completed in 2018. The focus now is on maintenance and survival. NGC took the opportunity to implement a capacity-building initiative among the groups involved in the project so as to make them more marketable for similar projects. NGC has also commissioned a study on carbon sequestration, the results of which are scheduled to be delivered in Q1 2019.

First Sustainability Report

Traditionally, NGC has given account of its business performance via Annual Reports, which largely give a quantitative assessment of performance in a calendar year. From these reports, the public can learn how much money was earned in sales, how much was passed to Government through taxation, how much the asset base of the Company has grown over 12 months. The Company has recognised the need to go deeper to show how our numbers translate into value added to or subtracted from society.

Sustainability Reporting is a mechanism of account that enables companies to share information on their economic, governance, environmental and social performance in a given year, relative to the Sustainable Development Goals (SDG) and targets. Pegged to the SDGs, guidelines for such reporting ask companies to interrogate and share how their business affects their value chain, the environment and their stakeholders, both positively and negatively.

In July 2018, NGC published its first-ever *Sustainability Report*, covering the period January to December 2017. Our first attempt has been guided by the Global Reporting Initiative (GRI) standards and covers the core areas for baseline Sustainability Reporting. As NGC builds reporting capacity, we will move to widen the ambit of reporting to include the metrics that characterise more fulsome reports. The ultimate goal is to produce a publication in full compliance with GRI standards that is externally audited and assured.

Appreciation

I would like to express my deepest appreciation to the Chairman and Board of Directors, management, employees, partners and stakeholders for the contributions that you have made to the continued success of NGC and the NGC Group, while navigating a challenging landscape of several contract negotiations. We have come a long way and we do have much more to do. I am confident however, that we are progressing in the right direction. We have established the foundation and built the appropriate strategy to achieve stability, growth and profitability in the years and decades ahead.

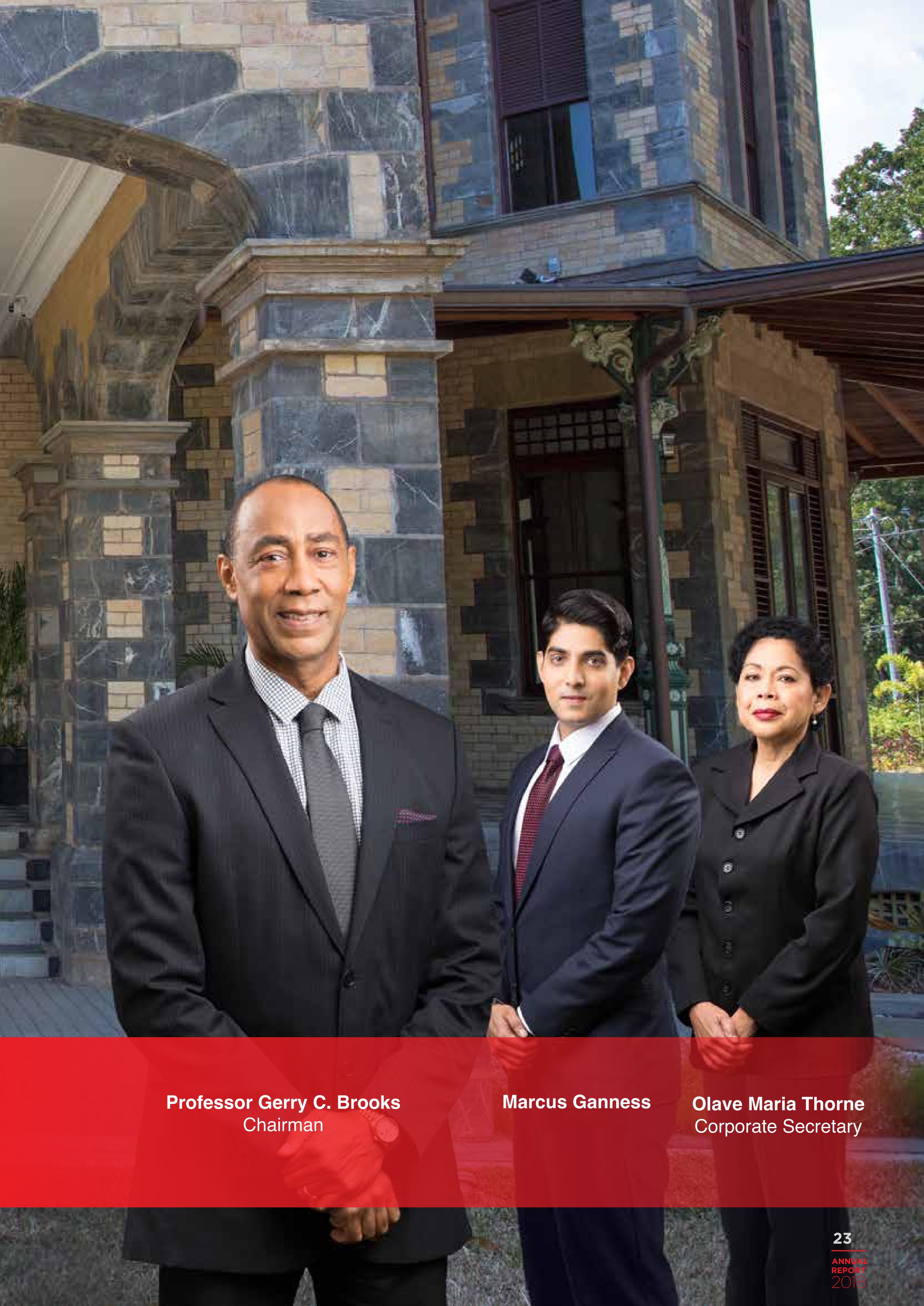
Mark Loquan
President

Board of Directors

Kenneth Allum

Sham Mahabir
(resigned wef
April 30, 2018)

Professor Andrew Jupiter
(resigned wef
December 31, 2018)



Professor Gerry C. Brooks
Chairman

Marcus Ganness

Olave Maria Thorne
Corporate Secretary

Directors' Report

Year Ended 31 December 2018

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December 2018.

1. BUSINESS ACTIVITIES

During 2018, 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 on 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, midstream and upstream segments of the natural gas value chain.

2. FINANCIAL RESULTS

The Group recorded a Profit after taxation of TT$2.33 billion which was TT$1.34 billion or 135.26% greater than the 2017 reported profit of TT$0.99 billion.

Group revenues increased by TT$2.12 billion from TT$13.88 billion to TT$16.00 billion in 2018. The increase in revenue was primarily driven by increases in ammonia and methanol prices which increased by 14% and 23%, respectively. Consequently, gross profit increased to TT$3.34 billion in 2018 from TT$2.89 billion in 2017, an increase of TT$0.45 billion or 16%. Profit before taxation was TT$3.91 billion, an increase of TT$1.66 billion from 2017.

Dividends of TT$1.05 billion were paid during the year 2018 to the Ministry of Finance as compared to the amount of TT$1.42 billion paid in 2017.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018 is set out below:

	2018 $'000	2017 $'000
Sales	16,004,936	13,880,519
Cost of sales	(12,665,030)	(10,994,295)
Gross profit	3,339,906	2,886,224
Other operating income	557,467	237,218
Interest and other investment income	1,109,187	536,930
Administrative, maintenance & general expenses	(1,002,626)	(1,013,184)
Impairment reversal/(expense)	116,830	(238,953)
Finance costs	(202,949)	(146,421)
Share of loss from associate	(6,007)	(10,138)
Profit before taxation	3,911,808	2,251,676
Taxation	(1,584,619)	(1,262,476)
Profit for the year after taxation	2,327,189	989,200
Other comprehensive income, net of taxes:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	(449)	11,035
Income tax relating to net defined benefit liability	157	(3,862)
Foreign currency translation differences	71,731	59,092
	71,439	66,265
Items that may be reclassified subsequently to profit or loss		
Net realised loss on fair value through other comprehensive income	(233,539)	(18,501)
Total other comprehensive income for the year, net of tax	(162,100)	47,764
Total comprehensive income for the year	**2,165,089**	**1,036,964**

3. DIRECTORS

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

01 January 2018 to 31 December 2018

- Professor Gerry C. Brooks – Chairman;
- Professor Andrew Jupiter - Director (resigned from the Board with effect from 31 December 2018);
- Mr. Kenneth Allum – Director;
- Mr. Sham Mahabir – Director (resigned from the Board with effect from 30 April 2018); and
- Mr. Marcus Ganness – Director.

The NGC Board held seven meetings for the period 01 January to 31 December 2018.

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:

01 January 2018 to 31 December 2018

- Mr. Sham Mahabir - Chairman (until 30 April 2018);
- Mr. Kenneth Allum - Chairman (appointed with effect from 03 July 2018);
- Mr. Marcus Ganness - appointed as a Member with effect from 03 July 2018; and
- Mr. Lester Herbert (Representative from the Ministry of Finance).

The Audit Committee held four meetings in 2018.

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

01 January 2018 to 31 December 2018

- Professor Gerry C. Brooks - Chairman;
- Mr. Kenneth Allum; and
- Mr. Marcus Ganness.

The Finance and Investment Committee held four meetings in 2018.

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

01 January 2018 to 31 December 2018

- Mr. Kenneth Allum - Chairman;
- Professor Andrew Jupiter (no longer a member with effect from 31 December 2018); and
- Mr. Marcus Ganness.

The Tenders Committee held five meetings in 2018

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

01 January 2018 to 31 December 2018

- Professor Andrew Jupiter – Chairman (no longer chairman/member with effect from 31 December 2018);
- Mr. Kenneth Allum; and
- Mr. Sham Mahabir (no longer a member with effect from 30 April 2018).

The Human Resources Committee held two meetings in 2018.

Directors' Report (continued)

3. DIRECTORS (continued)

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

01 January 2018 to 31 December 2018

- Mr. Kenneth Allum – Chairman;
- Mr. Marcus Ganness; and
- Mr. Sham Mahabir (no longer a member with effect from 30 April 2018).

The Operations Committee held six meetings in 2018.

4. AUDITORS

The term of the auditors , Deloitte & Touche has ended and recruitment of auditors is in progress.

Dated this 27th day of June, 2019

By ORDER OF THE BOARD

Maria Thorne
Company Secretary

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

CONSOLIDATED

Financial Statements

31 DECEMBER 2018

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

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 2018, 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 President	Narinejit Pariag Vice President, Finance and Information Management
27 June 2019	27 June 2019

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 2018, 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 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS').

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

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

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

In connection with the audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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.

Continued...

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

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

28 June 2019

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated statement of financial position as at 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2018 $'000	2017 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	17,010,093	17,458,611
Capital assets and licenses	6	2,641,710	2,301,979
Investment properties	7	550,630	578,840
Other intangible assets	9	16,953	949
Goodwill	8	2,420,247	2,413,929
Investment in associate	10	314,897	325,968
Loans receivable	12	3,644,417	325,333
Other financial assets	11	3,912,568	3,012,959
Net investment in leased assets	13	209,121	394,983
Deferred tax asset	14	793,192	589,830
Contract asset	15	217	9,039
Debt reserve funds	16	118,263	116,083
Total non-current assets		31,632,308	27,528,503
Current assets			
Cash and cash equivalents	17	6,837,681	6,434,290
Short-term investments	18	1,426,841	437,227
Loans receivable	12	-	224,647
Net investment in leased assets	13	191,199	136,161
Accounts receivable	19	1,891,508	6,438,147
Sundry debtors and prepayments	20	610,452	695,972
Inventories	21	307,808	306,356
Contract asset	15	14,621	856,416
Income taxes receivable		408,457	378,472
Total current assets		11,688,567	15,907,688
Total assets		**43,320,875**	**43,436,191**

Continued...

The accompanying notes on pages 37 to 120 form an integral part of these financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated statement of financial position (continued) as at 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2018 $'000	2017 $'000
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	22	1,855,266	1,855,266
Reserve fund	23	438,192	438,192
Other reserves	24	6,229,465	5,382,847
Retained earnings		17,805,997	16,550,972
Total equity attributable to owners of the parent		26,328,920	24,227,277
Non-controlling interest	41	2,820,156	2,786,415
Total shareholder's equity		29,149,076	27,013,692
Non-current liabilities			
Deferred tax liability	14	5,906,628	5,601,356
Borrowings	25	2,514,475	2,700,355
Contract liability	26	108,597	135,083
Provisions	27	987,834	908,826
Post retirement, medical and group life obligation	28	153,875	148,334
Pension obligation	29	55,729	88,268
Total non-current liabilities		9,727,138	9,582,222
Current liabilities			
Trade payables	30	2,438,315	4,203,310
Sundry payables and accruals	31	1,330,150	2,263,456
Borrowings	25	193,990	188,885
Contract liability	26	59,758	145,281
Dividends payable		4,238	5,072
Income taxes payable		418,210	34,273
Total current liabilities		4,444,661	6,840,277
Total liabilities		14,171,799	16,422,499
Total equity and liabilities		**43,320,875**	**43,436,191**

The accompanying notes on pages 37 to 120 form an integral part of these 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 27 June 2019.

: Chairman

: Director

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2018 $'000	2017 $'000
Sales	32	16,004,936	13,880,519
Cost of sales	32	(12,665,030)	(10,994,295)
Gross profit		3,339,906	2,886,224
Other operating income	33	557,467	237,218
Interest and other investment income	34	1,109,187	536,930
Administrative, maintenance and general expenses	35	(1,002,626)	(1,013,184)
Impairment reversal/(expense)	36	116,830	(238,953)
Finance costs	37	(202,949)	(146,421)
Share of loss from associate	38	(6,007)	(10,138)
Profit before taxation		3,911,808	2,251,676
Taxation	39	(1,584,619)	(1,262,476)
Profit for the year after taxation		**2,327,189**	**989,200**
Other comprehensive income, net of taxes:			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined benefit liability		(449)	11,035
Income tax relating to net defined benefit liability		157	(3,862)
Foreign currency translation differences		71,731	59,092
		71,439	66,265
Items that may be reclassified subsequently to profit or loss			
Net unrealised loss on fair value through other comprehensive income		(233,539)	(18,501)
Total other comprehensive income for the year, net of tax		(162,100)	47,764
Total comprehensive income for the year		**2,165,089**	**1,036,964**

The accompanying notes on pages 37 to 120 form an integral part of these financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated statement of profit or loss and other comprehensive income (continued) for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

	2018 $'000	2017 $'000
Profit for the year after tax attributable to:		
- Owners of the parent	2,059,595	805,617
- Non-controlling interests	267,594	183,583
	2,327,189	**989,200**
Total comprehensive income for the year, net of tax attributable to:		
- Owners of the parent	1,895,367	851,338
- Non-controlling interests	269,722	185,626
	2,165,089	**1,036,964**

The accompanying notes on pages 37 to 120 form an integral part of these financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated statement of changes in equity for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

	Share capital $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance as at 1 January 2017	1,855,266	438,192	5,425,791	17,008,162	24,727,411	2,106,648	26,834,059
Profit for the year after taxation	-	-	-	805,617	805,617	183,583	989,200
Other comprehensive income for the year, 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 51)	-	-	-	(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 2018	1,855,266	438,192	5,382,847	16,550,972	24,227,277	2,786,415	27,013,692
Effect of adoption of new accounting standards (Note 3.1)	-	-	1,333,435	57,526	1,390,961	39,637	1,430,598
Balance as at 1 January 2018 (restated)	**1,855,266**	**438,192**	**6,716,282**	**16,608,498**	**25,618,238**	**2,826,052**	**28,444,290**
Profit for the period after taxation	-	-	-	2,059,595	2,059,595	267,594	2,327,189
Other comprehensive income for the period, net of tax	-	-	(163,090)	(1,139)	(164,229)	2,129	(162,100)
Revaluation reserve	-	-	(129,137)	-	(129,137)	(40,434)	(169,571)
Transfer of gain on disposal of equity investments	-	-	(94,752)	94,752	-	-	-
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(99,838)	99,838	-	-	-
Dividends (Note 51)	-	-	-	(1,055,547)	(1,055,547)	(235,185)	(1,290,732)
Balance as at 31 December 2018	**1,855,266**	**438,192**	**6,229,465**	**17,805,997**	**26,328,920**	**2,820,156**	**29,149,076**

The accompanying notes on pages 37 to 120 form an integral part of these financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated statement of cash flows for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Cash generated from operations	40	4,010,809	2,518,532
Pension and other post-retirement contributions paid		(49,764)	(48,095)
Income taxes paid		(1,158,107)	(782,918)
Income tax refunds		-	4,244
Interest paid		(184,474)	(191,028)
Interest received		423,194	347,206
Net cash generated from operating activities		3,041,658	1,847,941
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(585,970)	(373,640)
Purchase of capital assets and licences		(87,365)	19,138
Purchase of investment property		(2,624)	(25,661)
Proceeds from disposal of property plant and equipment		1,735	3,955
Net (increase)/decrease in short-term investments		(986,083)	807,810
Proceeds from sale of investments		28,155	867,403
Repayment of loans receivable		257,306	396,738
Dividends received		206,160	151,911
Net cash (used in)/generated from investing activities		(1,168,686)	1,847,654
Cash flow from financing activities			
Repayment of borrowings		(188,715)	(183,911)
Decrease in debt reserve funds		-	(920)
Dividends paid		(1,291,740)	(1,647,102)
Net cash used in financing activities		(1,480,455)	(1,831,933)
Net increase in cash and cash equivalents		392,517	1,863,662
Net foreign exchange difference on cash balances		10,874	19,071
Cash and cash equivalents at beginning of year		6,434,290	4,551,557
Cash and cash equivalents at end of year		**6,837,681**	**6,434,290**

The accompanying notes on pages 37 to 120 form an integral part of these financial statements.

Notes to the consolidated financial statements for the year ended 31 December 2018

(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 involved in all stages of the gas value chain. The Group holds investments in the upstream, midstream and downstream sectors and also owns port and industrial estates to support the petrochemical sector and industrial development. 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 financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation

These financial statements have been prepared under the historical cost basis, except for offshore plant and equipment, pipelines and related facilities which have been revalued and financial assets which are measured at fair value.

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.

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 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

2.3 **Basis of consolidation**

1) *Subsidiaries*

A subsidiary Company is an entity controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, 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 (OCI) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the carrying amount of the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Recognises the fair value of any investment retained;
- Reclassifies to profit or loss or to retained earnings, as appropriate, the amounts recognised in OCI as would be required if the Group had directly disposed of the related assets or liabilities; and
- Recognises any resulting difference as a gain or loss in the profit or loss attributable to the Parent.

Non-controlling interests represents the interests not held by the Group in Phoenix Park Gas Processors Limited ('PPGPL'), NGC NGL Company Limited ('NGC NGL'), Trinidad and Tobago NGL Limited ('TTNGL'), NGC Trinidad and Tobago LNG Company ('NGC LNG') and La Brea Industrial Development Company Limited ('LABIDCO').

2. Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

2) *Transactions eliminated on consolidation*

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.

2.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in fair value of the contingent consideration are recognised in profit and loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net identifiable assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. The Group assesses at each reporting date whether there is an indication that goodwill maybe impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the assets recoverable amount.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

2.4 Business combinations and goodwill (continued)

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.5 Investment in associates and joint ventures

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value.

Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

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

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

2.6 **Interest in joint operations**

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

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

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

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.

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

Non-current assets or 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.

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

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

2.8 **Foreign currencies**

The functional currency of the Group is the United States dollar ('US$') because the US$ is the currency of the primary economic environment in which the Group operates. The Group statutory financial statements are required to be presented in Trinidad & Tobago dollars ('TT$'), therefore the presentation currency is the TT$. All statement of financial position amounts have been translated using exchange rates in effect at the reporting date and statement of profit or loss and other comprehensive income amounts have been translated using average exchange rates for the year. The closing rate at the reporting date was TT$6.7805 to US$1 (2017: TT$6.7628 to US$1) and the average exchange rate was TT$6.7567 to US$1 (2017: TT$6.7450 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. **Significant accounting policies (continued)**

2.9 **Property, plant and equipment**

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

The last valuation of the pipelines and related facilities was conducted on 31 December 2016.

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

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

Depreciation on revalued pipelines 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 and residual values 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 are depreciated using the straight-line method at the following rates:

Machinery and equipment	- 5%	- 20%
Marine infrastructural assets	- 3%	- 20%
Pipelines and related facilities	- 1.67%	- 20%
Other assets	- 10%	- 50%

Leasehold property is amortised as follows:

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

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

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

Gas plant and other related projects are depreciated over the period of the Gas Processing Agreement (GPA).

The expected life of the gas plant and other related projects was reassessed in 2009 upon renewal of the GPA with the Parent to coincide with the 20-year period of the Agreement. The carrying value of these assets as at that date is being depreciated at 5% per annum.

Development costs are recognised as an asset to the extent that it is expected to generate future economic benefits.

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

2.10 **Intangible assets**

a) **Intangible assets acquired separately**

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

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

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

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

c) **Derecognition of intangible assets**

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

2.11 **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.

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.

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

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

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

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

2.12 **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	- 3.33% - 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.

2.13 **Taxation**

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

a) **Current tax**

Current income tax asset and liabilities for the current and prior periods are measured at the amount expected to be recoverable from or paid to the taxation authority. The tax rates and tax laws used in computing the amount are those that are enacted or substantively enacted at the reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

2.13 **Taxation (continued)**

b) **Deferred tax**

Deferred income tax is provided using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled based on the enacted tax rate at the reporting date.

The carrying amount of deferred income tax is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised to the extent that it has become probable that future taxable profit will allow the deferred tax to be recoverable.

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

2.14 **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.

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are defined as an operating lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to carrying amount of the leased asset. Payments made under an operating lease are charged to the statement of profit or loss on a straight-line basis over the period of 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 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. Assets acquired under a finance lease are depreciated over the shorter of the useful life of the asset or the lease term.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

2.15 **Financial instruments**

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

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.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures.*

a) **Financial assets**

Financial assets, other than those designated and effective as hedging instruments, are classified and subsequently measured based on the following categories:
1) Financial assets at amortised cost
2) Financial assets at fair value through profit or loss (FVTPL)
3) Financial assets at fair value through other comprehensive income (FVTOCI).

The classification is determined by both:
- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial asset

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented under impairment.

The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business model each reporting period to determine whether the business model has changed since the preceding period.

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

2.15 **Financial instruments (continued)**

a) **Financial assets (continued)**

1) *Financial assets at amortised cost*

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

This category includes non-derivative financial assets such as loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

2) *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets at FVPTL are:

- Financial assets whose contractual cash flows are not SPPI
- Financial assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell
- Financial assets designated at FVPTL using the fair value option

This category includes derivative instruments.

These assets are measured at fair value with gains or losses, including any interest or dividend income recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3) *Financial assets at fair value through other comprehensive income (FVTOCI)*

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- They are held under a business model whose objective is both to hold and collect the associated cash flows and to sell the financial assets; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI)

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset.

Reclassification

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

2.15 **Financial instruments (continued)**

b) **Financial liabilities**

The accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, therefore the Group's financial liabilities were not impacted by the adoption of IFRS 9.

The Group's financial liabilities include borrowings, trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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

c) **Impairment of financial assets**

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

Instruments within the scope of the new impairment requirements include loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and qualifying financial guarantee contracts.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') for which a 12-month ECL is recognised
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2') for which 'lifetime expected credit losses' are recognised.

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

2.15 **Financial instruments (continued)**

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

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset has occurred. Credit-impaired financial assets are referred to as 'Stage 3' assets.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade receivables as well as contract assets. Therefore, the Group does not track changes in credit risk, but records the loss allowance based on lifetime expected credit losses at each reporting date. The Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Financial assets at fair value through other comprehensive income (FVTOCI)

For debt instruments at FVTOCI, the Group applies the low credit risk simplification and recognises a 12-month expected credit losses, as most of these instruments have an investment grade credit rating, the likelihood of default is deemed to be small. However, at each reporting date, the Group assesses whether there has been a significant increase in the credit risk of the instrument.

In assessing these risks, the Group relies on readily available information such as the credit ratings issued by the major credit rating agencies for the respective asset. The Group only holds simple financial instruments for which specific credit ratings are usually available. In the unlikely event that there is no or only little information on factors influencing the ratings of the asset available, the Group would aggregate similar instruments into a portfolio to assess on this basis whether there has been a significant increase in credit risk.

In addition, the Group considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Group recognises for this instrument or class of instruments the lifetime ECL.

d) **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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

2.16 **Take-or-pay**

The Group has take-or-pay contracts with various upstream producers. A contract 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. Contract asset is recorded in the year in which the customers have to pay for volumes contractually committed to but not yet taken. The revenue is recognised at the earlier of the expiration of the customer's deficiency period and when the volumes are taken.

2.17 **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less estimated costs of completion and selling expenses. A provision is made for all slow-moving and obsolete items.

a) *Liquefied natural gas ('LNG')*

The inventory represents LNG produced and stored by Atlantic LNG for 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).

2.18 **Cash and cash equivalents**

Cash on hand, in banks and short-term deposits that are held to maturity, are carried at amortised cost and are subject to insignificant risk and change in value.

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

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

2.19 **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 expense.

The Group has recorded a provision for decommissioning the offshore plant and equipment, its proportionate share of the Teak, Samaan and Poui ('TSP') assets, South-East Coast Consortium ('SECC') assets, Block 2c and Block 3a in the Angostura Field and Block 1a located offshore the West Coast of Trinidad 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.

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

a) **Pension benefits**

The employees of NGC, National Energy and NGC CNG have a final salary defined benefit pension plan which has been wound up effective 31 December 2018 and a new Career Average Defined Benefit plan with an effective date of 1 January 2019 is being established.

In the new Career Average Defined Benefit plan, the pension will be calculated based on the employees' average salary from the effective date of 1 January 2019 until retirement date. The employee's pension at retirement will be the sum of the pension accrued under the final salary Defined Benefit Plan at 31 December 2018 and the pension accrued under the Career Average Define Benefit plan from 1 January 2019 to retirement.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method the costs of providing pensions is calculated based on the advice of independent actuaries who also carry out a full calculation of the plan every three years. The pension obligation is measured at the present value of the estimated future cash flows using interest rates of long-term government securities.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

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

a) **Pension benefits (continued)**

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Administrative, maintenance and general expenses'. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

The Group also provides post-retirement life and medical benefits to its retirees. The expected costs of these benefits are measured in a manner similar to that for the defined benefit plan. Valuation of these obligations are carried out by independent professional actuaries using an accounting methodology similar to that of the defined benefit pension plans.

b) **Defined contribution plan**

The employees of PPGPL, are under a defined contribution plan which came into 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 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 2018, there was no liability outstanding.

2.21 **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 contract liabilities in the statement of financial position with income recognised and the liabilities reduced over the life of the user's sales contract.

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

2.22 **Borrowing costs**

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

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

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

2.23 **Government grants**

Government grants are recognised only when there is reasonable assurance that the Group will comply with any terms and conditions attached to the grants and 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.

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

2.24 **Revenue and other income recognition**

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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 Group considers whether there are other conditions in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

The following specific recognition criteria must also be met before revenue is recognised:

Revenue from contracts with customers

- 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 being the point of delivery.
- Revenue associated with services and marine infrastructure income is recognised upon performance of the services over time.
- Lease rental and service charge from operating leases on investment properties are recognised as revenue over time in the period in which they are earned. Premiums on leases are recognised as revenue at the point of initial year of execution of the lease.

Other operating income

- Dividend income from investments is recognised when the shareholder's right to receive payment has been established.
- 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 and is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.
- Management fees earned on government funded projects are accounted for on the accruals basis.
- Lease rental and service charge from operating leases on investment properties are recognised as revenue over time in the period in which they are earned. Premiums on leases are recognised as revenue at the point of initial year of execution of the lease.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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**

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

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early-adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

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

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

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

The application of IFRS 15 had no impact on the Company's financial statements.

IFRS 9 Financial Instruments

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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)**

IFRS 9 Financial Instruments (continued)

The following is a summary of the adjustments on initial application of the standard:

				Balance as at 1 January 2018		
	Balance as at 31 December 2017 $'000	Re-measurement Reclassification adjustments $'000	Expected credit loss (ECL) adjustments $'000	Amortised cost $'000	Fair value through other comprehensive income $'000	Total $'000
IAS 39 measurement catergory				**(A)**	**(B)**	**(A) + (B)**
- Held to maturity						
Petrotrin bonds ((a) & (b))	24,939	5,549	(720)	-	29,768	29,768
Government of T&T bonds	22,035	6,772	-	-	28,807	28,807
Home Mortgage Bank Ltd	211,237	(340)	-	-	210,897	210,897
- Available for sale						
Listed equity investments	1,395,860	-	-	-	1,395,860	1,395,860
Non-listed equity investments (Note 11 (b))	252,808	1,369,283	-	-	1,622,091	1,622,091
Quoted debt investments	505,543	-	(510)	-	505,033	505,033
- Loans and receivables						
Trade receivables (b)	6,438,147	-	(29,762)	6,408,385	-	6,408,385
Loans receivables (b)	549,980	-	(1,627)	548,353	-	548,353
	9,400,549	1,381,264	(32,619)	6,956,738	3,792,456	10,749,194
Impact on Deferred Tax (c)	-	-	81,953	10,986	70,967	81,953
	9,400,549	**1,381,264**	**49,334**	**6,967,724**	**3,863,423**	**10,831,147**
Impact on:						
- Retained earnings and revaluation reserve	16,550,972	1,333,435	57,526	-	-	17,941,933
- Non-controlling interest	2,786,415	47,829	(8,192)	-	-	2,826,052
	19,337,387	**1,381,264**	**49,334**	**-**	**-**	**20,767,985**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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)**

IFRS 9 Financial Instruments (continued)

The nature of these adjustments is described below:

a) **Classification and measurement**

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI.

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

The following are the changes in the classification of the Group's financial assets:

- Trade receivables and Other non-current financial assets classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest (SPPI). These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

- Quoted debt instruments classified as Available-for-sale (AFS) financial assets as at 31 December 2017 are classified and measured as Debt instruments at fair value through OCI beginning 1 January 2018. The Group expects not only to hold these assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Group's quoted debt instruments are regular government and corporate bonds that passed the SPPI test.

Fair value is determined in the manner described in note 51(g). The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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)**

IFRS 9 Financial Instruments (continued)

a) Classification and measurement (continued)

- Quoted debt instruments classified as Held to Maturity financial assets as at 31 December 2017 are classified and measured as Debt instruments at fair value through OCI beginning 1 January 2018. Changes in valuation due to this change in classification is shown in opening retained earnings as at 1 January 2018.
- Equity investments in non-listed companies classified as AFS financial assets as at 31 December 2017 are classified and measured as equity instruments designated at fair value through other comprehensive income.
- Listed equity investments classified as AFS financial assets as at 31 December 2017 are designated as financial assets at fair value through OCI beginning 1 January 2018 as they are not held for trading.

All equity investments listed or unlisted are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Upon disposal of equity investments gains or losses are transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in interest and other investment income.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCI are measured at FVTPL.

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

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

• IFRS 16	Leases
• IFRS 17	Insurance Contracts
• Amendments to IFRS 9	Prepayment Features with Negative Compensation
• Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
• Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
• Amendments to IAS 19	Plan Amendment, Curtailment or Settlement Employee Benefit
• Standards 2015–2017 Cycle	IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
• IFRIC 23	Uncertainty over Income Tax Treatments

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

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

- **IFRS 16 Leases**

  IFRS 16 becomes effective for accounting periods beginning on or after 1 January 2019 and supersedes IAS 17.

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

  The Management of the Group anticipate that the application of IFRS 16 may have an impact on the amount reported and disclosures made in the 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.

- **IFRS 17 Insurance Contracts**

  IFRS 17 Insurance Contracts covers recognition and measurement, presentation and disclosure to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

  The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. The core of IFRS 17 is the general model, supplemented by:

  1) A specific adaptation for contracts with direct participation features (the variable fee approach)
  2) A simplified approach (the premium allocation approach) mainly for short-duration contracts

  IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. The Management of the Group does not anticipate that the application of the amendments will have an impact on the Group's consolidated financial statements.

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

  Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or depending on the business model, at fair value through other comprehensive income), even in the case of negative compensation payments.

  The amendments should be applied retrospectively and is effective from 1 January 2019.

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

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

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

- **Amendments to IAS 28 Long term Interest in Associates and Joint Ventures**
  Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity is not applied.

  The amendment should be applied retrospectively and is effective from 1 January 2019.

  The Management of the Group does not anticipate that the application of the amendments to IAS 28 will have a significant impact on the financial statements.

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

  The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

  The effective date of the amendments has yet to be set by the IASB; however earlier application of the amendments is permitted.

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

- **Amendments to IFRS 19: Plan Amendment, Curtailment or Settlement**

  The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. In such circumstances, an entity is required to determine the current service cost and the net interest (based on the relevant discount rate) for the remainder of the period after the plan amendment, curtailment or settlement occurs during the annual assumptions used to remeasure the net defined benefit liability (asset), reflecting the benefits offered under the plan assets after that event.

  The Management of the Group does not anticipate that the application of the amendments to IAS 19 will have a significant impact on the financial statements.

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

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

Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

Makes amendments to the following standards:

- **IFRS 3 and IFRS 11** – The amendments to **IFRS 3** clarify that when an entitiy obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to **IFRS 11** clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

- **IAS 12 Income Taxes** - The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

- **IAS 23 Borrowing Costs** – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

  The Management of the Group does not anticipate that the application of these improvements to IFRS Standards 2015 – 2017 Cycle will have a significant impact on the financial statements.

- **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 the amendments to IFRIC 23 will have a significant impact on the financial statements.

4. Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgements in applying accounting policies

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.

4.2 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)

- *Tax assessments*
  (Refer to Note 43 (a) – Contingent liabilities: Taxes)

- *Asset retirement obligation*
  (Refer to Note 27 (a) – Provisions: Asset retirement obligation)

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

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

- *Useful lives of investment property*
  (Refer to Note 7 – Investment properties)

- *Impairment of goodwill*
  (Refer to note 8 – Goodwill)

- *Litigation matters*
  (Refer to Note 43 (b) – Contingent liabilities: Litigation matters)

- *Pension and other post-employment benefits*
  (Refer to Note 28 – Pension obligation)

- *Business model assessment*
  (Refer to Note 3.1 – Financial Instruments)

- *Expected credit losses*
  (Refer to Note 3.1 - Impairment)

- *Fair value measurement of financial instruments*
  (Refer to Note 50 (g) - Fair Value)

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

5. Property, plant and equipment

	Freehold land $'000	Leasehold property $'000	Develop-ment costs $'000	Machinery and equipment $'000	Pipeline and related facilities $'000	Exploration and production assets $'000	Gas plant and other related assets $'000	Offshore plant and equipment $'000	Marine infra-structural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2018												
Opening 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
Additions	2,352	350	-	3,462	49,157	189,221	-	-	9,446	3,844	325,562	583,394
Transfers	-	1,937	-	1,862	3,660	166,877	38,696	22,556	-	2,577	(234,494)	3,671
Disposals	-	-	-	(50)	-	-	(1,485)	-	(188)	(1,951)	-	(3,674)
Decommissioning provision	-	-	-	-	-	38,860	-	-	-	-	-	38,860
Depreciation for year	-	(3,667)	(80)	(9,997)	(281,597)	(17,360)	(351,511)	-	(43,777)	(15,840)	-	(723,829)
Adjustment	(25,940)	-	-	-	-	(15,391)	-	-	-	-	(82,644)	(123,975)
Impairment (expense)/ reversal	-	-	-	-	(24)	8,330	(7,561)	(16,688)	-	-	(249,570)	(265,513)
Foreign exchange difference	457	470	-	20	29,287	1,387	3,903	(1,017)	-	58	7,983	42,548
Closing net book value	**75,289**	**190,920**	**340**	**26,343**	**11,468,179**	**524,199**	**3,612,213**	**4,851**	**689,590**	**33,463**	**384,706**	**17,010,093**
At 31 December 2018												
Cost	75,289	275,147	2,562	188,933	12,074,614	1,409,171	5,511,102	515,071	1,284,872	211,356	1,603,710	23,151,827
Accumulated depreciation/impairment	-	(84,227)	(2,222)	(162,590)	(606,435)	(884,972)	(1,898,889)	(510,220)	(595,282)	(177,893)	(1,219,004)	(6,141,734)
Net book value	**75,289**	**190,920**	**340**	**26,343**	**11,468,179**	**524,199**	**3,612,213**	**4,851**	**689,590**	**33,463**	**384,706**	**17,010,093**
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 (expense)/reversal	-	-	-	-	-	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 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

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

The Group revalues its pipelines every five to seven years. The last independent valuation of the pipelines and related facilities was completed as at 31 December 2016.

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 2018	**-**	**11,468,179**		**11,468,179**
At 31 December 2017	**-**	**11,667,696**	**-**	**11,667,696**

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 $6,534.0 million as at 31 December 2018 (2017: $6,703.0 million).

b) **Pipelines and related facilities**

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

c) **Assets under construction**

Included in assets under construction as at 31 December 2018 is cost relating to Beachfield Condensate Facility and Fire Water Pumps $168.5 million, Liquids Contingency Handling at Phoenix Park Valve Station $34.5 million, Charlieville Diversion $17.7 million, Longdenville Replacement Line $5.9 million, Odorisation of facilities $13.7 million.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

6. Capital assets and licenses

	Block 2c $'000	Block 3a $'000	Total $'000
Year ended 31 December 2018			
Opening net book value	2,288,412	13,567	2,301,979
Additions	61,263	26,102	87,365
Depreciation, depletion and amortisation expense	(366,447)	-	(366,447)
Impairment reversal (Note 6 (a))	613,861	-	613,861
Foreign exchange gain	4,825	127	4,952
Closing net book value	**2,601,914**	**39,796**	**2,641,710**
At 31 December 2018			
Cost	4,146,001	81,469	4,227,470
Accumulated depreciation, depletion and amortisation expense	(1,544,087)	(41,673)	(1,585,760)
Net book value	**2,601,914**	**39,796**	**2,641,710**
Year ended 31 December 2017			
Opening net book value	2,499,358	14,206	2,513,564
Additions	(18,458)	(680)	(19,138)
Depreciation, depletion and amortisation expense	(269,265)	-	(269,265)
Impairment expense (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**

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

Licences are amortised over the useful economic life currently estimated at eight 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) An impairment reversal was recognised in the year (Refer to note 36 – Impairment expense).

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

7. Investment properties

	Buildings $'000	Freehold land $'000	Development costs $'000	Fabrication Yard $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2018						
Opening net book value	106,625	46,465	397,789	25,747	2,014	578,840
Additions	-	-	324	-	2,300	2,624
Transfers	-	-	2,574	-	(2,574)	-
Depreciation for year	(4,046)	-	(25,250)	(1,538)	-	(30,834)
Closing net book value	**102,779**	**46,465**	**375,437**	**24,209**	**1,740**	**550,630**
At 31 December 2018						
Cost	600,539	46,465	646,080	45,174	1,740	1,339,998
Accumulated depreciation/ impairment	(497,760)	-	(270,643)	(20,965)	-	(789,368)
Net book value	**102,779**	**46,465**	**375,437**	**24,209**	**1,740**	**550,630**
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**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

7. **Investment properties (continued)**

	2018 $'000	2017 $'000
Amounts recognised in the statement of profit or loss		
Rental income from investment properties	**36,001**	**30,833**
Direct operating expenses	**3,667**	**3,259**

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

The fair value was based on the investment property value in use. The recoverable amount of the lands at UIE and the warehousing facility constructed at UIE has been determined based on a value-in-use calculation using cash flow projections from lease agreements and the Board approved business development, at a discount rate of 6.38%. As a result of this analysis, no impairment was recognised by Management for 2018 (2017: no impairment) in the profit or loss statement.

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 2019 financial budgets prepared by Management and approved by the Board of Directors and extrapolated for a four-year period, at a discount rate of 4.57%. As a result of this analysis, no impairment was recognised by Management for 2018 (2017: no impairment) in the profit or loss statement.

The fair values of investment properties were estimated as follows:

	2018 $'000	2017 $'000
Union Industrial Estate	465,017	362,159
Brighton Materials Storage and Handling Warehouse Facility	75,870	175,796
Land situated at fabrication yard	161,675	159,668
At 31 December	**702,562**	**697,623**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

8. Goodwill

	2018 $'000	2017 $'000
Balance at beginning of the period	2,413,929	2,407,897
Effects of movement in foreign exchange rates	6,318	6,032
Balance at end of the period	**2,420,247**	**2,413,929**

NGC through Trinidad and Tobago NGL Limited ('TTNGL') and NGC NGL Company Limited ('NGC NGL') holds a 50.55% interest in Phoenix Park Gas Processors Limited ('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 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 the carrying amount, an impairment loss may arise.

As at 31 December 2018, the carrying amount of goodwill allocated to the cash generating unit amounted to $2,414.0 million. The recoverable amount was determined by the value-in-use method which uses cash flow projections based on financial budgets approved by the directors covering a 15-year period to the year 2033. Cash flows beyond the 15-year period have been extrapolated assuming no growth rate after year 2033.

The key assumptions used in the value-in-use calculations are as follows:
- Discount rate of 11.86%
- Long range price and production projections for propane, butane and natural gasoline
- NGL content in natural gas stream.

Based on review conducted, there was no impairment of the goodwill recorded on the investment in PPGPL.

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

9. Other intangible assets

	2018 $'000	2017 $'000
Opening net book value	949	7,256
Additions	2,576	458
Transfers	22,636	330
Depreciation expense	(9,266)	(7,104)
Foreign exchange difference	58	9
Closing net book value	**16,953**	**949**
Cost	158,438	133,168
Accumulated depreciation	(141,485)	(132,219)
Net book value	**16,953**	**949**

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

	2018 $'000	2017 $'000
Caribbean Gas Chemical Limited	**314,897**	**325,968**

NGC through NGC Petrochemicals Limited ('NPL') holds a 20% equity interest in Caribbean Gas Chemical Limited ('CGCL'). This company is involved in the development of a petrochemical plant for the production of Methanol and Dimethyl Ether (DME).

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

11. Other financial assets

	2018 $'000	2017 $'000
Financial assets at fair value through other comprehensive income (FVTOCI)		
Equity instruments designated at fair value through		
a) **OCI:**		
Listed equity investments		
Local shares	781,464	960,738
Foreign shares	622,071	481,129
b) **Non-listed equity investments**		
Atlantic 1 Holdings LLC	83,178	63,469
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	1,370,002	189,339
Local shares	969	967
c) **Debt instruments at fair value through OCI:**		
Quoted debt instruments		
Local bonds	185,243	190,498
Foreign bonds	142,613	315,045
Unquoted debt instruments		
Local bonds	211,710	211,237
	3,397,250	2,412,422
d) **Financial assets at fair value through profit or loss**		
Credit link notes	515,318	600,537
Total other financial assets	**3,912,568**	**3,012,959**
e) **Financial assets at amortised cost**		
Trade receivables (Note 19)	1,891,508	6,438,147
Loan receivables (Note 12)	3,644,417	549,980
Total financial assets	**9,448,493**	**10,001,086**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

(a) **Equity instruments designated at fair value through OCI – Listed equity investments**

The Group sold some of its listed equity shares during 2018. The consideration received for the sale of these shares was TT$489.04 million (US$72.12 million). The accumulated gain of $94.75 million (US$13.97 million) that was previously recognised through OCI was transferred to retained earnings.

The Group holds non-controlling interests of 10% in Atlantic LNG Company of Trinidad and Tobago and 11.11% in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited. Subsequently in 2018, the non-listed companies and these investments were irrevocably designated at fair value through OCI as the Group intends to hold them for the long term for strategic purposes. In 2017, these investments were classified as available-for-sale.

(b) **Equity instruments designated at fair value through OCI – Non-listed equity investments**

	2018 $'000	2017 $'000
Atlantic 1 Holdings LLC		
Balance as at 1 January	63,469	63,310
Fair value adjustment IFRS 9 (Note 3.1)	126,399	-
Restated as at 1 January	**189,868**	-
Movement in fair value assessment 2018	(107,187)	-
Effect of changes in foreign exchange rate	497	159
Balance as at 31 December	**83,178**	**63,469**
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited		
Balance as at 1 January	189,339	188,866
Fair value adjustment IFRS 9 (Note 3.1)	1,242,884	-
Restated as at 1 January	**1,432,223**	**188,866**
Movement in fair value assessment 2018	(65,969)	-
Effect of changes in foreign exchange rate	3,748	473
Balance as at 31 December	**1,370,002**	**189,339**

(c) **Debt instruments at fair value through OCI**

This includes investments in quoted government and corporate bonds. Fair values of these debt instruments amounted to TT$539.6 million (US$79.9 million) and were determined by reference to published price quotations in an active market.

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

(d) **Financial assets at fair value through profit or loss** include investments in credit linked notes. In 2008, the Group issued two single tranche credit linked notes at a cost of TT$225.7 million (US$35.5 million) to meet 50% of the Group's bond liability that matures in 2036. The notes have a maturity value of TT$1,356.1 million (US$200 million) and is subject to the credit risk of the issuer.

(e) **Financial assets as amortised cost** include loan receivables and trade receivables (See Notes 12 and 19 respectively).

12. **Loans receivable**

	2018 $'000	**2017 $'000**
Trinidad and Tobago Electricity Commission (T&TEC) (Note 12 (a) (i) and (ii))	3,552,979	154,432
Atlantic LNG 4 Group of Trinidad and Tobago Limited (Note 12 (b))	296,052	325,333
Atlantic LNG Group of Trinidad and Tobago Unlimited (Note 12 (c))	-	73,205
	3,849,031	552,970
Less: expected credit loss	(204,614)	(2,990)
	294,572	549,980
Current portion	-	(224,647)
Long-term portion	**3,644,417**	**325,333**

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

(i) On 9 March 2012, NGC converted trade receivables of US$282.8 million for unpaid gas sales for the period July 2005 to September 2009 together with related interest of US$36.8 million to a medium-term loan receivable of US$319.7 million with an effective date of 1 December 2009. The loan was for a period of seven years with interest payable at a fixed rate of 3% per annum (market rate 7%) with semi-annual instalments which commenced on 1 December 2011 and was fully repaid on 13 June 2018.

(ii) On 31 December 2018, the Group converted trade receivables of TT$3.5 billion (US$524 million) for unpaid gas sales to a ten-year loan facility issued in two tranches at 6% per annum.

Tranche A - Principal amount US$262 million at interest rate of 6% with one year moratorium on the repayment of principal and interest, with equal semi-annual instalments of principal and interest commencing over a period of nine years from June 2020 to December 2028.

Tranche B - Principal amount of US$262 million at interest rate of 6% with payments of principal and interest payments commencing from June 2024 over a period of five years until December 2028.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

12. **Loans receivable (continued)**

b) **Atlantic LNG 4 Company 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 2018, the Group has contributed US$112.0 million (2017: 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 London Inter-Bank Offered Rate (LIBOR) plus a margin which ranges from 1.125% to 2.125% per annum.

The effective interest rate at the reporting date was 4.609% (2017: 3.428%). This loan is expected to mature on 15 December 2020.

Loan re-payments of US$4.4 million (2017: US$6.1 million) were made during the year. The loan balance at 31 December 2018 is US$43.7 million (TT $296.1 million); (2017: US$48.1 million/ TT$325.3 million).

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

The loan was issued on 30 August 2011 for a period of seven years to provide financing in the amount of US$27.06 million at a rate of Libor plus the applicable margin of 1.10%. This loan was fully repaid on 2 July 2018.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

13. Net investment in leased assets

	2018 $'000	2017 $'000
Finance lease - gross investment	659,891	931,232
Less: unearned finance charges	(259,571)	(400,088)
	400,320	**531,144**
Gross investment in leased assets has the following maturity profile:		
Within 1 year	280,630	273,063
1 to 5 years	284,462	488,914
Over 5 years	94,799	169,255
	659,891	**931,232**
Net investment in leased assets has the following maturity profile:		
Within 1 year	191,199	136,161
1 to 5 years	141,011	300,940
Over 5 years	68,110	94,043
	400,320	**531,144**
Current	191,199	136,161
Non-current	209,121	394,983
	400,320	**531,144**

In December 2010, the Parent entered into a lease agreement for 17 years with an upstream supplier, for the use of 85% of the 58.8-mile, 24-inch diameter, offshore subsea pipeline and related facilities. The lessee is responsible for maintaining the pipeline over the lease term.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

14. **Deferred tax**

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

	2018 $'000	2017 $'000
Deferred tax asset:		
Asset retirement obligation	450,425	427,573
Post-retirement medical and group life and pension obligation	72,336	82,810
Tax losses	14,582	25,011
Accrued interest expense	33,874	32,856
Tax impact on IFRS 9	204,054	-
Other	17,921	21,580
	793,192	**589,830**
Deferred tax liability:		
Property, plant and equipment	**5,906,628**	**5,601,356**
Movement in net deferred tax balance		
Balance at 1 January	5,011,526	4,447,208
Tax charge recognised in profit or loss	246,105	629,680
Tax charge recognised in other comprehensive income	(157)	-
Tax charge recognised in retained earnings	(81,953)	-
Fair value measurement of net assets acquired:		
- in profit or loss	(71,529)	(71,343)
Foreign exchange translation	9,444	5,981
Balance as at the end of the year	**5,113,436**	**5,011,526**

15. **Contract expenses**

	2018 $'000	2017 $'000
Take-or-pay (Note 15 (a))	-	837,121
Capacity rights (Note 15 (b))	2,856	21,079
Other	11,982	7,255
	14,838	**865,455**
Current	14,621	856,416
Non-current	217	9,039
	14,838	**865,455**

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 diameter 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.

16. **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.

17. **Cash and cash equivalents**

	2018 $'000	2017 $'000
Cash at banks	**6,837,681**	**6,434,290**

a) Cash at banks earns interest at floating rates based on daily deposit rates. The fair value of cash is $6.8 billion (2017: $6.4 billion).

18. Short-term investments

	2018 $'000	2017 $'000
Short-term investments	**1,426,841**	**437,227**

a) Short-term investments are made for varying periods of between 30 days and 12 months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates.

b) The Group has an outstanding balance of TT$539.2 million as at 31 December 2018 from the insolvency of a financial institution which has been fully impaired.

19. Accounts receivable

	2018 $'000	2017 $'000
Trade receivables	**1,891,508**	**6,438,147**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Individually $'000	Collectively $'000	Total $'000
Closing balance as at 31 December 2017	299,043	63,064	362,107
Amount restated through opening retained earnings	(134,108)	163,870	29,762
Opening loss allowance as at 1 January 2018	164,935	226,934	391,869
Increase in loss allowance recognised in profit and loss during the year	195,349	119,709	315,058
Amounts recovered	-	(1,086)	(1,086)
Reversal of 2017 provision	(240,087)	-	(240,087)
Foreign exchange adjustment	-	583	583
Closing balance as at 31 December 2018	**120,197**	**346,140**	**466,337**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

20. Sundry debtors and prepayments

	2018 $'000	2017 $'000
Sundry debtors and prepayments comprise the following:		
Due from the GORTT - billed	412,971	416,375
Due from the GORTT - not yet billed	6,816	3,806
Impairment charge - Liquid Fuel Pipeline (Note 20 (a))	(398,665)	(325,008)
	21,122	95,173
Prepayments	208,289	409,583
Staff related balances	2,153	1,131
Related party balances	4,610	4,677
Value Added Tax	269,581	116,983
Interest receivable	55,380	30,095
Accrued income	17,167	22,197
Other	32,150	16,133
	610,452	**695,972**

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

The Liquid Fuel Pipeline Project was funded under the Government Public Sector Investment Programme (PSIP). The Group invested funds in excess of the approved PSIP allocation. This additional investment remain outstanding from the Ministry of Energy and Energy Industries and due to uncertainty of repayment a full provision was made for the outstanding amount.

21. Inventories

	2018 $'000	2017 $'000
LNG	9,521	78,033
Consumable spares	182,037	176,328
NGLs	113,980	76,974
Stock of crude oil	28,134	1,495
Other	975	296
Allowance for slow-moving and obsolete stock	(26,839)	(26,770)
	307,808	**306,356**

22. Share capital

Authorised

An unlimited number of ordinary shares of no par value

Issued and fully paid

	2018 $'000	2017 $'000
1,855,266,340 ordinary shares of no par value	**1,855,266**	**1,855,266**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

23. **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.

24. **Other reserves**

	2018 $'000	**2017 $'000**
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax	3,148,849	3,248,687
Realised gain upon disposal of equity instrument	(94,752)	-
Unrealised gain on financial assets at fair value through OCI	292,916	655,592
Investment revaluation reserve	1,333,435	-
Foreign currency translation	1,549,017	1,478,568
	6,229,465	**5,382,847**

25. **Borrowings**

	2018 $'000	**2017 $'000**
US $400M 30-year bond (Note 25 (a))	2,268,920	2,261,957
CALYON Bank Limited (Note 25 (b))	211,551	308,924
First Citizens Bank Limited (Note 25 (c))	227,994	318,359
	2,708,465	2,889,240
Current portion	(193,990)	(188,885)
Non-current portion	**2,514,475**	**2,700,355**

a) This loan relates to a US$400 million bond issued by the Group and arranged by Lehman Brothers/Citigroup on 20 January 2006, to finance the construction/acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund 11.11% of its shareholder loans to ALNG 4 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% which commenced in 2006. The fair value of the bond was TT$$2,596.2 million (US$382.9 million) at 31 December 2018 (2017: TT$2,805.6 million/US$414.9 million).

The total bond re-purchased by the Group is TT$408.86 million (US$60.3 million) as at 31 December 2018 (2017: TT$407.80/US$60.3 million).

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

25. **Borrowings (continued)**

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

The principal is repayable in 30 consecutive semi-annual instalments 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 2018, all drawdowns are Eurodollar rate advances. The Group has entered into an interest rate hedge with Crédit Agricole Bank effective 1 December 2005 for 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 2018 was an increase in interest expense in the amount of TT$3.90 million (2017: TT$6.65 million). The fair value of the loan at 31 December 2018 is TT$209.37 million (2017: TT$311.51 million).

The collateral given to secure this financing includes:

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

c) The Group has a long-term loan 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 2018 and April 2020.

	2018 **$'000**	**2017** **$'000**
Maturity profile of borrowings		
In one year or less	193,990	188,885
In more than one year but not more than two years	199,957	193,484
In more than two years but not more than three years	45,598	199,435
In more than three years but not more than four years	-	45,479
In more than five years	2,268,920	2,261,957
	2,708,465	**2,889,240**

26. Contract liability

	2018 $'000	2017 $'000
Gas sales (Note 26 (a))	-	85,452
Non-refundable capital contribution (Note 26 (b))	9,530	19,266
Capital grant (Note 26 (c))	74,588	79,897
Transportation tariff (Note 26 (d))	44,186	47,805
Pier user charges (Note 26 (e))	4,172	17,136
Other	35,879	30,808
	168,355	**280,364**
Current	59,758	145,281
Non-current	108,597	135,083
	168,355	**280,364**

Notes

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

b) Non-refundable capital contributions received from industrial users are amortised to profit or loss over the period of the industrial users' sales contracts. (Refer to Note 2.22)

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 month in advance.

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

27. Provisions

	2018 $'000	2017 $'000
Asset retirement obligation		
Balance as at 1 January	908,826	954,962
Increase/(decrease) in provision	76,629	(48,530)
Foreign currency translation	2,379	2,394
Balance as at 31 December	**987,834**	**908,826**

Asset retirement obligation

The Group has recorded provisions for the present value of the estimated cost of decommissioning based on studies conducted for the offshore plant and equipment, the Teak, Samaan and Poui (TSP) platforms, SECC assets, Block 2c asset located in the Greater Angostura field and Block 1a asset located offshore the West Coast of Trinidad.

A letter of credit for TT$151.0 million (US$22.3 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.

28. 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 2019.

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

	2018	**2017**
	%	**%**
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 2018 and 2017 are as follows:

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

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

	2018	**2017**
	$'000	**$'000**
Current service cost	8,074	7,966
Net interest on net defined benefit liability	8,078	9,117
Net benefit cost	**16,152**	**17,083**
Re-measurement recognised in other comprehensive income		
Experience losses	(8,142)	(33,448)
Total amount recognised in other comprehensive income	**(8,142)**	**(33,448)**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

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

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

	2018 $'000	2017 $'000
Net defined benefit liability	**153,875**	**148,334**
Reconciliation of opening and closing statement of financial position:		
Opening defined benefit liability	148,334	167,234
Current service cost	8,074	7,966
Interest cost	8,078	9,117
Re-measurements:		
Experience adjustments	(8,142)	(33,448)
Group premiums paid	(2,469)	(2,535)
Defined benefit obligation at end of year	**153,875**	**148,334**

29. **Pension obligation**

Employees of the Group, other than employees of PPGPL, are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. The Plan's financial funding position is assessed by means of triennial actuarial valuations which was last conducted as at 31 December 2015 and carried out by an independent actuary. The final salary defined benefit plan which was effective from 1 May 1977 and covered all permanent employees has been wound up effective 31 December 2018, and a new Career Average Defined Plan with an effective date of 1 January 2019 is being implemented and an actuarial costing was completed.

Funding

The Group meets the balance of the cost of funding the defined benefit pension plan and must pay contributions at least equal to twice those paid by members, which are fixed. The funding requirements are based on regular (at least every three 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 $28.8 million to pensions during 2019.

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:

	2018 %	2017 %
Discount rate	5.5	5.5
General salary increases	4.0	4.0
Salary increases due to age, merit and promotion	2.0	2.0
Life expectancy at age 60 for current pensioner in years:		
Male	21.0	21.0
Female	25.1	25.1
Life expectancy at age 60 for current members aged 40 in years:		
Male	21.4	21.4
Female	25.4	25.4

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

29. **Pension obligation (continued)**

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

	2018 $'000	2017 $'000
Current service cost	25,015	24,332
Net interest on net defined benefit liability	2,649	3,598
Administration expenses	1,031	998
Net benefit cost	**28,695**	**28,928**
Re-measurement recognised in other comprehensive income:		
Experience gain	8,591	22,413
Total amount recognised in other comprehensive income	**8,591**	**22,413**

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:

	2018 $'000	2017 $'000
Present value of defined benefit obligation	977,247	935,621
Fair value of plan assets	(921,518)	(847,353)
Net defined benefit liability	**55,729**	**88,268**

Reconciliation of opening and closing statement of financial position entries:

	2018	2017
Opening defined benefit liability	88,268	103,889
Net pension cost	28,695	28,928
Re-measurement recognised in other comprehensive income	8,591	22,413
Group contributions paid	(69,825)	(66,962)
Closing defined benefit obligation	**55,729**	**88,268**

Movement in present value of defined benefit obligation:

	2018	2017
Defined benefit obligation at start of year	935,621	875,074
Current service cost	25,015	24,332
Interest cost	50,302	46,715
Members contribution	12,506	11,993
Re-measurements:		
Experience adjustments	(3,554)	29,612
Benefits paid	(42,643)	(52,105)
Defined benefit obligation at end of year	**977,247**	**935,621**

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(Amounts expressed in Trinidad and Tobago dollars)

29. Pension obligation (continued)

Movement in fair value of plan assets/asset allocation:

	2018 $'000	2017 $'000
Fair value of plan assets at start of year	847,353	771,185
Interest income	47,653	43,117
Return on plan assets excluding interest income	(12,145)	7,199
Group contributions	69,825	66,962
Members' contributions	12,506	11,993
Benefits paid	(42,643)	(52,105)
Expenses	(1,031)	(998)
Fair value of plan assets at end of year	**921,518**	**847,353**
Asset allocation:		
Locally listed equities	231,082	196,056
Overseas equities	139,788	112,630
Government issued bonds	297,585	269,560
Corporate bonds	170,308	171,964
Mutual funds	12,902	13,946
Cash and cash equivalents	66,369	77,882
Annuities	3,484	5,315
Fair value of plan assets at end of year	**921,518**	**847,353**
Re-measurement recognised in Other Comprehensive Income:		
Experience losses/(gains)		
Pension	8,591	22,413
Post-retirement group life and medical (see Note 28)	(8,142)	(33,448)
Experience losses/(gains) at end of year	**449**	**(11,035)**

30. Trade payables

	2018 $'000	2017 $'000
Trade payables are settled on 30-day terms	**2,438,315**	**4,203,310**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

31. Sundry payables and accruals

	2018 $'000	2017 $'000
Interest – Board of Inland Revenue	9,933	11,008
Interest – other	90,041	89,675
Material/service amounts	950,675	1,883,648
Contract provisions	199,172	196,961
Employee-related accruals	80,329	82,164
	1,330,150	**2,263,456**

32. Revenue from contracts with customers

	2018 $'000	2017 $'000
Sales		
Natural gas	11,368,626	9,459,663
Natural gasoline	1,205,686	991,285
Natural gas liquids	1,405,414	1,425,290
Condensate	13,529	21,370
Transportation tariffs	319,183	286,619
Crude oil	310,694	490,593
Rental	36,001	30,833
Liquefied natural gas	1,004,769	844,352
Marine facilities and services	341,034	330,514
	16,004,936	**13,880,519**
Cost of sales		
Gas purchases	9,281,704	8,079,566
Feedstock purchases	907,715	813,814
Depreciation	1,082,828	982,862
Production taxes including supplemental petroleum taxes	67,873	58,414
Maintenance cost	76,877	66,808
Dredging	2,291	64,111
Staff cost (see Note 35)	77,324	78,277
Royalties	47,430	29,770
Royalty taxes	534,999	-
Exploration and production costs	244,322	209,038
Capacity charge-Dolphin Pipeline	-	229,935
Other operating cost	341,667	381,700
	12,665,030	**10,994,295**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

33. Other operating income

	2018 $'000	2017 $'000
Lease income	153,762	172,320
Operating and maintenance fees	5,925	5,515
Management fees	789	830
Amortisation of non-refundable capital contribution	9,743	9,190
Net claims settlement	351,348	-
Other income	35,900	49,363
	557,467	**237,218**

34. Interest, investment and other income

	2018 $'000	2017 $'000
Interest and investment income	187,610	116,569
Net (loss)/gain on credit link notes	(86,486)	123,375
Fair value gain on loan	-	17,495
Gain on disposal of investments	9,661	-
Recovery of short-term investments	605,578	-
Dividend income	206,030	138,223
Interest and investment income	**922,393**	**395,662**
LNG production payments	186,794	141,268
Other income	**186,794**	**141,268**
	1,109,187	**536,930**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

35. Administrative, maintenance and general expenses

	2018 $'000	2017 $'000
Staff costs (see below) *	372,839	381,072
Pension and post-retirement medical and group life	49,590	50,617
Depreciation, depletion and amortisation	47,548	49,685
Material, service and contract labour	82,768	73,494
Consulting and professional fees	104,738	149,201
Other	345,143	329,115
	1,002,626	**1,013,184**
Staff costs:		
Wages and salaries	439,103	448,136
National insurance	11,060	11,213
Pension and post-retirement medical and group life	49,590	50,617
	499,753	**509,966**
Staff costs included within:		
Cost of sales (Note 32)	77,324	78,277
Administrative and general expenses *	372,839	381,072
Pension and post-retirement medical and group life	49,590	50,617
	499,753	**509,966**

36. Impairment expense

	2018 $'000	2017 $'000
Impairment on receivables	235,138	308,401
Impairment on other financial assets	-	6,649
Impairment of capital spares	16,688	(207)
Property, plant and equipment – other assets	(745)	(2,923)
Beachfield compressor (Note 36 (a))	217,130	-
Capital assets and licences (Note 36 (b))	(613,861)	(73,683)
Other	28,820	-
(Reversal)/expense	**(116,830)**	**238,237**

In accordance with IAS 36: 'Impairment of assets', management performed impairment tests on all assets for which there were indicators of impairment and where impairment provisions were previously recorded.

Notes to the consolidated financial statements for the year ended 31 December 2018

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36. **Impairment expense (continued)**

a) **Beachfield compressor**

The Group's management completed a full operational and commercial review of the Beachfield Compressor Project and concluded that mitigating measures have now been implemented to reduce operational risks. As a result, further investment in the project has been discontinued. The costs incurred in project of TT$217.1 million (US $32.1 million) has been impaired at 31 December 2018.

b) **Capital assets and licences**

The Group's management carried out an impairment review of its 100% owned capital assets and licences in NGC E&P Investment (Netherlands) B.V. and NGC E&P (Netherlands) B.V., which resulted in an impairment reversal of TT$613.9 million (US$90.9 million).

The key assumptions used in the value in use calculations are as follows:

- Discount rate of 10.93%.
- The Group's entitlement of gas assets was estimated between a range of 17.4% to 19.4% of total gas revenue and oil entitlement was estimated between a range of 14.4% to 16.1%, over the eight-year period.
- Crude oil and gas forecasted prices and production projections for the year 2019 to 2026.

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

a) Discount rate was reduced by 100 basis points to 9.93%
b) Discount rate was increased by 100 basis points to 11.93%

From the scenarios above, while holding all other variables will increase/(decrease) the impairment reversal 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 $50.3 million.
- Scenario (b), where discount rate was increased by 100 basis points, while holding all other variables constant will decrease the impairment reversal by $47.9 million.

Notes to the consolidated financial statements for the year ended 31 December 2018

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37. Finance costs

	2018 $'000	2017 $'000
Interest	184,989	194,889
Decommissioning – unwinding of discount rate	37,638	(48,468)
Take-or-pay interest	(23,917)	-
Royalty tax interest	4,239	-
	202,949	**146,421**

38. Share of loss from associate

Name of Group	Place of incorporation and operation	Proportion of ownership interest and voting powers held by the Group 2018	2017
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.

	2018 $'000	2017 $'000
Share of loss from associate	**6,007**	**10,138**

39. Taxation

	2018 $'000	2017 $'000
Corporation tax	1,266,321	638,407
Petroleum profit tax	79,719	12,726
Business levy	299	2,277
Green Fund levy	63,704	50,729
	1,410,043	704,139
Deferred tax expense	174,576	558,337
	1,584,619	**1,262,476**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

39. **Taxation (continued)**

	2018 $'000	2017 $'000
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate:		
Profit for the year before taxation	3,911,808	2,251,676
Tax at the rate of 35%	1,369,133	788,087
Tax exempt income	(96,917)	(112,952)
Non-deductible expenses	290,745	109,293
Permanent differences	8,311	15,220
Other differences	(53,970)	(3,608)
Prior years' tax	(90,630)	88,125
Business levy	299	2,277
Green Fund levy	63,704	50,729
Valuation allowance	169,342	28,252
Tax effect of subsidiaries at different rate	(30,735)	147,162
Tax losses unutilised	8,230	5,929
Tax losses utilised	8,551	41,490
Effect of oil and gas assets taxed at a different rate	25,732	6,281
Foreign exchange translation	(87,176)	96,191
Income tax expense	**1,584,619**	**1,262,476**

Notes to the consolidated financial statements for the year ended 31 December 2018

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40. Cash generated from operations

	2018 $'000	2017 $'000
Profit for the year before taxation	3,911,808	2,251,676
Adjustments to reconcile profit for the year before taxation with net cash from operating activities:		
Depreciation, depletion and amortisation	1,130,376	1,032,548
Impairment reversal of property, plant and equipment	261,918	(3,130)
Reversal of impairment of capital assets and licences	(613,861)	(73,683)
Impairment of assets under construction	-	716
Impairment of other receivables	235,277	308,401
(Reversal)/impairment on other financial assets	(164)	6,649
Gain/(loss) on disposal of property, plant and equipment	7,426	(3,760)
Share of loss in associate	6,007	10,138
Post-retirement costs	38,492	29,137
Dividend income	(206,160)	(151,903)
Gain on disposal of other financial assets	(9,661)	-
Amortisation of deferred income	(5,268)	(5,268)
Finance costs	202,949	146,421
Interest income on finance lease	(142,164)	(170,764)
Interest and investment income	(87,905)	(228,243)
Operating profit before working capital changes	4,729,070	3,145,907
Working capital changes:		
Increase in accounts receivable and sundry debtors	1,176,534	(1,623,467)
Decrease in deferred expenses	849,708	24,358
Decrease/(increase) in inventories	135	(91,064)
Increase in deferred income	(106,829)	547
(Decrease)/increase in trade creditors, sundry creditors and accruals	(2,637,809)	1,062,251
Cash flows from operating activities	**4,010,809**	**2,518,532**

Notes to the consolidated financial statements for the year ended 31 December 2018

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41. Subsidiaries

a) The subsidiaries are as follows:

Entities	Principal activity	Place of incorporation and operation	Proportion of Entities shareholding and voting power held 2018	2017
Subsidiaries				
National Energy Corporation of Trinidad and Tobago Limited	Management of marine infrastructural facilities and industrial estates	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, operate and maintain a 56-inch cross island pipeline ('CIP')	Trinidad and Tobago	100%	100%
Trinidad and Tobago LNG Limited	11.11% ownership at Atlantic Train 4 which sells liquefied natural gas ('LNG') and natural gas liquids ('NGLs')	Trinidad and Tobago	100%	100%
NGC Trinidad and Tobago LNG Company	10% ownership in Atlantic Train 1 which sells liquefied natural gas ('LNG') and natural gas liquids ('NGLs')	Trinidad and Tobago	62.16%	62.16%
La Brea Industrial Development Company Limited	Management of industrial estate and marine infrastructure facilities	Trinidad and Tobago	81%	81%
Trinidad and Tobago NGL Limited	39% equity interest in Phoenix Park Gas Processors Limited which processes natural gas, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	25%	25%
NGC NGL Company Limited	51% equity interest in Phoenix Park Gas Processors Limited which processes natural gas, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	80%	80%

Notes to the consolidated financial statements for the year ended 31 December 2018

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41. **Subsidiaries (continued)**

a) The subsidiaries are as follows (continued):

Entities	Principal activity	Place of incorporation and operation	Proportion of Entities shareholding and voting power held 2018	2017
Subsidiaries				
NGC CNG Company Limited	Construct, operate and maintain compressed natural gas service stations	Trinidad and Tobago	100%	100%
NGC Petrochemicals Limited	20% equity interest in Caribbean Gas Chemical Limited which produces, markets and sells DME and methanol	Trinidad and Tobago	100%	100%
NGC E&P (Barbados) Limited	0.01% membership in NGC E&P Netherlands Coöperatief U.A. which holds a 30% interest in Block 2c and 11.41% interest in Block 3a	Barbados	100%	100%
NGC E&P Investments (Barbados) Limited	99.99% membership in NGC E&P Netherlands Coöperatief U.A. which holds a 30% interest in Block 2c and 11.41% interest in Block 3a	Barbados	100%	100%
Downstream Petrochemicals Research and Development Limited	Management of DME and Downstream Promotion Fund	Trinidad and Tobago	100%	100%
NGC E&P Investments Limited	20% equity interest in exploration, development and production of gas of Block 1a	Trinidad and Tobago	100%	100%
NGC Group Captive Insurance (Barbados) Limited	Insurer of various risk of its Parent (NGC) and subsidiaries assets	Barbados	100%	100%

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

41. **Subsidiaries (continued)**

a) The subsidiaries are as follows (continued):

Entities	Principal activity	Place of incorporation and operation	Proportion of Entities shareholding and voting power held 2018	2017
Sub-Subsidiaries				
Phoenix Park Gas Processors Limited	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	50.55%	50.55%
NGC E&P Netherlands Coöperatief U.A.	100% equity interest in NGC E&P Investments (Netherlands) B.V. which holds a 30% interest in Block 2c and NGC E&P (Netherlands) B.V. which holds a 11.41% interest in Block 3a	*Incorporation* – Netherlands *Operation* - Trinidad and Tobago	100%	100%
NGC E&P (Netherlands) B.V.	11.41% equity in exploration, development and production of oil and gas of Block 3a	*Incorporation* – Netherlands *Operation* - Trinidad and Tobago	100%	100%
NGC E&P Investments (Netherlands) B.V.	30% equity interest in the exploration, development and production of oil and gas of Block 2c	*Incorporation* – Netherlands *Operation* - Trinidad and Tobago	100%	100%

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

41. **Subsidiaries (continued)**

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

Entities	**Place of incorporation and operation**	**Proportion of shareholding and voting rights held by non-controlling**		**Profit allocated to non-controlling interests**		**Accumulated non-controlling interest**	
		2018	**2017**	**2018 $'000**	**2017 $'000**	**2018 $'000**	**2017 $'000**
Phoenix Park Gas Processors Limited (PPGPL)	Trinidad and Tobago	10%*	10%*	62,216	55,528	178,704	168,336
Phoenix Park Gas Processors Limited due to sale of shares in October 2015 to general public	Trinidad and and Tobago	75%*	75%*	181,983	69,550	2,034,703	2,031,247
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	37.84%	37.84%	24,240	4,465	96,017	64,857
NGC NGL Company Limited	Trinidad and Tobago	20%	20%	64,272	56,993	285,218	231,312
Fair value adjustment to non-controlling interest in PPGPL				(65,690)		190,700	256,390
Individually immaterial subsidiaries with non-controlling interests						34,814	34,273
Total						**2,820,156**	**2,786,415**

* 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%.

41. **Subsidiaries (continued)**

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

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

	2018 $'000	2017 $'000
Phoenix Park Gas Processors Limited ('PPGPL')		
Summary statement of financial position		
Current assets	1,203,986	1,251,111
Non-current assets	1,634,501	1,760,857
Current liabilities	(439,200)	(599,265)
Non-current liabilities	(612,245)	(729,341)
Equity attributable to owners of PPGPL	1,608,337	1,515,026
Non-controlling interest of PPGPL	178,704	168,336
Summary statement of profit or loss and other comprehensive income		
Revenue	2,745,862	2,551,229
Expenses	(2,123,698)	(1,995,949)
Profit for the year	**622,164**	**555,280**
Profit attributable to owners of PPGPL	559,947	499,752
Profit attributable to the non-controlling interest	62,216	55,528
Profit for the year	**622,164**	**555,280**
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	559,947	499,752
Total comprehensive income attributable to the non-controlling interest	62,216	55,528
Total comprehensive income for the year	**622,164**	**555,280**
Dividends paid to non-controlling interest	**51,701**	**33,814**
Summary statement of cash flows		
Net cash used in operating activities	(34,689)	472,280
Net cash used in investing activities	(39,263)	(30,434)
Net cash used in financing activities	(90,878)	(90,841)
Net cash (outflow)/inflow	**(164,830)**	**351,005**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

41. **Subsidiaries (continued)**

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

	2018 $'000	2017 $'000
Trinidad and Tobago NGL Limited ('TTNGL')		
Summary statement of financial position		
Current assets	295,728	330,694
Non-current assets	3,097,751	3,020,911
Current liabilities	(262)	(474)
Equity attributable to owners of TTNGL	1,358,514	1,319,884
Non-controlling interest	2,034,703	2,031,247
Summary statement of profit or loss and other comprehensive income		
Revenue	244,722	217,168
Other expenses	8,253	(2,924)
Profit for the year	**252,975**	**214,244**
Profit attributable to owners of TTNGL	70,992	144,694
Profit attributable to the non-controlling interest	181,983	69,550
Profit for the year	**252,975**	**214,244**
Other comprehensive income attributable to owners of TTNGL	2,054	55,669
Other comprehensive income attributable to the non-controlling interest	6,162	167,008
Other comprehensive income for the year	**8,216**	**222,677**
Total comprehensive income attributable to owners of TTNGL	138,566	200,363
Total comprehensive income attributable to the non-controlling interest	122,625	236,558
Total comprehensive income for the year	**261,191**	**436,921**
Dividends paid to non-controlling interest	**174,150**	**133,902**
Summary statement of cash flows		
Net cash used in operating activities	199,387	(6,204)
Net cash generated from investing activities	493	182,358
Net cash used in financing activities	(232,200)	(232,200)
Net cash outflow	**(32,320)**	**(56,046)**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

41. **Subsidiaries (continued)**

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

	2018 $'000	2017 $'000
NGC NGL Company Limited ('NGC NGL')		
Summary statement of financial position		
Current assets	504,330	287,703
Non-current assets	911,391	858,515
Current liabilities	(270)	(306)
Equity attributable to owners of NGC NGL	1,130,233	914,600
Non-controlling interest	285,218	231,312
Summary statement of profit or loss and other comprehensive income		
Revenue	326,011	288,256
Other expenses	(4,650)	(3,291)
Profit for the year	**321,361**	**284,965**
Profit attributable to owners of NGC NGL	257,089	227,972
Profit attributable to the non-controlling interest	64,272	56,993
Profit for the year	**321,361**	**284,965**
Other comprehensive income attributable to owners of NGC NGL	3,113	2,102
Other comprehensive income attributable to the non-controlling interest	778	525
Other comprehensive income for the year	**3,891**	**2,627**
Total comprehensive income attributable to owners of NGC NGL	260,202	230,074
Total comprehensive income attributable to the non-controlling interest	65,050	57,518
Total comprehensive income for the year	**325,252**	**287,592**
Dividends paid to non-controlling interest	**9,455**	**40,649**
Summary statement of cash flows		
Net cash used in operating activities	(4,690)	(3,047)
Net cash generated from investing activities	107,100	236,046
Net cash used in financing activities	(47,275)	(203,246)
Net cash inflow	**55,135**	**29,753**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

41. **Subsidiaries (continued)**

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

	2018 $'000	2017 $'000
NGC Trinidad and Tobago LNG Limited ('NGC LNG')		
Summary statement of financial position		
Current assets	170,672	107,982
Non-current assets	83,178	63,469
Current liabilities	(105)	(54)
Equity attributable to owners of NGC LNG	157,727	106,540
Non-controlling interest	96,017	64,857
Summary statement of profit or loss and other comprehensive income		
Revenue	66,407	13,992
Expenses	(2,349)	(2,191)
Profit for the year	**64,058**	**11,801**
Profit attributable to owners of NGC LNG	39,818	7,336
Profit attributable to the non-controlling interest	24,240	4,465
Profit for the year	**64,058**	**11,801**
Other comprehensive income attributable to owners of NGC LNG	(66,215)	275
Other comprehensive income attributable to the non-controlling interest	(40,309)	168
Other comprehensive income for the year	**(106,524)**	**443**
Total comprehensive income attributable to owners of NGC LNG	(26,397)	7,611
Total comprehensive income attributable to the non-controlling interest	(16,069)	4,633
Total comprehensive income for the year	**(42,466)**	**12,244**
Dividends paid to non-controlling interest	**(726)**	**(3,705)**
Summary statement of cash flows		
Net cash used in operating activities	61,892	11,241
Net cash generated from investing activities	(129,895)	484
Net cash used in financing activities	(1,918)	(9,790)
Net cash (outflow)/inflow	**(69,921)**	**1,935**

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

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

Notes to the consolidated financial statements for the year ended 31 December 2018

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42. **Associates**

Company	Place of incorporation and operation	Proportion of ownership interest and voting powers 2018	2017
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.

43. **Contingent liabilities**

a) **Taxes**

Claims made on NGC

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

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$268.6 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.

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 off-set against future corporation tax liabilities; and
- 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 'Sundry debtors and prepayments' in the statement of financial position.

43. **Contingent liabilities (continued)**

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 $1.2 million (2017: $3.3 million).

44. **Guarantees**

The Group has provided the following guarantees as at 31 December 2018 and 2017:

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 $211.6 million (US$31.2 million) at 31 December 2018, $308.9 million (US$45.7 million) at 31 December 2017.

45. **Capital commitments**

	2018 $'000	**2017 $'000**
Approved and contracted capital expenditure	**235,346**	**313,953**

46. **Operating lease commitments**

i) Group as a lessee

The Group has lease arrangements for motor vehicles and office equipment with duration ranging from one to five years.

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

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

	2018 $'000	**2017 $'000**
Within one year	29,330	28,071
One to five years	83,127	97,500
More than five years	60,624	67,655
	173,081	**193,226**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

46. **Operating lease commitments (continued)**

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 year and 29 years.

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

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

	2018	**2017**
	$'000	**$'000**
Within one year	36,101	35,302
One to five years	100,312	93,973
More than five years	395,996	401,027
	532,409	**530,302**

47. **Commitment contracts**

Purchases

The Group purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers. 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. For 2018, the Group had no take-or-pay liability.

Sales

The Group's customers are obligated to take, or if not taken, pay for said natural gas at the current price, up to the contracted take-or-pay volume. The price of natural gas sold to the producers of ammonia and methanol are linked to the relevant commodity price of ammonia and methanol. The natural gas prices under these contracts are not generally capped. The contracts include floor prices that escalate annually, which represents 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.

Notes to the consolidated financial statements for the year ended 31 December 2018

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48. **Related party transactions**

NGC is wholly-owned by the Government of Trinidad & Tobago (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 GORTT.

Outstanding balances at 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. 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.

49. **Compensation of key management personnel**

	2018 $'000	2017 $'000
Short-term employee benefits	64,232	55,589
Post-employment benefit	7,200	6,020
	71,432	**61,609**

50. **Financial risk management**

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including the effects of credit risks, liquidity risks, interest rates, foreign currency exchange rates and market price risks. Accordingly, the Group's financial performance and position are subject to changes in the financial markets. Overall risk management measures are focused on minimising the potential adverse effects on the financial performance of the Group.

The Group's financial assets and liabilities which are listed below result from its operations.

Categories of financial instruments

	2018 $'000	2017 $'000
Assets:		
Financial assets:		
Other financial assets	3,912,568	3,012,959
Accounts receivable	1,891,508	6,438,147
Loans receivable	3,644,417	549,980
	9,448,493	10,001,086
Other receivables		
Debt reserve funds	118,263	116,083
Cash and cash equivalents	6,837,681	6,434,290
Short-term investments	1,426,841	437,227
Sundry debtors	255,383	380,595
Net investment in leased assets	400,320	531,144
	9,038,488	7,899,339
Total financial assets	**18,486,981**	**17,900,425**
Non-financial assets	**24,833,894**	**25,535,766**
Total assets	**43,320,875**	**43,436,191**

Notes to the consolidated financial statements for the year ended 31 December 2018

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50. **Financial risk management (continued)**

Categories of financial instruments (continued)

	2018 $'000	2017 $'000
Shareholder's equity and liabilities:		
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	2,708,465	2,889,240
Trade payables	2,438,315	4,203,310
Sundry payables and accruals	1,330,150	2,263,456
Dividends payable	4,238	5,072
Total financial liabilities	**6,481,168**	**9,361,078**
Non-financial liabilities	**7,690,631**	**7,061,421**
Shareholder's equity	**29,149,076**	**27,013,692**
Total liabilities	**43,320,875**	**43,436,191**

Risk Management Structure

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies principles, policies and procedures. Day-to-day adherence to risk principles are carried out by the Leadership Team of the Group in compliance with the policies approved by the Board of Directors.

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

a) **Credit risk**

Credit risk is the risk that a counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (trade receivables) and from its financial activities including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Significant changes in the Group's trade receivable balances could result in losses that are different from those provided at year end. Management carefully monitors its exposure to credit risk.

Exposure to credit risk is further managed through regular analysis of the ability of debtors and financial institutions to settle outstanding balances. The Group does not generally hold collateral as security.

50. **Financial risk management (continued)**

a) **Credit risk (continued)**

(i) **Credit risk related to accounts receivables**

The Group estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience as well as current and future economic conditions. Set out below is the information about the credit risk exposure on the Group's accounts receivables using a provision matrix:

Type of Customer	Weighted Average Loss Rate	Gross Carrying Amount	Expected Credit Loss
2018		**TT$'000**	**TT$'000**
Large	7%	1,091,692	75,361
Light Industrial	67%	24,236	16,249
Other	38%	974,411	374,727
Total		**2,090,339**	**466,337**
2017			
Large	2%	1,020,930	18,187
Light Industrial	38%	26,129	9,916
Power	3%	3,819,710	150,440
Other	25%	856,065	213,326
Total		**5,722,834**	**391,869**

(ii) **Debt investments**

All of the entity's debt investments at amortised cost (includes loans to related parties) and FVTOCI (include listed and unlisted debt securities) are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management considers 'low credit risk' for listed bonds, to be an investment grade credit rating with at least one major rating agency.

Other instruments are considered to be a low credit risk when the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The loss allowance for debt investments at FVTOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

The loss allowance for debt investments at FVTOCI and at amortised cost as at 31 December 2017, reconciles to the opening loss allowance on 1 January 2018 and to the closing loss allowance as at 31 December 2018 as follows:

	ALNG IV Loan Receivables TT$'000	T&TEC Loan Receivables TT$'000	Total TT$'000
Closing loss allowance as at 31 December 2017 (calculated under IAS 39)			
Amounts restated through opening retained earnings	(1,627)	-	(1,627)
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	(1,627)	-	(1,627)
Decrease in loan loss allowance recognised in profit or loss during the year	150	-	150
Expected credit loss in the current year	-	(203,134)	(203,134)
Foreign exchange	3	-	3
Closing loss allowance as at 31 December 2018	**(1,480)**	**(203,134)**	**(204,614)**

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50. **Financial risk management (continued)**

a) **Credit risk (continued)**

(iii) **Credit risk relating to cash at bank**

Credit risks from balances with banks and financial instruments are managed in accordance with the Group's policy. Investments or surplus funds are made only with approved counterparties and within limits assigned to each counterparty. Counterparty limits are reviewed by the Group's Board of Directors on an annual basis. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

b) **Liquidity risk**

The Group monitors its risk to a shortage of funds by considering planned and probable expenditures against projected cash inflows from operations, from the settlement of financial assets such as account receivables and levels of cash sales.

The table below summarises the maturity profile of the Group's financial liabilities and commitments based on contractual (earliest date on which the Group can be required to pay) undiscounted payments at the statement of financial position date. The table includes both interest and principal cash flows.

As at 31 December 2018	**On demand $'000**	**≤ 3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**≥ 5 years $'000**	**Total $'000**
Assets						
Financial assets at FVTPL						
Financial assets at fair value through profit or loss	515,318	-	-	-	-	515,318
Financial assets at FVTOCI						
Other financial assets	2,331,410	775,061	13,876	44,831	232,072	3,397,250
Financial assets at amortised cost						
Loans receivable	-	-	2,274	1,108,739	4,129,398	5,240,411
Accounts receivable	-	1,891,508	-	-	-	1,891,508
Net investment in leased assets	-	68,195	212,435	284,462	94,799	659,891
Debt reserve funds	-	118,263	-	-	-	118,263
Cash and cash equivalents	6,837,681	-	-	-	-	6,837,681
Short-term investments	130,549	633,381	662,911	-	-	1,426,841
Sundry debtors	-	255,383	-	-	-	255,383
	9,814,958	**3,741,791**	**891,496**	**1,438,032**	**4,456,269**	**20,342,546**
Liabilities						
Borrowings	-	123,185	235,390	891,250	4,312,822	5,562,647
Trade and other payables	-	3,736,146	32,319	-	-	3,768,465
Dividends payable	-	4,238	-	-	-	4,238
	-	**3,863,569**	**267,709**	**891,250**	**4,312,822**	**9,335,350**
Net position	**9,814,958**	**(121,778)**	**623,787**	**546,782**	**143,447**	**11,007,196**
Not included in the statement of financial position						
Guarantees	211,551	-	-	-	-	211,551
Credit commitments	-	-	200,881	55,779	-	284,660
Operating lease commitments	-	-	65,431	183,439	456,620	705,490
	211,551	**-**	**266,312**	**239,218**	**456,620**	**1,173,701**

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50. Financial risk management (continued)

b) Liquidity risk (continued)

As at 31 December 2017	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Assets						
Financial assets at FVTPL						
Financial assets at fair value through profit or loss	600,537	-	-	-	-	600,537
Financial assets at FVTOCI						
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
Financial assets at amortised cost						
Loans receivable	36,602	1,859	203,088	347,641	-	589,190
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 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. **Financial risk management (continued)**

c) **Interest rate risk**

Interest rate risk for the Group's centres primarily on the risk relating to the Group's long-term debt obligations and loan receivables which carries varying interest rates.

	Increase/(decrease) in basis points	Effect on profit before tax $'000
Borrowings		
2018	+50	**1,057**
	-50	**(1,057)**
2017	+50	**1,545**
	-50	**(1,545)**
Loan receivables		
2018	+50	**1,550**
	-50	**(1,550)**
2017	+50	**2,026**
	-50	**(2,026)**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. Financial risk management (continued)

d) Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Such exposures arise from sales and purchases denominated in currencies other than the Group's functional currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses.

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

As at 31 December 2018	Amounts denominated in TT currency TT$'000	Amounts denominated in US currency TT$'000	Amounts denominated in Other currency TT$'000	Total TT$'000
Assets				
Financial assets at FVTPL				
Financial assets at fair value through profit or loss	-	515,318	-	515,318
Financial assets at FVTOCI				
Other financial assets	1,044,184	2,353,066	-	3,397,250
Financial assets at amortised cost				
Loans receivable	-	3,644,417	-	3,644,417
Accounts receivable	265	1,889,869	1,374	1,891,508
Net investment in leased assets	-	400,320	-	400,320
Debt reserve funds	-	118,263	-	118,263
Cash and cash equivalents	231,759	6,605,922	-	6,837,681
Short-term investments	30,711	1,396,130	-	1,426,841
Sundry debtors	61,413	193,970	-	255,383
	1,368,332	**17,117,275**	**1,374**	**18,486,981**
Liabilities				
Borrowings	-	2,708,465	-	2,708,465
Trade and other payables	835,452	2,931,593	1,420	3,768,465
Dividends payable	-	4,238	-	4,238
	835,452	**5,644,296**	**1,420**	**6,481,168**
Net position	**532,880**	**11,472,979**	**(46)**	**12,005,813**
Not included in the statement of financial position				
Guarantees	**-**	**211,551**	**-**	**211,551**
Credit commitments	**151,248**	**133,412**	**-**	**284,660**
Operating lease commitments	**173,081**	**532,409**	**-**	**705,490**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. Financial risk management (continued)

d) Foreign currency risk (continued)

As at 31 December 2017	Amounts denominated in TT currency TT$'000	Amounts denominated in US currency TT$'000	Amounts denominated in Other currency TT$'000	Total TT$'000
Assets				
Financial assets at FVTPL				
Financial assets at fair value through profit or loss	-	600,537	-	600,537
Financial assets at FVTOCI				
Other financial assets	1,313,751	1,098,671	-	2,412,422
Financial assets at amortised cost				
Loans receivable	-	549,980	-	549,980
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**
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**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. **Financial risk management (continued)**

e) **Market price risk**

i) **Equity price risk**

The Group is exposed to equity price risk arising from its investments in local and foreign institutions.

The following 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 Company's profit before tax as changes are recorded in Other Comprehensive Income (OCI).

	Increase/(decrease) in equity price	Effect on equity $'000
2018	10%	**145,455**
	(10%)	**(145,455)**
2017	10%	**149,276**
	(10%)	**(149,276)**

ii) **Commodity price risk**

The Group is exposed to commodity price risk for natural gas, liqueified natural gas and natural gas liquids sold. The Group's management of commodity price exposure includes securing contracts with suppliers that are linked to the final product price (i.e. ammonia and methanol prices). These provisions reduce, but do not eliminate, the effect of commodity price volatility.

f) **Capital management**

The primary objective of the Group's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and 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 2017.

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 no higher than 30%. The Group includes within debt interest bearing loans and borrowing. Capital includes share capital, reserves and retained earnings.

	2018 $'000	2017 $'000
Debt	2,708,465	2,889,240
Equity	26,328,920	24,227,277
Total Capital	**29,037,385**	**27,116,517**
Gearing ratio	**9.3%**	**10.7%**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. **Financial risk management (continued)**

g) **Fair values**

i) **Fair value hierarchy**

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

Level 1
Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis. At 31 December 2018, the fair values of listed investments and 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 2018, the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy.

50. **Financial risk management (continued)**

g) **Fair values (continued)**

i) **Fair value hierarchy (continued)**

Level 3

Level 3 hierarchies relate to financial assets that are not quoted as there are no active markets to determine a price. Unlisted equity 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 2018			
Financial assets at fair value through other comprehensive income - Quoted	**1,731,391**	**-**	**-**
Financial assets at fair value through other comprehensive income - Unquoted	**-**	**211,710**	**1,454,149**
Financial assets at fair value through profit or loss	**515,318**	**-**	**-**
As at 31 December 2017			
Available-for-sale financial assets (investments carried at fair value)	**1,738,153**	**211,237**	**253,775**
Financial assets at fair value through profit or loss	**600,537**	**-**	**-**

The Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate receivables/borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.
- The fair values of the quoted notes and bonds are based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. In addition to being sensitive to a reasonably possible change in the forecast cash flows or the discount rate, the fair value of the equity instruments is also sensitive to a reasonably possible change in the growth rates. The valuation requires Management to use unobservable inputs in the model, of which the significant unobservable inputs are disclosed in the tables below. Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs and determines their impact on the total fair value.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. **Financial risk management (continued)**

g) **Fair values (continued)**

i) **Fair value hierarchy (continued)**

- The fair values of the non-listed equity investments have been estimated using a discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in Management's estimate of fair value for these non-listed equity investments.
- There is an active market for the Group's listed equity investments and quoted debt instruments.

ii) **Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

	31-Dec-18 Fair value $'000	1-Jan-18 Fair value $'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Financial assets at FVTPL						
Credit link notes	515,318	600,537	Level 1	Quoted bid price in active market	N/A	N/A
Financial assets at FVTOCI - Equity Instruments designated at FVTOCI						
Listed Equity Investment	1,481,555	1,491,788	Level 1	Quoted bid price in active market	N/A	N/A
Non-Listed Equity Investments	969	967	Level 3			
Atlantic 1 Holdings LLC	83,178	262,421	Level 3	Discounted cash flows	Weighted average cost of capital, determined using a Capital Asset Pricing Model, ranging from 10.56% to 11.89%, (Midpoint 11.22%) per annum (2017: 10.03% to 11.31% (Midpoint 10.67%) per annum).	The higher the weighted average cost of capital, the lower the fair value.

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. **Financial risk management (continued)**

g) **Fair values (continued)**

ii) **Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)**

	31-Dec-18 Fair value $'000	1-Jan-18 Fair value $'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Atlantic LNG 4 Company of T&T Unlimited - Debt Instrument at FVTOCI	1,370,002	1,432,223	Level 3	Discounted cash flows	Weighted average cost of capital, determined using a Capital Asset Pricing Model, ranging from 10.55% to 11.88%, (Midpoint 11.21%) per annum (2017: 10% to 11.3% (Midpoint 10.66%) per annum).	The higher the weighted average cost of capital, the lower the fair value.
Quoted debt instruments	327,856	505,543	Level 1	Quoted bid price in active market	N/A	N/A
Unquoted debt instruments - HMMB	211,710	211,237	Level 2	Discounted cash flows	N/A	N/A

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. **Financial risk management (continued)**

g) **Fair values (continued)**

iii) **Fair value of the Group's financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required**

Long-term financial assets and liabilities

The table shows the carrying and fair values of the Group's long-term receivable and borrowings.

	2018		2017	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Long-term receivables:				
Trinidad and Tobago Electricity Commission	3,349,846	3,552,982	151,443	154,433
Atlantic LNG 4 Company of Trinidad and Tobago Limited	294,572	294,572	325,333	325,333
Atlantic LNG Company of Trinidad and Tobago Unlimited	-	-	73,205	73,205
Long-term borrowings:				
US$400M 30-year bond	2,596,199	2,268,920	2,397,730	2,261,957
Crédit Agricole Bank	209,360	211,551	311,510	308,924
First Citizens Bank Limited	207,151	227,994	304,062	318,359

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2018				
Loans receivable	-	-	3,644,417	3,644,417
Borrowings	(2,596,199)	(416,511)	-	(3,012,710)
	(2,596,199)	**(416,511)**	**3,644,417**	**631,707**
At 31 December 2017				
Loans receivable	-	-	549,980	549,980
Borrowings	(2,397,730)	(615,572)	-	(3,013,302)
	(2,397,730)	**(615,572)**	**549,980**	**(2,463,322)**

Notes to the consolidated financial statements for the year ended 31 December 2018

(Amounts expressed in Trinidad and Tobago dollars)

50. **Financial risk management (continued)**

g) **Fair values (continued)**

iii) **Fair values of financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required (continued)**

Short-term financial assets and liabilities

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

The fair value of investments that are actively traded in financial markets 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.

iv) **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 year.

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 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.

51. **Dividends**

	2018	**2017**
	$'000	**$'000**
Paid to shareholder (GORTT)	1,055,547	1,422,208
Paid to non-controlling interest	235,185	226,610
Total dividends	**1,290,732**	**1,648,818**

52. **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.

5-year Consolidated Financial Review

31 DECEMBER 2018

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Five-year consolidated statement of financial position as at 31 December

(Amounts expressed in Trinidad and Tobago dollars)

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	17,010,093	17,458,611	17,783,425	14,865,793	15,636,626
Capital assets and licences	2,641,710	2,301,979	2,513,564	1,839,571	2,926,110
Investment properties	550,630	578,840	583,150	542,932	539,835
Goodwill	2,420,247	2,413,929	2,407,897	2,264,941	2,269,617
Other intangible assets	16,953	949	7,256	15,211	1,566
Investment in associate	314,897	325,968	308,367	185,338	-
Other financial assets	3,912,568	2,412,422	2,521,017	2,924,887	3,371,664
Financial assets at fair value through profit or loss	-	600,537	475,809	343,962	332,041
Loans receivable	3,644,417	325,333	538,826	865,128	1,154,455
Net investment in leased asset	209,121	394,983	530,135	582,478	659,566
Deferred tax asset	793,192	589,830	907,557	771,216	732,242
Deferred expenses	217	9,039	785,333	846,099	131,828
Debt reserve funds	118,263	116,083	114,867	109,073	231,321
Total non-current assets	**31,632,308**	**27,528,503**	**29,477,203**	**26,156,629**	**27,986,871**
Current assets					
Cash and cash equivalents	6,837,681	6,434,290	4,551,557	6,373,130	8,028,970
Short-term investments	1,426,841	437,227	1,243,082	441,769	2,777,442
Loans receivable	-	224,647	381,117	362,682	318,665
Net investment in leased assets	191,199	136,161	95,778	60,129	43,598
Accounts receivable	1,891,508	6,438,147	5,203,752	4,133,975	3,667,762
Sundry debtors and prepayments	610,452	695,972	626,546	825,248	671,247
Inventories	307,808	306,356	214,636	242,701	301,139
Deferred expenses	14,621	856,416	95,505	196,303	200,122
Income taxes receivable	408,457	378,472	291,982	330,828	338,654
Total current assets	**11,688,567**	**15,907,688**	**12,703,955**	**12,966,765**	**16,347,599**
Total assets	**43,320,875**	**43,436,191**	**42,181,158**	**39,123,394**	**44,334,470**

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Five-year consolidated statement of financial position (continued) as at 31 December

(Amounts expressed in Trinidad and Tobago dollars)

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
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	6,229,465	5,382,847	5,425,791	2,720,150	2,766,744
Retained earnings	17,805,997	16,550,972	17,008,162	17,788,895	23,720,064
Total equity attributable to owners of the Parent	26,328,920	24,227,277	24,727,411	22,802,503	28,780,266
Non-controlling interest	2,820,156	2,786,415	2,106,648	2,169,237	1,037,999
Total shareholder's equity	**29,149,076**	**27,013,692**	**26,834,059**	**24,971,740**	**29,818,265**
Non-current liabilities					
Deferred tax liability	5,906,628	5,601,356	5,354,765	3,931,089	4,333,396
Borrowings	2,514,475	2,700,355	2,881,050	2,915,633	2,936,293
Deferred income	108,597	135,083	138,439	153,963	165,499
Provisions	987,834	908,826	954,962	877,367	1,091,565
Post retirement medical and group life obligation	153,875	148,334	167,234	162,453	192,506
Pension obligation	55,729	88,268	103,889	319,036	603,587
Take-or-pay liability	-	-	782,162	808,473	72,337
Total non-current liabilities	**9,727,138**	**9,582,222**	**10,382,501**	**9,168,014**	**9,395,183**
Current Liabilities					
Trade payables	2,438,315	4,203,310	2,822,944	2,819,133	2,920,793
Sundry payables and accruals	1,330,150	2,263,456	1,793,737	1,706,579	1,652,602
Borrowings	193,990	188,885	183,691	171,082	216,281
Deferred income	59,758	145,281	146,239	76,298	68,412
Provisions	-	-	-	1,405	3,926
Dividends payable	4,238	5,072	3,373	181,420	181,359
Income taxes payable	418,210	34,273	14,614	27,723	77,649
Total current liabilities	**4,444,661**	**6,840,277**	**4,964,598**	**4,983,640**	**5,121,022**
Total liabilities	**14,171,799**	**16,422,499**	**15,347,099**	**14,151,654**	**14,516,205**
Total equity and liabilities	**43,320,875**	**43,436,191**	**42,181,158**	**39,123,394**	**44,334,470**

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Five-year consolidated income statement of profit or loss and other comprehensive income for the year ended 31 December

(Amounts expressed in Trinidad and Tobago dollars)

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Sales	16,004,936	13,880,519	10,903,340	16,623,353	23,513,318
Cost of sales	(12,665,030)	(10,994,295)	(8,846,781)	(12,093,890)	(15,106,532)
Gross profit	3,339,906	2,886,224	2,056,559	4,529,463	8,406,786
Other operating income	557,467	237,218	410,216	389,371	393,327
Interest and other investment income	1,109,187	536,930	480,206	641,402	947,273
Administrative, maintenance and general expenses	(1,002,626)	(1,013,184)	(1,266,851)	(1,739,811)	(1,245,960)
Impairment reversal/(expense)	116,830	(238,953)	(202,537)	(2,415,677)	(562,413)
Finance costs	(202,949)	(146,421)	(240,217)	(281,770)	(357,812)
Share of loss from associate	(6,007)	(10,138)	(16,866)	-	-
Profit before taxation	3,911,808	2,251,676	1,220,510	1,122,978	7,581,201
Taxation	(1,584,619)	(1,262,476)	(499,817)	(561,986)	(3,102,389)
Profit for the year after taxation	**2,327,189**	**989,200**	**720,693**	**560,992**	**4,478,812**
Other comprehensive income, net of taxes:					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of net defined benefit liability	(449)	11,035	(17,628)	321,508	(148,840)
Income tax relating to net defined benefit liability	157	(3,862)	6,170	(108,978)	62,877
Revaluation surplus on pipeline (net of income tax)	-	-	2,207,474	-	-
Foreign currency translation differences	71,731	59,092	1,092,271	225,200	(291,564)
	71,439	66,265	3,288,287	437,730	(377,527)
Items that may be reclassified subsequently to profit or loss:					
Net realised loss on fair value through other comprehensive income	(233,539)	(18,501)	(513,571)	(222,519)	12,002
Total other comprehensive income for the year, net of tax	(162,100)	47,764	2,774,716	215,211	(365,525)
Total comprehensive income for the year	**2,165,089**	**1,036,964**	**3,495,409**	**776,203**	**4,113,287**
Profit for the year after tax attributable to:					
- Owners of the Parent	2,059,595	805,617	599,090	479,493	4,200,569
- Non-controlling interests	267,594	183,583	121,603	81,499	278,243
	2,327,189	**989,200**	**720,693**	**560,992**	**4,478,812**
Total comprehensive income for the year, net of tax attributable to:					
- Owners of the Parent	1,895,367	851,338	3,334,908	685,057	3,845,347
- Non-controlling interests	269,722	185,626	160,501	91,146	267,940
	2,165,089	**1,036,964**	**3,495,409**	**776,203**	**4,113,287**

Corporate Information

PRINCIPAL OFFICERS

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President, NGC

Dr. Vernon Paltoo
President, National Energy

Mr. Dominic Rampersad
President, PPGPL

Mr. Curtis Mohammed
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