INVESTING IN THE VALUE CHAIN

2014 ANNUAL REPORT

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

VISION

To be a valued partner in the global energy business.

MISSION

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

CONTENTS

CORPORATE PROFILE

Incorporated in August 1975 by the Government of Trinidad and Tobago, The National Gas Company of Trinidad and Tobago Limited (NGC) is an integrated group of companies. An internationally investment-graded company with the financial flexibility to self-finance or access funding on the local and international markets, NGC has played a pivotal role in expanding Trinidad and Tobago's gas-based energy sector. Strategically positioned in the midstream of Trinidad and Tobago's natural gas value chain, the Company has strong linkages in the downstream and upstream sectors.

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), transporting over 1,600 million standard cubic feet per day (MMscf/d), excluding LNG.

NGC is evolving to be a global business entity, working to develop a structure that supports an international mission and vision that create exceptional national value from natural gas and related energy businesses through valued partnerships and arrangements.

Consistently profitable, NGC is a significant contributor of taxes and dividends to the Treasury. With a strong asset base valued at approximately US$6 billion, NGC is one of the largest companies in the Caribbean and Latin America.

So successful has NGC been in the course of its history, it is today a diversified group:

- The National Gas Company of Trinidad and Tobago Limited (NGC) – engaged in gas-based development and merchandising; natural gas compression, aggregation, transportation and distribution; and natural gas pipeline construction, operation and maintenance; Liquefied Natural Gas (LNG) production, marketing and shipping; and oil and gas production;
- National Energy Corporation of Trinidad and Tobago Limited (National Energy) – the 100 per cent-owned subsidiary engaged in the promotion and facilitation of investment in the local natural gas sector, as well as the development and management of industrial ports and marine infrastructure at Brighton, La Brea; Point Lisas; and Galeota;
- Phoenix Park Gas Processors Limited (PPGPL) – the 90 per cent-owned subsidiary and state-of-the-art cryogenic gas processing plant at Savonetta, engaged in the aggregation, fractionation and marketing of Natural Gas Liquids (NGLs);
- NGC CNG Company Limited (NGC CNG) – the 100 per cent-owned subsidiary mandated to accelerate and expand the use of Compressed Natural Gas (CNG) as the preferred alternative fuel in the local transportation sector; and
- La Brea Industrial Development Company Limited (LABIDCO) – the 83 per cent-owned subsidiary which manages a fabrication yard, La Brea Docks and an industrial site at Brighton, La Brea.

The highly trained and experienced staff of the NGC Group is fully committed to sustaining a healthy and thriving local gas-based energy sector in Trinidad and Tobago.

Message from the Chairman

ROOP CHAN CHADEESINGH
CHAIRMAN

Introduction

In 2014, NGC continued on its path to deepen its presence in the natural gas value chain and solidify its position as a player in the global natural gas industry. The Company observed its 39th year as the driving force of Trinidad and Tobago's natural gas-based energy sector. Through its sustained efforts to diversify its portfolio, NGC can no longer be referred to as only a midstream operator.

The NGC Group recorded a stellar financial performance of TT$4.48 billion for the consolidated after tax profit and contributed TT$7.18 billion in taxes and dividends to the Government of the Republic of Trinidad and Tobago (GORTT).

Throughout 2014, NGC continued its commitment to national development, evidenced by the Company's publicly announced proposal of an Initial Public Offering (IPO) of shares in Trinidad and Tobago NGL Limited (TTNGL), and the deepening of its Corporate Social Investment (CSI) programmes. Operationally, NGC worked towards the expansion of its natural gas pipeline network and made significant strides in its odourisation programme, as well as the promotion of CNG as the fuel of choice to the motoring public.

The year did have its share of challenges, particularly in the matter of gas curtailments due to the ongoing upstream supply issue that originated in 2012. However, Senator the Honourable Kevin C. Ramnarine, Minister of Energy and Energy Affairs, stated that these issues should be resolved when bpTT's Juniper Field commences in 2017.

Notwithstanding the above-mentioned challenge, NGC successfully negotiated the renewal of natural gas sales contracts with ammonia producers PCS Nitrogen Trinidad Limited, Yara and Tringen, and continued to have meaningful discussions with others, as well as with the methanol producers.

Economic Context – Global Overview

According to the GORTT's Review of the Economy 2014, it was expected that World Output would increase by 3.4 per cent in 2014. This followed a 3.0 per cent expansion in 2013. It is anticipated that the records will show growth from the United States, Canada and the United Kingdom, while Asian and Emerging and Developing Economies will register relatively robust economic growth. Growth in the Euro Zone is anticipated to be finally moving out of the negative, with Germany, Ireland and Portugal leading the way towards positive gains.

NGC's slug catcher facility at Beachfield, Guayaguayare.

Latin America and the Caribbean

Real Gross Domestic Product (GDP) in Latin America and the Caribbean was projected at 2.5 per cent in 2014 as compared to the 2.7 per cent posted in 2013. The economic contraction can be attributed to low business confidence, weak investment and constrained demand for the region's exports.

Structural reform to improve productivity and competitiveness in the region remains a priority, along with more effective investment in infrastructure and human capital. Additionally, greater focus will be placed on developing measures to reduce the region's vulnerability to external shocks.

Trinidad and Tobago

Trinidad and Tobago's economy gained momentum with an expected expansion in real terms by 1.9 per cent in the calendar year 2014, following a growth of 1.7 per cent in 2013. The trends within the energy sector pointed towards a second consecutive year of positive economic growth, with a smaller expansion of 1.0 per cent in 2014, down from 1.6 per cent in 2013. While decreasing somewhat, the expansion was a reflection of growth in exploration and production, petrochemicals, service contractors and distribution sub-industries.

Ammonia, Urea and Methanol

Production and export of ammonia, urea, and methanol increased during the first eight months of fiscal 2013/2014, compared to the first eight months of the GORTT's fiscal 2012/2013. Export prices for ammonia and urea were notably lower during October 2013 to May 2014, as compared with the same period one year earlier. However, higher methanol prices were obtained during the 2013/2014 period.

Tribute

As always, I commend my colleagues on the Board of Directors, and unreservedly applaud the distinguished work of the Company's attentive and dedicated management and staff for maintaining their high standard of performance. I am sure of their support in the coming year as we continuously strive to maintain NGC as the major player in the energy sector on behalf of the people of our beloved nation.

Roop Chan Chadeesingh
Chairman

Message from the President

INDAR MAHARAJ
PRESIDENT

Introduction

It is my pleasure to report that NGC remained on a sure footing in 2014, as a major player within all streams of the Trinidad and Tobago Natural Gas Value Chain. For NGC, the financial year produced a strong showing, with a noteworthy accomplishment of TT$3.08 billion after tax profit and a sales turnover of TT$16.92 billion. Strategic alignment and strategic business positioning were the major focus of NGC's 2014 operations, in support of the Company's vision "to be a valued partner in the global energy business". Even in the face of falling oil prices, and lower gas prices resulting in an oversupply of commodities in the global market near the end of 2014, the NGC Group was able to have a strong financial showing, in large measure due to our unending determination and commitment.

OVERVIEW OF SUCCESS

Profitability

In 2014, there was a high demand for the products and services offered by the NGC Group of Companies, i.e. Natural Gas; Crude Oil; Natural Gas Liquids (NGLs); Liquefied Natural Gas (LNG); and Pipeline Transportation Services, which contributed to NGC's robust operational and financial performance. Consequently, the Group contributed to the Treasury a total of TT$7.18 billion from taxes and dividends.

NGC maintained its international investment grade ratings from Moody's (Baa1), Standard & Poors (A-) and CariCRIS (Cari AAA). The Company's revenue generating fixed asset base increased by 0.3 per cent to just over TT$15.637 billion in 2014. The Return on Assets was 10 per cent compared with 16 per cent in 2013. The leverage ratio, measured by long-term debt/long-term debt and equity, was 9.8 per cent compared with 10.6 per cent in 2013.

Investment Projects

1.0 Natural Gas to Petrochemicals Complex – Methanol and Dimethyl Ether (DME)

This project proposes to establish a petrochemical industrial complex comprising a methanol plant to produce 1,000,000 metric tonnes per annum, as well as a downstream Dimethyl Ether (DME) plant of 20,000 metric tonnes per annum.

Phoenix Park Valve Station.

In 2014, NGC commenced the process of evaluating the project and drafting and negotiating the various agreements. Sign-off on all outstanding agreements and financial close is scheduled for the third quarter of 2015.

The total capital expenditure for the complex has been estimated at just under US$1 billion.

2.0 Gasfin Mid-Scale LNG
NGC participated in negotiations surrounding a Gas Supply Term Sheet for the Gasfin Mid-Scale LNG. The scope of the project involves the construction of a mid-scale LNG plant of 500,000 metric tonnes per annum capacity, to be located in the La Brea Industrial Estate. When established, it is expected that the plant will supply small regional terrorities, specifically Martinique and Guadeloupe, in the first instance.

3.0 Natural Gas Underground Storage
The Company embarked on a Techno-Economic Feasibility Analysis on the practicality of using an existing underground depleted natural gas reservoir as storage for already purchased natural gas, to assist in alleviating the current natural gas imbalance situation.

In Phase I of the study, a market and economic analysis has been completed for a preliminary reservoir.

Capital Works

Beetham Water Reuse Plant
NGC collaborated with the Water and Sewerage Authority of Trinidad and Tobago (WASA) for the construction of the Beetham Water Reuse Plant, which supports the principles of sustainable development. The two companies entered into a Memorandum of Understanding (MoU) to work together for the construction and commissioning of the Plant, with the primary objective of supplying water for industrial use to the Point Lisas Industrial Estate in Couva.

The Beetham Water Reuse Plant will provide a minimum of 50,000 m^3 (13.3 million gallons) of water per day to Point Lisas, thus freeing up approximately 38,000 m^3 (10 million gallons) of water for distribution to domestic customers across the country. This additional 10 million gallons of water per day will provide a full-time water supply to over 150,000 people and positively impact over 200,000 households.

The project entails the construction and commissioning of a Water Recycling Plant; a 40-inch-diameter, ductile iron water transmission pipeline from Beetham to Point Lisas, at a distance of 40 km; and a Product Water Storage and Distribution Facility at Point Lisas, comprising two water storage tanks with a combined capacity of 32,500 cubic metres.

In 2014, works focused on the procurement of pipes, Rights of Way, and piles for the Beetham site, as well as the design of two water storage tanks. Overall completion of the project at the end of the year was estimated at 50 per cent.

CNG Station
Construction and commissioning works were completed for the NGC owned and operated CNG station in its warehouse facility at Point Lisas. As NGC and its subsidiary, NGC CNG Company Limited (NGC CNG), champions the use of CNG as the fuel of choice for the nation's motoring public, this station will service the Company's fleet of vehicles that have been converted to CNG.

Beachfield
Works at the Beachfield Condensate Storage and Compression Facility, which started in 2013, continued in 2014. As a safety requirement, a bund wall was constructed to contain any spills from the two 16,000 barrel condensate tanks. Additionally, a temporary pipeline to connect the Beachfield Condensate Tanks was installed.

Aerial view of gas processing facility at Phoenix Park Gas Processors Limited (PPGPL).

Pipeline Connections
As part of the Company's continued efforts to expand its pipeline transmission network, a natural gas main to the eTecK Park, Diamond Vale, was constructed. The project involved the laying of a 152 mm (six-inch)-diameter gas main, extending from the existing main at the Western Main Road, along the Diego Martin Highway and Wendy Fitzwilliam Boulevard, to the e TecK Park, Diamond Vale. This technical approach greatly minimised the impact of construction on residents and commuters in the area. This 152 mm (six-inch)-diameter gas main will supply several consumers within the eTecK Park, Diamond Vale. In addition, there are several future connections planned along the pipeline's route, one of which has been identified as the Starlite CNG Service Station.

The Educational Facilities Company Limited (EFCL) made a request of NGC to supply natural gas to certain schools as a cost-effective means to operate their bulk cooling systems. The Barataria North Government Secondary School benefitted from this project in 2014. The works involved the installation of a metering station and a 620-meter length, four-inch-diameter gas main.

Liquid Fuels Pipeline Project and Phoenix Park Valve Station Upgrade Project
The Liquid Fuels Pipeline Project (LFPP) and Phoenix Park Valve Station (PPVS) Upgrade both concentrated on ongoing works in 2014. Construction of LFPP, a multiproduct liquid fuels pipeline, which includes four tanks and associated metering stations at Petrotrin; a pipeline from Petrotrin to a new Loading Rack and Tank Farm at Frederick Settlement, Caroni; a (Jet A1 Fuel) pipeline to Piarco; and two tanks and associated metering stations at Piarco, will be completed by July 20th, 2015. The Petrotrin to Caroni portion of the pipeline will be commissioned by August 2015.

The PPVS Upgrade will result in the increased capacity of PPVS from its current 2.0 billion standard cubic feet per day (Bscf/d) to 3.0 Bscf/d; improve the reliability of the slug catching facilities; increase safety; and facilitate safer, more cost-effective disposal of condensate. The project will be commissioned by August 2016.

Earnings on Assets
The Company's highlights for earning on Assets included:

1.0 Atlantic LNG
The total dividend income earned in 2014 from NGC's shareholdings in the LNG Trains 1 and 4 of Atlantic was US$44 million.

2.0 Angostura Blocks
2.1 Block 2(c)
As a result of its 30 per cent equity in this joint venture (JV) with Chaoyang Petroleum (25 per cent) and BHP Billiton (45 per cent), NGC saw a return of US$60.57 million.

2.2 Block 3(a)
NGC has an 8.5 per cent participating interest in this JV with Petrotrin (15.0 per cent), Chaoyang Petroleum (25.5 per cent), Anadarko (25.5 per cent) and BHP Billiton (25.5 per cent). The JV entered Year Seven of the Market Development Phase (MDP) to evaluate marginal Delaware and Ruby oil and gas discoveries. Achievements for the year included preparation of new maps and estimates of volumes of hydrocarbons, and commencement of economic evaluations on the viability of drilling an oil appraisal well in the Ruby structure in 2015.

3.0 Teak, Samaan and Poui (TSP)
Total crude oil and gas production were respectively 4,253,567 barrels and 5.21 Bscf/d. In 2014, six wells (three development, one appraisal and two exploration) were drilled. NGC has a 15 per cent equity in this JV, along with Petrotrin (15 per cent) and Repsol (70 per cent), which reaped US$59.79 million in revenue.

4.0 South-East Coast Consortium (SECC)
NGC earned US$10.95 million in revenue from its four per cent equity in this JV with Petrotrin (16 per cent) and EOG Resources (80 per cent).

5.0 56-Inch-Diameter Cross Island Pipeline
This asset is owned and operated by a fully owned subsidiary of NGC, which earned approximately US$21.48 million after taxes from its transportation of 336 Bscf/d of natural gas.

6.0 PPGPL
Dividends accruing to NGC and its subsidiaries, which collectively hold the investment and 90 per cent ownership of PPGPL, were US$148.50 million.

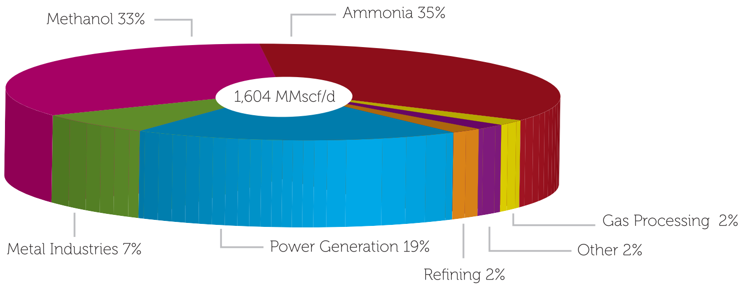
CNG
NGC CNG Company Limited (NGC CNG), a fully owned subsidiary of NGC, was formed in 2013 with the mandate to promote and popularise CNG usuage in Trinidad and Tobago. It was operationalised in 2014, with the appointment of an executive member of NGC to head it.

In pursuit of its mandate, NGC CNG signed a Memorandum of Understanding (MoU) with the National Petroleum Marketing Company and Unipet for the supply of CNG to stations designated by them. Thirty CNG stations at various preselected locations have been endorsed by the Regulator, and procurement of equipment for those stations commenced.

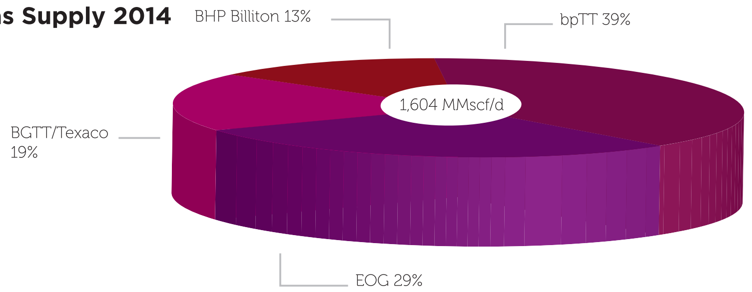
Construction and commissioning of NGC's and PTSC's CNG stations, in Point Lisas and Port of Spain respectively, were completed.

NGC CNG continues with the procurement of some 26 natural gas supply systems for various CNG stations, and five mobile systems.

Natural Gas Usage 2014



Natural Gas Supply 2014



NGC CNG held discussions with The Maxi Taxi Association of Trinidad and Tobago (MTATT) to replace approximately 1,200 aged, diesel maxis with new Original Equipment Manufacturer (OEM) CNG units (25 per cent of maxis).

A tender was issued for the provision and implementation of a CNG Vehicle Management System to provide for and ensure compliance with safety and other customer-oriented services.

In an effort to ensure that there will be trained personnel available to service the CNG sector, NGC signed a MoU with National Energy Skills Centre (NESC) to conduct a CNG Maintenance Technician Programme at NESC's Woodford Lodge Campus in Chaguanas.

Natural Gas Purchase, Transmission and Sales, and Liquid Collection

In 2014, a total of 588 billion cubic feet (Bcf) of natural gas was purchased, transported and sold to customers, with zero loss on an energy basis. Liquids (condensate) collected amounted to 81,563 barrels. As compared with 2013's figure of 123,889 barrels, the amount collected was less due to the lower liquids to gas ratio of 0.14, compared with 0.21 in 2013.

The average daily supply of natural gas was 1,604 million standard cubic feet of gas per day (MMscf/d), down two per cent from 2013's figure of 1,646 MMscf/d. bpTT accounted for 38.9 per cent of supply, with EOG Resources, BGTT/Texaco and BHP Billiton contributing 28.8 per cent, 19.0 per cent and 13.3 per cent respectively. On the demand side, ammonia production accounted for 35.3 per cent; methanol production, 33.2 per cent; power generation, 18.8 per cent; and metals production, 6.6 per cent of natural gas usage.

Offshore Compression

The Ministry of Energy and Energy Affairs (MEEA) mandated NGC to supply Repsol with 88 MMscf/d of high pressure gas for its production of oil by gas-lift from the Teak, Saaman and Poui joint venture. (Repsol is the operator). The gas supplied was sourced from NGC's compression of the low pressure return gas coming out of the gas-lift operations, and supplemented by the supply of high-pressure (HP) gas from NGC's system.

Due to the shortfall in contractual delivery, Repsol took an average 30.35 MMscf/d of high pressure gas from NGC's HP system, resulting in losses of TT$183 million, in addition to TT$115 million in losses by NGC in operating costs.

No Net Loss: NGC's Reforestation Programme.

Environment, Health and Safety (EHS)

The overall goal of the Company's EHS Leadership is "Zero Unsafe Behaviours", which requires commitment to the protection of human health and safety, and sustainable use of the natural environment. To honour this commitment, programme elements of NGC's EHS Management System were completed, such as: job hazard analyses and indoor air quality assessments; safety culture leadership training for executive and line managers; training interventions and orientations for staff and contractors; and partnering Community Awareness and Emergency Response (CAER) programmes and Trinidad and Tobago Emergency Mutual Aid Scheme (TTEMAS) Principal and Local Chapters in training and exercises. In 2014, nine facility EHS assessments were completed and a Third Party EHS Management System Audit at Beachfield was facilitated.

Human Resources Management

The Human Resources Management team boasted an attrition rate of less than two per cent, while still competing with opportunities from other companies within the energy sector. The manpower statistics showed an increase in total (permanent and contract) staff from 743 in year 2013, to 803 in year 2014. As part of its commitment to national development, 45 participants, including 20 from Tobago, completed NGC's Trainee Apprenticeship Programme.

An element of NGC's Talent Management Programme was to award four full postgraduate scholarships to employees. Those four employees successfully completed their individual Master's Degree programmes in various facets of energy studies at universities in Scotland, and have been duly reintegrated into the organisation.

The Company continues to foster a harmonious work environment that enables employees to achieve their full potential, and results in a diligent, competent and industrious workforce that is committed to the development of our nation through loyal service with the Company.

Corporate Social Investment (CSI)

NGC's CSI portfolio is designed to influence a variety of fields for the benefit of the widest possible cross section of Trinidad and Tobago's citizenry. Support ranges from developing programmes to sponsoring the initiatives of hundreds of non-governmental and community-based organisations through grants and contributions.

Our CSI programme is guided by the three main themes of Sport, Civic Life and Empowerment, as explained below.

1.0 Sport

The Trinidad and Tobago Cricket Board (TTCB) remained a key partner in the area of sport. The TTCB's T20 Festival competition, Grass Roots Development Programme and 50 Over finals, benefitted from NGC's sponsorship agreement. Support was also given to Women's Cricket, the National Cricket Academy and the Tobago Cricket Association, to name just a few.

NAAA Championships – Sport – Track and Field Development.

Advancement of athletics in Trinidad and Tobago was also on the agenda for 2014. Sponsorship of The National Association of Athletics Administrations (NAAA) of Trinidad and Tobago continued, and this relationship was further leveraged through collaboration with our in-house programme, the NGC Right On Track Coaching Caravan, which teaches the fundamentals of track and field and basketball to youngsters in various communities and institutions. NGC also sought to advance the development of track and field through the sponsorship of the primary school games of the Caroni and St. Patrick Education Districts, as well as the Moruga Zone.

2.0 Civic Life

Enriching public and community life, through active support of the arts, educational institutions and conserving indigenous cultures, is a major focus of our CSI programme. Under NGC's Facilities Development Programme, 22 community facilities were refurbished, renewed, upgraded and/or constructed. The annual NGC Bocas Lit Fest and NGC Sanfest remained on our calendar of art festivals.

Sponsorship of the NGC Couva Joylanders, NGC La Brea Nightingales and NGC Steel Xplosion (Tobago) steel orchestras continued, as well as our support for the tassa groups, as follows: NGC Show Stopperz (California), NGC T&T Sweet Tassa Enterprises (Princes Town) and NGC Bao Simba Entertainers Tassa Fusion (Tobago).

3.0 Empowerment

Providing training, education and opportunities in order to help people develop – including scholarships and promoting entrepreneurship – are all part and parcel of empowering a nation.

The Company provided capacity building workshops for the five sponsored Police Youth Clubs, steelbands and tassa groups. Funding of The University of the West Indies (The UWI) Chair in Entrepreneurship and Innovation also continued in 2014. NGC maintained its programme of assistance to schools for the upgrade of their facilities, funding up to TT$60,000 and TT$30,000 respectively for secondary and primary schools.

Conclusion

My heartfelt appreciation is extended to our dedicated and competent staff, who continue to promote NGC as a global player meeting international benchmarks. They have undoubtedly established NGC as a valued partner of the Government of the Republic of Trinidad and Tobago and the people of our beloved nation in creating value from our non-renewable hydrocarbon resources.

Indar Maharaj
President

BOARD OF DIRECTORS

ROOP CHAN CHADEESINGH
CHAIRMAN

GORDON RAMJATTAN
DEPUTY CHAIRMAN

HASEENA ALI
DIRECTOR

MULCHAN LEWIS
DIRECTOR

DR. UTAM MAHARAJ
DIRECTOR

KHALID HASSANALI
DIRECTOR

CLYDE RAMKHALAWAN
DIRECTOR

ORVILLE MOORE
DIRECTOR

OLAVE MARIA THORNE
COMPANY SECRETARY

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Directors' Report
Year Ended 31 December 2014

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December 2014.

1. BUSINESS ACTIVITIES

During 2014 the Company continued to diligently pursue its core business of the purchase, compression, transportation, distribution and sale of natural gas to industrial and commercial users.

2. FINANCIAL RESULTS

The Parent Company, The National Gas Company of Trinidad and Tobago Limited (NGC) recorded gross sales of TT$16.926 billion, a decrease of approximately 3.26 per cent from the previous year's amount of TT$17.496 billion. The decrease in gas sales was due to plant downtime which was as a result of maintenance works carried out by both the large gas consumers and suppliers during 2014.

Due to the gas quality less condensate was received in 2014. Total barrels of condensate sold in 2014 were 105,019 compared to 125,870 in 2013.

Crude oil sales also decreased by 16.5 per cent from the previous year. In 2014, crude oil sales was TT$461.8 million while in 2013 it was TT$553.2 million. This was mainly due to the global decline in oil prices during the last quarter of 2014.

Due to the falling oil prices in 2014, management carried out a review of its TSP assets. This review led to the recognition of an impairment loss of TT$415.2 million. In addition, an impairment assessment on NGC's investment in Trinidad and Tobago NGL Limited was also carried out which led to an impairment loss being recognised in the amount of TT$1.089 billion. Both these impairment losses have been disclosed in the statement of profit and loss and other comprehensive income for 2014.

Notwithstanding the above, dividend income received from its key strategic investments in the liquefied natural gas (LNG), and natural gas liquids (NGL) business increased from TT$1.388 billion to TT$1.550 billion.

The Parent Company recorded a Net After Tax Profit of TT$3.084 billion representing a decrease of TT$1.358 billion or 30.6 per cent from the previous year's figure of TT$4.442 billion.

Dividends of TT$3.799 billion were paid during the year 2014 which comprised of TT$175 million for 2012, TT$175 million for 2013 and TT$3.449 billion for 2014, as compared to the amount of TT$4.200 billion paid in 2013.

Retained Earnings at the end of the year amounted to TT$18.249 billion and Issued Share Capital totalled TT$1.855 billion.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Directors' Report (continued)

Year Ended 31 December 2014

An Unconsolidated Statement of Profit or Loss and Other Comprehensive Income of the Parent Company for the year ended 31 December 2014 is set out below:

A Statement of Retained Earnings of the Parent Company as at 31 December 2014 is set out below:

	2014 $'000	**2013 $'000**
Sales	16,926,404	17,495,758
Cost of sales	(12,383,580)	(12,625,599)
Gross profit	4,542,824	4,870,159
Other operating income	421,390	378,132
Interest and other investment income	2,177,917	2,196,444
Administrative and general expenses	(486,426)	(1,075,001)
Impairment	(1,508,351)	-
Other expenses	(157,294)	(48,242)
Finance costs	(318,793)	(147,638)
Profit on foreign exchange transactions	47,557	15,700
Profit before taxation	4,718,824	6,189,554
Income tax expense	(1,634,593)	(1,747,249)
Profit for the year after taxation	**3,084,231**	**4,442,305**
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	(148,840)	(184,957)
Income tax relating to net defined benefit liability	62,877	77,044
Foreign currency translation	(380,973)	151,242
	(466,936)	43,329
Items that may be reclassified subsequently to profit or loss		
Net gain on available-for-sale financial assets	12,002	422,742
Other comprehensive (loss)/income for the year, net of tax	(454,934)	466,071
Total comprehensive income for the year	**2,629,297**	**4,908,376**

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Directors' Report (continued)
Year Ended 31 December 2014

A Statement of Retained Earnings of the Parent Company as at 31 December 2014 is set out below:

	2014 $'000	2013 $'000
Retained earnings -		
At beginning of year	19,013,290	18,191,993
Transfer of depreciation for offshore plant, equipment and pipelines	36,949	36,905
Profit for the year	3,084,231	4,442,305
Other comprehensive income	(85,963)	(107,913)
Total income/expense for the year	3,035,217	4,371,297
Dividends paid/proposed	(3,799,455)	(3,550,000)
Retained earnings – at end of year	**18,249,052**	**19,013,290**

The Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2014 is set out below:

Sales	23,513,318	22,373,183
Cost of sales	(15,106,532)	(14,846,809)
Gross profit	8,406,786	7,526,374
Other operating income	393,327	347,250
Interest, investment and other income	947,273	1,114,687
Fair value gain on step up acquisition	–	1,263,086
Other income on asset acquisition	–	1,247,835
Administrative, maintenance and general expenses	(1,143,603)	(1,500,662)
Impairment expense	(562,413)	(10,175)
Finance costs	(357,812)	(211,273)
Other expenses	(158,156)	(87,076)
Profit on foreign exchange transactions	55,799	23,083
Profit for the year before taxation	7,581,201	9,713,129
Income tax expense	(3,102,389)	(3,199,228)
Profit for the year after taxation	4,478,812	6,513,901
Other comprehensive income, net of taxes:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of net defined benefit liability	(148,840)	(184,957)
Income tax relating to net defined benefit liability	62,877	77,044
Foreign currency translation differences	(291,564)	222,247
	(377,527)	114,334
Items that may be reclassified subsequently to profit or loss		
Net gain on available-for-sale financial assets	12,002	422,742
Total other comprehensive (loss)/income for the year, net of tax	(365,525)	537,076
Total comprehensive income for the year, net of tax	**4,113,287**	**7,050,977**

3. DIVIDENDS

In 2014, the Board approved and paid dividends in the amount of TT$3.799 billion of which TT$350 million relates to 2013 and TT$3.449 billion relates to 2014. In addition, during 2015 a dividend of TT$1.0 billion was approved for the year ended 31 December 2014. The total proposed dividend for the year ended 31 December 2014 is TT$4.799 billion of which TT$350 million is subject to approval.

4. DIRECTORS

During the period 01 January to 31 December 2014, the membership of the Board of NGC comprised:

- Mr. Roop Chan Chadeesingh – Chairman
- Mr. Gordon Ramjattan – Deputy Chairman
- Ms. Haseena Ali
- Mr. Khalid Hassanali
- Mr. Orville Moore
- Mr. Mulchan Lewis
- Dr. Utam Maharaj
- Mr. Clyde Ramkhalawan

The NGC Board held thirteen meetings for the period 01 January to 31 December, 2014.

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

(a) The **Audit Committee** comprised:

- Dr. Utam Maharaj – Chairman
- Mr. Mulchan Lewis
- Mr. Lester Herbert (Representative from the Ministry of Finance and the Economy).

The Committee held six meetings for the period 01 January to 31 December, 2014.

(b) **Finance and Investment Committee** comprised:

- Mr. Gordon Ramjattan – Chairman
- Ms. Haseena Ali
- Mr. Orville Moore
- Mr. Clyde Ramkhalawan

The Committee held nine meetings for the period 01 January to 31 December, 2014.

(c) **Tenders Committee** comprised:

- Mr. Gordon Ramjattan – Chairman
- Ms. Haseena Ali
- Mr. Orville Moore
- Mr. Clyde Ramkhalawan
- Mr. Indar Maharaj

The Committee held eight meetings for the period 01 January to 31 December, 2014.

(d) **Human Resources Committee** comprised:

- Mr. Mulchan Lewis – Chairman
- Mr. Gordon Ramjattan
- Mr. Orville Moore
- Dr. Utam Maharaj

The Committee held eight meetings for the period 01 January to 31 December, 2014.

(e) **Operations Committee** comprised:

- Mr. Clyde Ramkhalawan – Chairman
- Ms. Haseena Ali
- Mr. Khalid Hassanali
- Mr. Indar Maharaj
- Mr. Tickaram Roopchandsingh
- Mr. Anand Ragbir (Member until 30 July 2014)
- Ms. Shazeeda Hosein (appointed as a Member with effect from 01 August 2014)

The Committee held eight meetings for the period 01 January to 31 December 2014

5. SIGNIFICANT EVENTS

ASSETS UNDER CONSTRUCTION
Included under assets under construction are costs relating to the Phoenix Park Valve Station Upgrade and Beetham Waste Water Reuse Projects. Costs incurred on these projects as at 31 December 2014 are TT$400.5 million and TT$718.3 million respectively. The estimated completion dates for these projects are the fourth and third quarters 2015 respectively.

6. CORPORATE SOCIAL INVESTMENT (CSI)

Through a comprehensive Corporate Social Investment Programme, NGC ensures that stakeholders from every sphere of society benefit from the natural resource the Company manages on behalf of citizens of Trinidad and Tobago.

Four (4) central themes inform the programme: sport, civic life, empowerment and environment through the following activities:

SPORT
Sport is a significant avenue for the overall development of the nation's youth as well as a platform to bring communities and the nation together. In 2014, NGC's involvement in sport continued through its relationship with the Trinidad and Tobago Cricket Board (TTCB) for sponsorship of the T20 Festival, Regional Super 50, TTCB/NGC Cricket Youth Academy, to name just a few. Track and field was also featured through a partnership with the National Association of Athletics Administrations (NAAA) for Junior, Juvenile, Combined and Senior Championships as well as support for improved governance and administration. NGC's in-house track and field programme, NGC Right on Track Coaching Caravan continued its visits to institutions teaching the fundamentals of track and field as well as basketball to interested persons between the ages of 9 and 17 years old.

CIVIC LIFE
NGC's belief that strong communities make strong nations is a fundamental element that has inspired the start of its facilities development programme which constructs or refurbishes community recreational facilities to enrich community life. In 2014, NGC initiated 22 projects in rural communities throughout Trinidad. Under this theme NGC also provides sponsorship or support to projects in the arts and culture and education to promote a sense of individual and communal pride integral to success amongst people from all walks of life. Some of these projects include:

- NGC Bocas Lit Fest
- NGC Sanfest
- Trinidad and Tobago Film Festival
- Tobago Heritage Festival
- Sponsorship of NGC Couva Joylanders, NGC La Brea Nightingales and NGC Steel Xplosion, NGC T&T Sweet Tassa Enterprises, NGC Show Stopperz, NGC Bao Simba Tassa Fusion
- Facilities at Lumsden in Gasparillo, Dubisson Park in Ste Madeleine, Lower Cumuto Recreation Ground

EMPOWERMENT
NGC believes in helping people to be the agents of their own development. This process is facilitated by supporting training programmes for the groups we sponsor, self-improvement initiatives and other programmes aimed at young people in particular from the five Police Youth Clubs the Company sponsors.

In 2014, the highlights of the empowerment theme focused on the professional chair in Innovation and Entrepreneurship as well as the Trevor Boopsingh Endowment in Energy Research at The University of the West Indies (The UWI) and capacity building training for members of the steel orchestras, tassa groups and police youth clubs sponsored by NGC.

ENVIRONMENT
NGC continued its safeguard of the environment through its "no net loss" reforestation programme which replants areas cleared for project development. In 2014, reforestation sites

were planted and tended in Edward Trace in Moruga, Grants Trace in Rousillac and Morne L'Enfer in Parrylands.

As a responsible corporate citizen and committed community partner, NGC fulfils its commitment to understand the needs of its communities, to preserve and invest in its communities and generate shared value to both its business and society.

7. AUDITORS

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

Dated this 18th day of June, 2015

By ORDER OF THE BOARD
Maria Thorne
Company Secretary

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED CONSOLIDATED FINANCIAL STATEMENTS

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Statement of Management's Responsibilities

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

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

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

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

President

8 June 2015

Vice President – Finance and Information Management Group
8 June 2015

Deloitte.

Deloitte & Touche
54 Ariapita Avenue,
Woodbrook, Port of Spain,
Trinidad, West Indies.
Tel: 1 868 628 1256
Fax: 1 868 628 6566
Website: www.deloitte.com

Independent auditors' report to the shareholder of The National Gas Company of Trinidad and Tobago Limited

Report on the consolidated financial statements

We have audited 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 2014, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 2014 and its financial performance and its cash flows for the year then ended in accordance with IFRS.

Deloitte & Touche
Port of Spain
Trinidad
8 June 2015

Deloitte & Touche

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Financial Position

As at 31 December 2014 *(Amounts expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	15,636,626	15,631,417
Capital assets and licences	6	2,926,110	2,981,366
Investment properties	7	539,835	551,731
Goodwill	8	2,269,617	2,298,173
Other intangible assets	9	1,566	2,746
Other financial assets	10	3,371,664	3,701,637
Financial assets at fair value through profit or loss	11	332,041	232,623
Loans receivable	12	1,154,455	1,448,987
Net investment in leased assets	13	659,566	519,445
Deferred tax asset	14	732,242	632,558
Deferred expenses	15	131,828	341,351
Debt reserve funds	16	231,321	290,146
Total non-current assets		27,986,871	28,632,180
Current assets			
Cash and cash equivalents	17	8,028,970	7,590,825
Short-term investments	18	2,777,442	2,972,766
Loans receivable	12	318,665	296,206
Net investment in leased assets	13	43,598	14,647
Accounts receivable	19	3,667,762	3,783,468
Sundry debtors and prepayments	20	671,247	1,136,142
Inventories	21	301,139	231,936
Deferred expenses	15	200,122	19,774
Income taxes receivable		338,654	450,097
Total current assets		16,347,599	16,495,861
Total assets		**44,334,470**	**45,128,041**

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Financial Position (continued)

As at 31 December 2014 *(Amounts expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'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	2,766,744	3,075,536
Retained earnings		23,720,064	23,365,380
Total equity attributable to owners of the parent		28,780,266	28,734,374
Non-controlling interest	41 (d)	1,037,999	1,063,166
Total shareholder's equity		29,818,265	29,797,540
Non-current liabilities			
Deferred tax liability	14	4,333,396	4,056,352
Borrowings	25	2,936,293	3,191,428
Deferred income	26	165,499	185,464
Provisions	27	1,091,565	1,053,271
Post-retirement medical and group life obligation	28	192,506	135,125
Pension obligation	29	603,587	481,320
Take-or-pay liability	30	72,337	356,918
Total non-current liabilities		9,395,183	9,459,878
Current liabilities			
Trade payables	31	2,920,793	3,242,625
Sundry payables and accruals	32	1,652,602	1,576,032
Borrowings	25	216,281	221,684
Deferred income	26	68,412	209,088
Environmental obligation	27	3,926	3,000
Dividends payable		181,359	187,877
Income taxes payable		77,649	430,317
Total current liabilities		5,121,022	5,870,623
Total liabilities		14,516,205	15,330,501
Total equity and liabilities		**44,334,470**	**45,128,041**

The accompanying notes on pages 29 to 129 form an integral part of these consolidated financial statements.

The consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited were authorised for issue by the Board of Directors on 8 June 2015.

Director ____________________
Roop Chan Chadeesingh

Director ____________________
Gordon Ramjattan

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2014 *(Amouts expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'000
Sales	33	23,513,318	22,373,183
Cost of sales	33	(15,106,532)	(14,846,809)
Gross profit		8,406,786	7,526,374
Other operating income	34	393,327	347,250
Interest, investment and other income	35	947,273	1,114,687
Fair value gain on step up acquisition		–	1,263,086
Other income on asset acquisition		–	1,247,835
Administrative, maintenance & general expenses	36	(1,143,603)	(1,500,662)
Impairment expense	37	(562,413)	(10,175)
Finance costs	38	(357,812)	(211,273)
Other expenses		(158,156)	(87,076)
Profit on foreign exchange transactions		55,799	23,083
Profit for the year before taxation		7,581,201	9,713,129
Income tax expense	39	(3,102,389)	(3,199,228)
Profit for the year after taxation		4,478,812	6,513,901
Other comprehensive income, net of taxes:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit liability		(148,840)	(184,957)
Income tax relating to net defined benefit liability		62,877	77,044
Foreign currency translation differences		(291,564)	222,247
		(377,527)	114,334
Items that may be reclassified subsequently to profit or loss			
Net gain on available-for-sale financial assets		12,002	422,742
Total other comprehensive income for the year, net of tax		(365,525)	537,076
Total comprehensive income for the year, net of tax		**4,113,287**	**7,050,977**
Profit for the year after taxation attributable to:			
- Owners of the parent		4,200,569	6,261,656
- Non-controlling interests		278,243	252,245
		4,478,812	**6,513,901**
Total comprehensive income for the year, net of tax attributable to:			
- Owners of the parent		3,845,347	6,789,971
- Non-controlling interests		267,940	261,006
		4,113,287	**7,050,977**

The accompanying notes on pages 29 to 129 form an integral part of these consolidated financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014 *(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 2014	1,855,266	438,192	3,075,536	23,365,380	28,734,374	1,063,166	29,797,540
Issue of ordinary shares by subsidiary	–	–	–	–	–	24,574	24,574
Profit for the year after taxation	–	–	–	4,200,569	4,200,569	278,243	4,478,812
Other comprehensive income for the year, net of tax	–	–	(269,257)	(85,965)	(355,222)	(10,303)	(365,525)
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	(39,535)	39,535	–	–	–
Dividends (Note 51)	–	–	–	(3,799,455)	(3,799,455)	(317,681)	(4,117,136)
Balance as at 31 December 2014	**1,855,266**	**438,192**	**2,766,744**	**23,720,064**	**28,780,266**	**1,037,999**	**29,818,265**
Balance as at 1 January 2013	1,855,266	438,192	2,478,834	20,722,111	25,494,403	448,725	25,943,128
Non-controlling interest on acquisition of PPGPL	–	–	–	–	–	604,846	604,846
Profit for the year after taxation	–	–	–	6,261,656	6,261,656	252,245	6,513,901
Other comprehensive income for the year, net of tax	–	–	636,228	(107,913)	528,315	8,761	537,076
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	(39,526)	39,526	–	–	–
Dividends (Note 51)	–	–	–	(3,550,000)	(3,550,000)	(251,411)	(3,801,411)
Balance as at 31 December 2013	**1,855,266**	**438,192**	**3,075,536**	**23,365,380**	**28,734,374**	**1,063,166**	**29,797,540**

The accompanying notes on pages 29 to 129 form an integral part of these consolidated financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2014 *(Amounts expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash generated from operations	40	8,352,411	7,878,671
Pension and other post-retirement contributions paid		(45,219)	(50,010)
Income taxes paid		(2,669,437)	(2,917,185)
Income taxes paid by Ministry of Energy & Energy Affairs		(388,278)	–
Income tax refunds received during the year		1,530	3,577
Interest paid		(220,096)	(234,621)
Interest received		171,938	344,180
Net cash generated from operating activities		5,202,849	5,024,612
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(1,330,674)	(310,001)
Purchase of investment property		(8,251)	(5,391)
Proceeds on disposal of property, plant and equipment		722	1,195
Net change in short-term investments		160,638	903,484
Proceed from sale of other financial assets		299,741	9,187
Proceeds from repayment of loans receivable		291,719	349,981
Dividends received		349,752	197,255
Net cash outflow from acquisition of subsidiary and assets	41 (e)	–	(4,748,518)
Purchase of long-term investments		(46,284)	(1,333,489)
Net cash used in investing activities		(282,637)	(4,936,297)
Cash flows from financing activities			
Repayment of borrowings		(221,588)	(262,387)
Increase/(decrease) in debt reserve funds		55,560	(28,822)
Dividends paid		(4,123,965)	(4,518,509)
Net cash used in financing activities		(4,289,993)	(4,809,718)
Net increase/(decrease) in cash and cash equivalents		630,219	(4,721,403)
Net foreign exchange difference		(192,074)	(31,225)
Cash and cash equivalents at beginning of year		7,590,825	12,343,453
Cash and cash equivalents at end of year	17 (b)	**8,028,970**	**7,590,825**

The accompanying notes on pages 29 to 129 form an integral part of these consolidated financial statements.

1. Corporate information

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

2. Significant accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

2. Significant accounting policies (continued)

2.3 **Basis of consolidation**

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

Changes in the Group's ownership interest in existing subsidiaries

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

2.4 Business combinations

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

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

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

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

2. Significant accounting policies (continued)

2.4 Business combinations (continued)

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

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

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

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

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

2. Significant accounting policies (continued)

2.4 Business combinations (continued)

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

2.5 Goodwill

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

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

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

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

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

2.6 Investment in associates and joint ventures

An associate is an entity over which the Group 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

2. Significant accounting policies (continued)

2.6 Investment in associates and joint ventures (continued)

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 Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

2. Significant accounting policies (continued)

2.6 Investment in associates and joint ventures (continued)

recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

2.7 Interest in joint operations

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

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

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

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

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

2. Significant accounting policies (continued)

2.7 Interest in joint operations (continued)

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

2.8 Non-current assets held for sale

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

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

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

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

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

2.9 Foreign currencies

The functional currency of the Group is the United States dollar (US$) because the US$ is the currency of the primary economic environment in which the Group operates. The Group statutory financial statements are required to be presented in Trinidad & 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$6.3585 to US$1 (2013: TT$6.4385 to US$1) and the average exchange rate

2. Significant accounting policies (continued)

2.9 Foreign currencies (continued)

was TT$6.3854 to US$1 (2013: TT$6.4115 to US$1). Gains and losses resulting from this process have been recorded in translation reserve as a separate component of equity.

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

2.10 Property, plant and equipment

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

The pipelines and related facilities were revalued at 31 December 2010. Effective 1 January 2011 these assets will be depreciated over their remaining useful lives varying from five to 60 years, but not exceeding 31 December 2070.

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

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

2. Significant accounting policies (continued)

2.10 Property, plant and equipment (continued)

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

Freehold land is not depreciated.

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

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

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

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

Leasehold property is amortised as follows:

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

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

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

2. Significant accounting policies (continued)

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

Oil and gas exploration, development and production assets

The Group accounts for its natural gas and crude oil exploration, development and production activities under the full cost 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.

2.11 **Intangible assets**

(a) **Intangible assets acquired separately**

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

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

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

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

(c) **Derecognition of intangible assets**

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

2. Significant accounting policies (continued)

2.12 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

2.13 Investment properties

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

FabricationYard	3.33%
Development cost	10.00% - 33.33%
Buildings	3.33%

2. Significant accounting policies (continued)

2.13 **Investment properties (continued)**

No depreciation is provided on freehold land.

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

2.14 **Taxation**

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

(a) **Current tax**

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

(b) **Deferred tax**

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

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

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

2. Significant accounting policies (continued)

2.14 **Taxation (continued)**

(b) **Deferred tax (continued)**

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

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

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

2.15 **Leases**

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

(a) **The Group as a lessor**

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

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

(b) **The Group as a lessee**

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

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

2. Significant accounting policies (continued)

2.15 **Leases (continued)**

(b) **The Group as a lessee (continued)**

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

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

2.16 **Financial instruments**

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

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

(a) **Financial assets**

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

(b) **Effective interest method**

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

2. Significant accounting policies (continued)

2.16 Financial instruments (continued)

(b) **Effective interest method (continued)**

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

(c) **Financial assets at FVTPL**

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

A financial asset is classified as held for trading if:

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

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'interest, investment and investment income' line item. Fair value is determined in the manner described in Note 50.

(d) **Held-to-maturity investments**

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

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

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

2. Significant accounting policies (continued)

2.16 Financial instruments (continued)

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

Listed redeemable notes held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in Note 50. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

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

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

(f) Loans and receivables

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

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

(g) Impairment of financial assets

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

2. Significant accounting policies (continued)

2.16 **Financial instruments (continued)**

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

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

2.16 **Financial instruments (continued)**

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

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

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

(h) **Derecognition of financial assets**

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

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

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

2. Significant accounting policies (continued)

2.17 Financial liabilities and equity instruments

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

(a) **Equity instruments**

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

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

(b) **Other financial liabilities**

Other financial liabilities (including long-term debt and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

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

(c) **Derecognition of other financial liabilities**

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

2.18 Derivative financial instruments and hedging

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

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

2. Significant accounting policies (continued)

2.19 **Take-or-pay**

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

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

2.20 **Inventories**

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

(a) **Liquefied Natural Gas (LNG)**

The cost of LNG inventories comprises feed gas cost, and other direct and production costs including transportation tariff and processing fees.

(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.

2.21 **Cash and cash equivalents**

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

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

2. Significant accounting policies (continued)

2.22 **Provisions**

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

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

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

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

(a) **Asset retirement obligation**

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

(b) **Onerous contracts**

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

(c) **Provision for reforestation**

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

2. Significant accounting policies (continued)

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

(a) **Defined benefit plan**

The Group maintains a defined benefit pension plan which covers all of its permanent employees effective 1 May 1977. The funds of the plan are held separately from the Group and are administered by Trustees. The plan is funded by payments from employees and the Group, taking into account the recommendations of independent qualified actuaries. A full valuation of the plan is made every three years. The last full valuation was done as at 31 December 2013 which was carried out in 2014. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities.

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

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

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

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

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

2. Significant accounting policies (continued)

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

(b) **Defined contribution plan**

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

The plan covers all full-time employees of the subsidiary and is funded by payments from employees and a subsidiary taking into account the recommendations of independent qualified actuaries. The subsidiary's contributions to the defined contribution plan are charged to profit or loss in the period to which the contributions relate. At the end of 2014, there was no liability outstanding.

2.24 **Non-refundable capital contribution**

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

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

2.25 **Borrowing costs**

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

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

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

2. Significant accounting policies (continued)

2.26 Government grants

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

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

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

2.27 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The following specific recognition criteria must also be met before revenue is recognised:

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

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

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

In the current year, the Group has applied a number of amendments to IFRS and new Interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'**
  The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

  To qualify as an investment entity, a reporting entity is required to:
  - obtain funds from one or more investors for the purpose of providing them with investment management services;
  - commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
  - measure and evaluate performance of substantially all of its investments on a fair value basis.

  Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

  As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

- **Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'**
  The Group has applied the amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right to set-off' and 'simultaneous realisation and settlement'.

  The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Group's consolidated financial statements.

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

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

- **Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'**

  The Group has applied the amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure requirements required by IFRS 13 'Fair Value Measurements'.

  The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

- **Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'**

  The Group has applied the amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

  The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

- **IFRIC 21 'Levies'**

  The Group has applied the IFRIC 21 'Levies' for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in the future period.

  The application of this interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated 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**

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

• IFRS 9	Financial instruments[5]
• IFRS 15	Revenue from Contracts with Customers[4]
• Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations[3]
• Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
• Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
• Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[1]
• Amendments to IFRS	Annual Improvements to IFRS 2010-2012 Cycle[2]
• Amendments to IFRS	Annual Improvements to IFRS 2011-2013 Cycle[1]
• Amendments to IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[3]
• Amendments to IFRS	Annual Improvements to IFRS 2012-2014[6]
• Amendments to IAS 1	Disclosure Initiative[3]
• Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]

[1] Effective for annual periods beginning on or after 1 July, 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July, 2014, with limited exceptions, earlier application is permitted.
[3] Effective for annual periods beginning on or after 1 January, 2016, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January, 2017, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January, 2018, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July, 2016, with earlier application permitted.

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

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

- **IFRS 9 'Financial Instruments'**

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

  Key requirements of IFRS 9:

  - all recognised financial assets that are within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
  - with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
  - in relation to the impairment of financial assets, IFRS 9 requires an expected loss model, as opposed to an incurred loss model under IAS 39. The expected loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

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

  Key requirements of IFRS 9 (continued):

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

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

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

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

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

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

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

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

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

- **IFRS 15 'Revenue from Contracts with Customers' (continued)**

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

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

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

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

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

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

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

  (a) when the intangible asset is expensed as a measure of revenue; or
  (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

  The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its non-oil and gas property, plant and equipment, and intangible assets respectively. Oil and gas assets are depreciated on the unit-of-production method.

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 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (continued)**
  The Management of the Group believes that the depreciation methods are the most appropriate methods to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Group's consolidated financial statements.

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

  The Management of the Group does not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

- **Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'**
  The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

  For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

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

- **Annual Improvements to IFRS 2010-2012 Cycle**
  The 'Annual Improvements to IFRS 2010-2012 Cycle' include a number of amendments to various IFRS, which are summarised below.

  The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition'. The amendments to IFRS 2 are effective for share-based payments transaction for which the grant date is on or after 1 July 2014.

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 to IFRS 2010-2012 Cycle (continued)**

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for the accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Management of the Group does not anticipate that the application of these amendments will have a significant impact on the Group's consolidated 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 to IFRS 2011-2013 Cycle**
  The 'Annual Improvements to IFRS 2011-2013 Cycle' include a number of amendments to various IFRS, which are summarised below.

  The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

  The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

  The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

  (a) the property meets the definition of investment property in terms of IAS 40; and
  (b) the transaction meets the definition of a business combination under IFRS 3.

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

- **Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  Amendments were made to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

  (a) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations')

  (b) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

  These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

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

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

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

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

- **Annual Improvements 2012–2014**

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

  IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.
  IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.
  IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
  IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

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

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

  Amendments were made to IAS 1 'Presentation of Financial Statements' to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:
  (a) clarification that information should not be obscured by aggregating or by providing immaterial information; materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
  (b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated, as relevant and additional guidance on subtotals in these statements, and clarification that an entity's share of OCI of equity-accounted associates and joint ventures, should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
  (c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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)**

- **Amendment to IAS 1: Disclosure Initiative (continued)**
  The Management of the Group does not anticipate that the application of these amendments will have a significant impact on the Group's consolidated financial statements.

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

  (a) The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
  (b) A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
  (c) When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
  (d) An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

4.1 **Critical judgements in applying accounting policies**

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

Recognition of Block 2(c) and Block 3(a)

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

4.2 **Key sources of estimation uncertainty**

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

Impairment of non-financial assets

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.

Impairment of available-for-sale investments

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

Tax assessments

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

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

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

Asset retirement obligation

The Group has recorded a provision for the estimated cost of decommissioning its offshore plant and equipment. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and expected cost to dismantle and remove the offshore plant and equipment.

Take-or-pay

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

Revaluation

The Group revalues its offshore and onshore pipelines and related facilities every five to seven years. The key considerations in arriving at the fair value include location, historic and replacement cost, effective age, indicative life, gas reserve life, inherent risks and other information from management. The functional condition and economic obsolescence of the assets are also taken into account. Based on these factors, it has been estimated that the onshore and offshore pipelines will have a maximum useful life, not extending beyond 31 December 2070.

Carrying value of oil and gas assets

Oil and gas properties are depleted using the units-of-production (UOP) method over proved developed and undeveloped mineral reserves.

The calculation of the unit-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proved reserves;
- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues.

Useful lives of property, plant and equipment and investment property

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.

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

4.2 Key sources of estimation uncertainty (continued)

Operating lease commitments - Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors 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 future cash flows are less than expected, a material impairment loss may arise.

In 2013, the Group acquired Phoenix Park Gas Processors Limited which resulted in goodwill of $2,298.2 million. Management assessed the goodwill for impairment at 31 December 2014 and determined that no impairment was necessary. Refer to Note 8.

Pension and other post-employment benefits

The cost of defined benefits pension plans and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans such estimates are subject to significant uncertainty.

Litigation matters

The Group is involved in legal proceedings arising in the normal course of business. Management believes that, based on the advice of legal counsel, the outcome of these proceedings will not have any adverse material effects on the Group's financial statements. However, based on legal counsel advice management has made adequate provisions for legal proceedings.

5. Property, plant and equipment

	Freehold land $'000	Leasehold property $'000	Develop-ment costs $'000	Machinery & equipment $'000
Year ended 31 December 2014				
Opening net book value	22,057	158,492	702	17,799
Additions	2,696	25,695	500	5,859
Transfers	–	–	–	1,037
Disposals	–	–	–	(25)
Depreciation for year	–	(3,349)	(220)	(6,164)
Adjustment	–	–	–	–
Impairment	–	–	–	–
Foreign exchange difference	(267)	(2,620)	–	(179)
Closing net book value	**24,486**	**178,218**	**982**	**18,327**
At 31 December 2014				
Cost	24,486	247,771	2,562	145,300
Accumulated depreciation/impairment	–	(69,553)	(1,580)	(126,973)
Net book value	**24,486**	**178,218**	**982**	**18,327**
Year ended 31 December 2013				
Opening net book value	17,246	158,414	899	16,672
Acquisition of subsidiary	–	–	–	–
Additions	4,651	561	–	8,699
Transfers	–	1,406	–	–
Disposals	–	–	–	(4)
Depreciation for year	–	(3,225)	(197)	(7,687)
Impairment	–	–	–	–
Fair value adjustment	–	–	–	–
Foreign exchange difference	160	1,336	–	119
Closing net book value	**22,057**	**158,492**	**702**	**17,799**
At 31 December 2013				
Cost	22,057	224,696	2,062	138,608
Accumulated depreciation/impairment	–	(66,204)	(1,360)	(120,809)
Net book value	**22,057**	**158,492**	**702**	**17,799**

5. Property, plant and equipment (continued)

Pipeline & related facilities $'000	Oil & gas & plant assets $'000	Offshore plant & equipment $'000	Marine infra-structural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
8,916,059	5,289,127	–	381,021	45,847	800,313	15,631,417
77	174,072	12,100	79,129	12,810	899,654	1,212,592
47,663	52,381	–	7,247	6,543	(107,624)	7,247
–	(229)	–	(80)	(1,052)	–	(1,386)
(188,513)	(381,016)	–	(24,858)	(19,120)	–	(623,240)
–	9,716	–	–	–	(8,393)	1,323
–	(415,243)	(12,100)	1,020	–	–	(426,323)
(147,347)	(2,247)	–	–	(224)	(12,120)	(165,004)
8,627,939	**4,726,561**	**–**	**443,479**	**44,804**	**1,571,830**	**15,636,626**
9,336,963	6,155,591	491,194	894,293	148,306	1,571,830	19,018,296
(709,024)	(1,429,030)	(491,194)	(450,814)	(103,502)	–	(3,381,670)
8,627,939	**4,726,561**	**–**	**443,479**	**44,804**	**1,571,830**	**15,636,626**
7,794,563	304,375	–	380,934	24,672	1,791,323	10,489,098
–	2,029,055	–	–	23,262	94,652	2,146,969
–	66,574	1,405	12,811	13,824	206,916	315,441
1,253,898	43,537	–	14,798	7,443	(1,321,082)	–
–	–	–	(275)	(597)	–	(876)
(201,357)	(250,635)	–	(27,147)	(22,908)	–	(513,156)
–	–	(1,405)	(100)	–	–	(1,505)
–	3,095,799	–	–	–	–	3,095,799
68,955	422	–	–	151	28,504	99,647
8,916,059	**5,289,127**	**–**	**381,021**	**45,847**	**800,313**	**15,631,417**
9,436,570	5,921,898	479,094	807,997	130,230	800,313	17,963,525
(520,511)	(632,771)	(479,094)	(426,976)	(84,383)	–	(2,332,108)
8,916,059	**5,289,127**	**–**	**381,021**	**45,847**	**800,313**	**15,631,417**

5. Property, plant and equipment (continued)

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

The Group revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Group revalued its offshore plant and equipment at an amount of $139 million, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of $90.3 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December 2014.

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

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

The Group revalues its pipelines every five to seven years. The Directors approved an independent valuation, performed by PricewaterhouseCoopers Limited, at 31 December 2010 of the pipelines and related facilities owned by the Group.

The valuation was conducted using the depreciated replacement cost basis assuming the facilities will continue to be used for the purpose for which they were designed and intended. For valuation purposes, the pipelines have been assessed to have a maximum useful life not extending beyond 31 December 2070. The estimated useful life is based on current and estimated future gas reserves as well as other factors.

The revaluation resulted in a net revaluation surplus of $1,298.3 million, which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of $62.6 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the statement of profit or loss. The difference between depreciation based on the revalued carrying amount of the pipelines and the depreciation based on the original cost of the pipelines will be transferred from revaluation surplus to retained earnings.

There have been no changes to conditions and assumptions since the last valuation that was performed as at 31 December 2010.

(c) **Pipelines and related facilities**

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

(ii) As at 31 December 2014, the Group has recorded a provision of $37.5 million (2013 $37.9 million) for compensation payable to owners of land along Rights of Way of the Group’s pipelines.

5. Property, plant and equipment (continued)

(d) **Assets under construction**

Included under assets under construction are costs relating to the Phoenix Park Valve Station Upgrade and Beetham Waste Water Reuse Project. Costs incurred on these projects as at 31 December 2014 are $400.5 million and $718.3 million respectively. The estimated completion dates for these projects are fourth and third quarter 2015 respectively.

(e) **Marine infrastructure assets**

The fair value was based on the marine infrastructure assets' value in use. The recoverable amount of the Group's assets has been determined based on a value-in-use calculation using cash flow projections from the financial budgets prepared by management and approved by the Board of Directors and extrapolated for a four-year period, at a discount rate of 3.51 per cent and a terminal capitalisation rate of 3.51 per cent. As a result of this analysis, management has recognised an impairment reversal of $1.0 million (2013: charge of $0.1 million) on its property, plant and equipment in the statement of profit or loss.

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2014	**–**	**8,669,216**	**21,022**	**8,690,238**
At 31 December 2013	**–**	**8,931,690**	**20,710**	**8,952,400**

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

The net carrying amount of the pipelines, if it was carried at cost rather than at the revalued amount, would have been $5,178.2 million as at 31 December 2014 (2013: $5,372.2 million).

6. Capital assets and licences

	Block 2(c) $'000	Block 3(a) $'000	Total $'000
Year ended 31 December 2014			
Balance at 1 January	2,939,693	41,673	2,981,366
Additions	116,898	–	116,898
Depreciation, depletion and amortisation expense	(146,810)	(4,667)	(151,477)
Foreign exchange gain	(20,677)	–	(20,677)
Closing net book value	**2,889,104**	**37,006**	**2,926,110**
At 31 December 2014			
Cost	3,400,799	41,673	3,442,472
Accumulated depreciation, depletion and amortisation expense	(511,695)	(4,667)	(516,362)
Net book value	**2,889,104**	**37,006**	**2,926,110**
Year ended 31 December 2013			
Additions on acquisition	3,051,054	–	3,051,054
Fair value adjustment	237,726	41,673	279,399
Depreciation, depletion and amortisation expense	(364,885)	–	(364,885)
Foreign exchange gain	15,798	–	15,798
Closing net book value	**2,939,693**	**41,673**	**2,981,366**
At 31 December 2013			
Cost	3,304,578	41,673	3,346,251
Accumulated depreciation, depletion and amortisation expense	(364,885)	–	(364,885)
Net book value	**2,939,693**	**41,673**	**2,981,366**

The Group acquired NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. which together hold a 30 per cent and 8.5 per cent participating interest in Block 2(c) and Block 3(a) respectively. The participating interest in the blocks are governed by Joint Operating Arrangements (JOA) with other third parties. Unanimous consent of the parties is not required by the JOA to make decisions about the relevant activities of the blocks and therefore the arrangement does not meet the definition of a joint arrangement or joint control within the scope of IFRS 11 'Joint Arrangements'.

Further, 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', thus the investment was treated as an asset acquisition.

7. Investment properties

	2014 $'000	2013 $'000
Year ended 31 December		
At 1 January	551,731	577,051
Additions/transfers at cost	8,251	5,390
Depreciation	(23,133)	(22,040)
Impairment charge (Note 37)	2,986	(8,670)
At 31 December	**539,835**	**551,731**
At 31 December		
Cost	1,217,437	1,209,186
Accumulated depreciation and impairment charges	(677,602)	(657,455)
Net book value	**539,835**	**551,731**
Amounts recognised in the statement of profit or loss		
Rental income from investment properties	**30,305**	**22,787**
Direct operating expenses	**3,817**	**3,967**

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

The fair value was based on the investment property value in use. The recoverable amount of the lands at UIE and the warehousing facility constructed at UIE has been determined based on a value-in-use calculation using cash flow projections from lease agreements and the Board approved business development, at a discount rate of 5.33 per cent. As a result of this analysis, management has recognised an impairment reversal of $2.6 million (2013: $8.6 million) on its investment properties in the statement of profit or loss.

The fair value of the land on which the fabrication yard at La Brea Industrial Estate was also based on value-in-use. The recoverable amount of these lands was based on a value-in-use calculation using cash flow projections from the 2014 financial budgets prepared by management and approved by the Board of Directors and extrapolated for a four year period, at a discount rate of 3.51 per cent and a terminal capitalisation rate of 3.51 per cent. As a result of this analysis, management has recognised an impairment charge of $0.4 million (2013: charge of $0.1 million) on its investment properties in the statement of profit or loss.

Legal title for the land on which the fabrication yard at La Brea Industrial Estate is situated has not yet been transferred to the Group by the Petroleum Company of Trinidad and Tobago Limited (Petrotrin).

7. Investment properties (continued)

The fair values of investment properties were estimated as follows:

	2014 $'000	2013 $'000
Union Industrial Estate	410,456	354,932
Brighton Materials Storage and Handling Warehouse Facility	90,155	89,958
Land situated at fabrication yard	127,066	122,285
At 31 December	**627,677**	**567,175**

8. Goodwill

	2014 $'000	2013 $'000
Balance at 1 January	2,298,173	–
Goodwill arising from step acquisition of Phoenix Park Gas Processors Limited	–	2,298,173
Effects of movement in foreign exchange rates	(28,556)	–
Balance at 31 December	**2,269,617**	**2,298,173**

NGC acquired 100 per cent of the shares of Trinidad and Tobago Holdings LLC. (formerly Conoco Phillips Inc.) on 16 August 2013. At the date of acquisition, Trinidad and Tobago Holdings LLC. (TTHLLC) held 39 per cent of the issued share capital of Phoenix Park Gas Processors Limited (PPGPL) which increased the Company's total investment in PPGPL to 79.8 per cent of the issued share capital. This shareholding together with other considerations resulted in the Company obtaining control over PPGPL.

	$'000
Fair value consideration for controlling interest (Note 8 (a))	3,863,100
Non-controlling interest (Note 8 (b))	401,263
Fair value of previously held interest (Note 8 (c))	2,046,443
	6,310,806
Fair value of net assets of PPGPL (Note 8 (d))	(4,012,633)
Goodwill	**2,298,173**

(a) *Fair value consideration of controlling interest*

Goodwill	**3,863,100**

(b) *Non-controlling interest*

The Company elected to measure non-controlling interest at their proportionate share of the fair value of the net assets (refer to Note 8 (d)).

(c) *Fair value previously held interest*

The fair value of the previously held interest was calculated by using the fair value of the net assets acquired of TT$4,012.6 million multiplied by the formerly held percentage shareholding of 51 per cent. This amounts to TT$2,046.4 million.

8. Goodwill (continued)

(d) *Fair value of net assets acquired*

The fair values of the identifiable assets acquired and liabilities recognised at the acquisition date 16 August 2013:

	$'000
Non-current assets	
Property, plant and equipment	5,220,454
Current assets	
Cash and short-term deposits	954,007
Debt reserve fund	169,230
Inventories	187,159
Trade and other receivables	501,263
Non-current liabilities	
Long-term debt	(517,761)
Deferred tax liability	(1,648,330)
Current liabilities	
Trade and other payables	(698,879)
Borrowings	(154,510)
Net assets of PPGPL	**4,012,633**

The cost approach was used to estimate the fair value of the identifiable assets and liabilities. Except for property, plant and equipment, the carrying values of all assets and liabilities were assumed to equate their fair values. The fair value of property, plant and equipment (PPE) was estimated by considering the replacement cost of the PPE. The replacement cost of PPE exceeded the carrying values which lead to a corresponding increase in the deferred tax liability.

(e) *Goodwill impairment test*

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

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

The carrying amount of goodwill allocated to the cash generating unit amounted to $2,269.6 million. The recoverable amount was determined by the value in use method.

The recoverable amount has been based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a 19-year period to the year 2033, and a discount rate of 11.94 per cent per annum which was based on an estimate of the weighted average cost of capital. Cash flows beyond the 19-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 11.94 per cent
- Selling prices of NGLs would rebound in year 2018 and steadily increase year on year

9. Other intangible assets

	2014 $'000	2013 $'000
Year ended 31 December		
Balance at 1 January	2,746	5,138
Additions/transfers at cost	777	3,458
Depreciation	(1,927)	(5,887)
Foreign exchange difference	(30)	37
Balance at 31 December	**1,566**	**2,746**
At 31 December		
Cost	113,073	118,230
Accumulated depreciation	(111,507)	(115,484)
Net book value	**1,566**	**2,746**

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

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

10. Other financial assets

	2014 $'000	2013 $'000
Investments comprise the following:		
Held-to-maturity investments (Note 10 (a))	256,331	277,636
Available-for-sale financial assets (Note 10 (b))	3,110,860	3,420,114
Other	4,473	3,887
	3,371,664	**3,701,637**

(a) **Held-to-maturity**

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

	2014 $'000	2013 $'000
Petrotrin bonds	37,717	42,679
Government of Trinidad and Tobago bonds	20,006	20,053
Government of Barbados bonds	–	13,797
Home Mortgage Bank Limited bonds	198,608	201,107
	256,331	**277,636**

10. Other financial assets (continued)

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

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

	2014 $'000	2013 $'000
First Citizens Bank Limited – shares	31,547	34,495
Petrotrin bonds	140,489	157,429
Corporate bonds/shares	901,065	1,108,915
Other listed shares	1,698,428	1,775,674
Shares – unlisted	339,331	343,601
	3,110,860	**3,420,114**

Listed

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

Unlisted

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

	2014 $'000	2013 $'000
Atlantic 1 Holdings LLC	155,052	157,003
Atlantic LNG IV Company of Trinidad and Tobago Unlimited	178,019	180,259
National Helicopter Services Limited	6,260	6,339
	339,331	**343,601**

11. Financial assets at fair value through profit and loss

In 2006, the Group issued a $2,509 million (US$400 million) bond to be repaid via a bullet payment in January 2036. To meet 50 per cent of the liability, in 2008 the Company invested $225.69 million (US$35.50 million) in two single tranche credit linked notes at a cost of $112.84 million (US$17.75 million) each. During the first 10 years of the investment there is risk in relation to loss of the principal. At the end of the 10-year period, the note converts to a zero coupon bond and this risk no longer applies. The notes, upon maturity will have a value of US$100 million each subject to any loss in value arising from credit events during the first 10 years of the investment.

The fair value of the credit linked investment as at 31 December 2014 was $332.04 million (US$52.22 million) (2013: $232.62 million (US$36.13 million)). The fair value gain/loss in respect of this investment is charged to the statement of profit or loss and presented within finance income or finance expense.

12. Loans receivable

	2014 $'000	2013 $'000
Trinidad and Tobago Electricity Commission (Note 12 (a))	942,183	1,207,577
Atlantic LNG 4 Company of Trinidad and Tobago Limited (Note 12 (b))	358,866	363,381
Atlantic LNG Company of Trinidad and Tobago Unlimited (Note 12 (c))	172,071	174,235
	1,473,120	1,745,193
Current portion	(318,665)	(296,206)
Long-term portion	**1,154,455**	**1,448,987**

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

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

The impairment allowance on the loan decreased by $43.6 million during 2014 to $74.2 million (US$11.7 million) at 31 December 2014. The impairment test was based on cash flows as per the terms of the medium-term loan, using the original effective interest rate of seven per cent.

The fair value of the long-term loan receivable was $942.2 million at 31 December 2014 (2013: $1,205.4 million).

(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 per cent (US$133.3 million). As at 31 December 2014, the Group has contributed US$112.0 million (2013: US$112.0 million) which represents its share of the long-term members' loan.

This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of LIBOR plus a margin which ranges from 1.125 per cent to 2.125 per cent per annum. The effective interest rate at the reporting date was 1.9251 per cent (2013: 1.9398 per cent). This loan is expected to mature on 15 December 2020.

Loan repayments of US$1,666,500 (2013: US$8,888,000) were made during the year. The loan balance at 31 December 2014 is US$56.439 million (TT$358.9 million), (2013: US$56.4 million/TT$363.4 million).

12. Loans receivable (continued)

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

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

The term facility was funded on 30 August 2011. The loan is repayable in five consecutive semi-annual instalments in equal principal amounts, commencing on the date which is 60 months after the closing date of 30 August 2011 and ending on the seventh anniversary of the closing date in 2016. The loan bears interest at a rate per annum equal to the LIBOR rate plus the applicable margin of 1.10 per cent. The effective interest rate at 31 December 2014 was 1.269 per cent (2013: 1.267 per cent).

13. Net investment in leased assets

	2014 $'000	**2013 $'000**
Finance lease – gross investment	1,608,046	1,627,809
Less: unearned finance charges	(904,882)	(1,093,717)
	703,164	**534,092**
Gross investment in leased assets has the following maturity profile:		
Within one year	238,442	205,094
One to five years	1,014,771	872,946
Over five years	354,833	549,769
	1,608,046	**1,627,809**
Net investment in leased assets has the following maturity profile:		
Within one year	43,598	14,647
One to five years	465,206	235,987
Over five years	194,360	283,458
	703,164	**534,092**
Current	43,598	14,647
Non-current	659,566	519,445
	703,164	**534,092**

In December 2010, NGC completed its acquisition of the 58.8 mile 24-inch-diameter offshore subsea pipeline and related facilities. BG/Chevron Texaco has entered into a Gas Transportation Agreement (GTA) with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85 per cent of the pipeline capacity. BG as operator will operate and maintain the pipeline and related facilities for an initial term of four years.

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

14. Deferred tax

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

	2014	2013
Deferred tax asset:	**$'000**	**$'000**
Asset retirement obligation	398,531	337,738
Post-retirement medical and group life and pension obligation	278,631	215,757
Finance lease – Dolphin pipeline	–	21,037
Property, plant and equipment (net of valuation allowance)	2,490	3,010
Accrued interest expense	30,883	31,447
Other	21,707	23,569
	732,242	**632,558**
Deferred tax liability:		
Finance lease – Dolphin pipeline	62,488	–
Property, plant and equipment	4,270,908	4,056,352
	4,333,396	**4,056,352**
Movement in net deferred tax balance		
Balance at 1 January	3,423,793	1,433,941
Tax charge recognised in profit or loss	323,391	203,123
Tax charge recognised in other comprehensive income	(62,877)	77,044
Fair value measurement of net assets acquired:		
- in profit or loss	(67,361)	501,784
- in other comprehensive income	–	112,470
Initial recognition of goodwill	–	438,631
Initial recognition and charge on acquisition of subsidiary	–	527,224
Foreign exchange translation	(15,792)	129,576
Balance as at 31 December	**3,601,154**	**3,423,793**

15. Deferred expenses

	2014	2013
	$'000	**$'000**
Take-or-pay (Note 15 (a))	261,242	259,215
Capacity rights (Note 15 (b))	70,708	94,663
Other	–	7,247
	331,950	**361,125**
Current	200,122	19,774
Non-current	131,828	341,351
	331,950	**361,125**

(a) **Take-or-pay**

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

15. Deferred expenses (continued)

(b) **Capacity rights**

The Group has acquired reserved capacity rights in a 36-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 security agreements, two of the subsidiary companies are required to maintain a debt reserve fund. These debt reserve funds are held in interest bearing accounts.

One of the subsidiaries of the Group has an escrow account with a financial institution and is required to maintain a balance on the account equivalent to the next two loan installments at all times. The loan was fully repaid in November 2014. A deed of release is being prepared by First Citizens Bank Limited (FCB) which will result in the closure of the escrow account.

17. Cash and cash equivalents

	2014 $'000	2013 $'000
Cash at banks	8,028,970	7,590,825

(a) Cash at banks earns interest at floating rates based on daily deposit rates. The fair value of cash is $8.0 billion (2013: $7.6 billion).

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

	2014 $'000	2013 $'000
Cash at banks	8,028,970	7,590,825

18. Short-term investments

	2014 $'000	2013 $'000
Short-term investments	2,777,442	2,972,766

(a) Short-term investments are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates. The fair value of cash and short-term deposits is $10,806.4 million (2013: $10,563.6 million).

(b) The Group holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT$1,099.7 million (US$171.0 million) as at 31 December 2014 which have matured and were not repaid.

18. Short-term investments (continued)

(c) CIB experienced financial and liquidity issues. On 31 January 2009, the Central Bank of Trinidad and Tobago (CBTT) under Section 44D of the Central Bank Act Chapter 79:02 assumed control of CIB. The Central Bank of Trinidad and Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates and the related accrued interest were fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December 2014.

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

19. Accounts receivable

	2014 $'000	2013 $'000
Trade receivable	3,667,762	3,783,468

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

As at 31 December 2014, trade receivables impaired and fully provided for totaled $99.1 million (2013: $53.3 million).

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

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2014	3,462	49,879	53,341
Charge for year	–	46,763	46,763
Reversal of prior year impairment	(43)	(950)	(993)
At 31 December 2014	**3,419**	**95,692**	**99,111**
At 1 January 2013	3,269	60,570	63,839
Charge for year	193	16,730	16,923
Reversal of prior year	–	(27,421)	(27,421)
At 31 December 2013	**3,462**	**49,879**	**53,341**

20. Sundry debtors and prepayments

	2014 $'000	2013 $'000
Sundry debtors and prepayments comprise the following:		
Prepayments	133,544	273,804
Staff related balances	30,513	5,711
Related party balances	70,081	17,086
Due from the GORTT – billed	190,125	425,979
Due from the GORTT – not yet billed	8,058	30,607
Value Added Tax	135,351	110,151
Interest receivable	39,849	71,111
Accrued income	54,179	43,346
Restricted funds	–	2,166
Impairment charge – Liquid Fuel pipeline	(138,372)	–
Other	147,919	156,181
	671,247	**1,136,142**

21. Inventories

	2014 $'000	2013 $'000
LNG	–	3,087
Consumable spares	147,313	144,240
TSP spares	6,763	6,847
NGLs	129,752	73,167
Stock of crude oil	18,904	7,346
Other	2,058	947
Allowance for slow moving and obsolete stock	(3,651)	(3,698)
	301,139	**231,936**

22. Share capital

Authorised
An unlimited number of ordinary shares of no par value

Issued and fully paid

	2014 $'000	2013 $'000
1,855,266,340 ordinary shares of no par value	**1,855,266**	**1,855,266**

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 per cent of the issued stated capital of NGC.

24. Other reserves

	2014 $'000	2013 $'000
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax	1,203,968	1,243,503
Unrealised gain on available-for-sale financial assets	1,373,181	1,361,179
Foreign currency translation	189,595	470,854
	2,766,744	**3,075,536**

25. Borrowings

	2014 $'000	2013 $'000
US $400M 30-year bond (Note 25 (a))	2,124,157	2,150,122
RBTT Trust (Trinidad and Tobago) Limited (Note 25 (b))	3,439	10,333
CALYON Bank Limited (Note 25 (c))	542,635	629,943
First Citizens Bank Limited (Note 25 (d))	–	9,500
Bank of New York (Note 25 (e))	482,343	613,214
	3,152,574	3,413,112
Current portion	(216,281)	(221,684)
Non-current portion	**2,936,293**	**3,191,428**

(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 per cent of its shareholder loans to ALNG IV 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 per cent commencing in July 2006. The fair value of the bond was $2,769.6 million (US$435.6 million) at 31 December 2014 (2013: TT$2,683.3 million/US$416.8 million).

(b) This loan relates to a bond issued on 2 May 2005 for TT$62 million to finance the construction of the fabrication yard and La Brea dock expansion. The Trustee is RBC Trust (Trinidad and Tobago) Limited.

Both interest and principal are to be paid to First Caribbean International Banking and Financial Corporation Limited who was assigned as the Paying Agent of the Bond.

This Bond is guaranteed by the following:
- The National Gas Company of Trinidad and Tobago Limited (NGC) – an amount of $51.5 million.
- The Petroleum Company of Trinidad and Tobago Limited (PETROTRIN) – an amount of $10.5 million.

25. Borrowings (continued)

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

On 18 September 2007, (the conversion date) construction advances of US$200 million were converted into a 15-year, long-term loan. The principal is repayable in 30 consecutive semi-annual instalments which commenced on 1 June 2006 and matures on 1 December 2021. 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 per cent p.a.	0.500 per cent p.a.
Post-conversion	Range of 1.625 per cent to 2.500 per cent p.a.	Range of 0.625 per cent to 1.500 per cent p.a.

As at 31 December 2014, all drawdowns are Euro dollar rate advances. The Group has entered into an interest rate hedge with Credit Agricole Bank effective 1 December 2005 for 15 years, for 50 per cent of the financing (US$100 million) at a fixed rate of interest of 4.98 per cent per annum plus the margin noted above.

The impact of this hedge in 2014 was an increase in interest expense in the amount of TT$15.2 million (2013: TT$16.8 million). The fair value of the loan at 31 December 2014 is TT$575.9 million (2013: TT$669.1 million).

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

(d) The Group in pursuit of its capital expansion programme obtained a loan from First Citizens Bank Limited on the 17 May 2004 of $67.9 million. The loan provides for two equal semi-annual payments of interest only, followed by 18 semi-annual payments of principal and interest. The interest rate is fixed at 6.20 per cent per annum. The loan is secured by the following:

(i) Collateral chattel mortgage over two tugboats – *NEC Empress* & *NEC Majestic* with carrying amounts totaling $35.9 million (2013: $37.8 million).

(ii) Marine hull, machinery risk and protection and indemnity insurance over the two tugboats.

(iii) Deed of assignment and notice of assignment of the proceeds of a pier usage contract.

(iv) Deed of charge over deposit account in the name of National Energy Corporation of Trinidad and Tobago Limited to service loan facility. The loan was fully repaid in November 2014. A Deed of Release is being prepared by First Citizens Bank Limited which will result in the removal of the lien on the assets.

25. Borrowings (continued)

(e) The Group has three long-term bonds and two are due April 2017 and April 2020.

Long-term senior bonds due April 2020
The long-term senior bonds maturing in April 2020 were issued in four series at a fixed interest rate of 5.95 per cent for Series A, Series B and Series C with the Series D notes being issued at 5.48 per cent. The notes were consolidated in January 2007 with the issue of Series E at a fixed interest rate of 5.76 per cent. Quarterly principal and interest payments commenced in July 2006. As security to the noteholders, the Group has secured this debt on certain assets as disclosed below.

Long-term senior bonds due April 2017
The long-term senior bonds maturing in April 2017 were issued in a single draw on 1 May, 2007, at a fixed interest rate of 5.28 per cent. Interest and principal are quarterly and commenced in July 2007 and January 2009 respectively. As security to the noteholders, the Group has secured this debt on certain assets as disclosed below.

Security to lenders
Under the term of the loan agreements, security in favour of the lenders as stipulated in the Note Purchase Agreement dated 21 June 2006, the Note Purchase Agreement dated 1 May 2007 and Financial Institution Loan Agreement and Promissory Note dated 22 May 1998 which rank *pari passu* includes the following:

(i) A debenture giving the senior lenders first fixed and floating charges on all PPGPL's assets.
(ii) A deed of mortgage in favour of the senior lenders over the project site and over the benefits of right of ways and easements.
(iii) Assignment to the senior lenders of the PPGPL's right under marketing and other agreements.
(iv) Payments of dividends are restricted by the terms of the financing agreement.

	2014 $'000	2013 $'000
Maturity profile of borrowings		
In one year or less	198,092	221,684
In more than one year but not more than two years	177,892	200,542
In more than two years but not more than three years	171,082	180,130
In more than three years but not more than four years	165,143	173,235
In more than four years but not more than five years	173,848	167,220
In more than five years	2,266,517	2,470,301
	3,152,574	**3,413,112**

26. Deferred income

	2014 $'000	2013 $'000
Gas sales (Note 26 (a))	37,541	218,150
Non-refundable capital contribution (Note 26 (b))	52,142	44,530
Capital grant (Note 26 (c))	51,963	53,103
Transportation tariff (Note 26 (d))	68,323	61,405
Pier user charges (Note 26 (e))	17,134	16,810
Other	6,808	554
	233,911	**394,552**
Current	68,412	209,088
Non-current	165,499	185,464
	233,911	**394,552**

Notes

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

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

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

(d) This amount comprises shippers reserve capacity which is billed one month in advance.

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

27. Provisions

	Asset retirement obligation $'000	Environmental obligation $'000	Onerous contract $'000	Total $'000
Year ended 31 December 2014				
Balance as at 1 January 2014	735,674	6,446	314,151	1,056,271
Increase/(decrease) in provision	126,358	(2,520)	(70,957)	52,881
Foreign currency translation	(10,058)	–	(3,603)	(13,661)
Balance as at 31 December 2014	**851,974**	**3,926**	**239,591**	**1,095,491**
Current portion	–	3,926	–	3,926
Non-current portion	851,974	–	239,591	1,091,565
	851,974	**3,926**	**239,591**	**1,095,491**

27. Provisions (continued)

	Asset retirement obligation $'000	Environmental obligation $'000	Onerous contract $'000	Total $'000
Year ended 31 December 2013				
Balance as at 1 January 2013	667,031	8,991	125,343	801,365
Increase/(decrease) in provision	(196,902)	(2,545)	187,019	(12,428)
Increase in provision due to asset acquisition	260,293	–	–	260,293
Foreign currency translation	5,252	–	1,789	7,041
Balance as at 31 December 2013	**735,674**	**6,446**	**314,151**	**1,056,271**
Current portion	–	3,000	–	3,000
Non-current portion	735,674	3,446	314,151	1,053,271
	735,674	**6,446**	**314,151**	**1,056,271**

(a) **Asset retirement obligation**
The Group has recorded provisions for the net present value of the estimated cost of decommissioning the offshore plant and equipment and the TSP platforms and SECC assets based on studies conducted.

(b) **Environmental obligation**
The Group has committed to the reforestation of land areas equivalent to those cleared for pipeline construction and right of way extension.

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

The contract provides for 18 months' notice to be given if either party wants to terminate the contract. The Group has provided for the net unavoidable costs expected to be incurred during the 18-month contractual notice period.

28. Post-retirement medical and group life obligation

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

	2014	2013
	%	%
Medical cost inflation	5.75	5.75
Discount rate	5.00	5.00
Salary increases	6.00	6.00

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2013 and 2014 are as follows:

Life expectancy at age 60 for current pensioner in years:

Male	21.1	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 are as follows:

	2014	2013
	$'000	$'000
Current service cost	8,322	6,374
Net interest on net defined benefit liability	6,664	5,278
Net benefit cost	**14,986**	**11,652**
Remeasurement recognised in other comprehensive income		
Experience losses	44,984	17,295
Total amount recognised in other comprehensive income	**44,984**	**17,295**

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:

	2014 $'000	2013 $'000
Present value of defined benefit obligation	192,511	134,163
Foreign exchange translation	(5)	962
Net defined benefit liability	**192,506**	**135,125**

Reconciliation of opening and closing statement of financial position:

	2014 $'000	2013 $'000
Opening defined benefit liability	135,125	106,115
Net pension cost	14,986	11,652
Remeasurement recognised in other comprehensive income	44,984	17,295
Company contributions paid	(1,622)	(899)
Foreign exchange translation	(967)	962
Closing defined benefit obligation	**192,506**	**135,125**

Movement in present value of defined benefit obligation:

	2014 $'000	2013 $'000
Defined benefit obligation at start of year	135,125	106,115
Current service cost	8,322	6,374
Interest cost	6,664	5,278
Remeasurements:		
Experience adjustments	44,984	17,295
Company's premiums paid	(1,622)	(899)
Foreign exchange translation	(967)	962
Defined benefit obligation at end of year	**192,506**	**135,125**

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

Movement in fair value of plan assets/asset allocation:

The Plan has no assets.

Funding

Post-retirement group life

The Group insures the group life benefits for retirees with an external insurer and pays the premiums as they fall due. The Group expects to pay $0.4 million in 2015.

Post-retirement medical

The Group insures the medical benefits for retirees with an external insurer. Retirees meet approximately 10 per cent of the total premiums due and the Group meets the remaining 90 per cent. The Group expects to pay $2 million in retiree medical premiums in 2015.

29. Pension obligation

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

	2014	**2013**
	%	**%**
Discount rate	5.0	5.0
General salary increases	4.0	4.0
Salary increases due to age, merit and promotion	2.0	2.0

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2013 and 2014 are as follows:

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

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

	2014	**2013**
	$'000	**$'000**
Current service cost	53,945	54,118
Net interest on net defined benefit liability	22,348	12,919
Past service cost	–	10,503
Administration expenses	1,038	1,041
Net benefit cost	**77,331**	**78,581**
Remeasurement recognised in other comprehensive income:		
Experience losses	103,856	167,662
Total amount recognised in other comprehensive income	**103,856**	**167,662**

29. Pension obligation (continued)

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

	2014 $'000	2013 $'000
Present value of defined benefit obligation	1,249,975	1,098,184
Fair value of plan assets	(646,389)	(618,192)
Deficit	603,586	479,992
Foreign exchange translation	1	1,328
Net defined benefit liability	**603,587**	**481,320**
Reconciliation of opening and closing statement of financial position entries:		
Opening defined benefit liability	481,320	290,207
Net pension cost	77,331	78,581
Remeasurement recognised in other comprehensive income	103,856	167,662
Company contributions paid	(57,593)	(57,796)
Foreign exchange translation	(1,327)	2,666
Closing defined benefit obligation	**603,587**	**481,320**
Movement in present value of defined benefit obligation:		
Defined benefit obligation at start of year	1,098,184	822,317
Current service cost	53,945	54,118
Interest cost	53,518	40,522
Members contribution	10,318	10,370
Addition voluntary contributions	25	25
Past service cost	–	10,503
Remeasurements:		
Experience adjustments	90,352	184,392
Benefits paid	(56,367)	(24,063)
Defined benefit obligation at end of year	**1,249,975**	**1,098,184**

29. Pension obligation (continued)

Movement in fair value of plan assets/asset allocation:

	2014 $'000	2013 $'000
Fair value of plan assets at start of year	618,192	530,772
Interest income	31,170	27,603
Return on plan assets excluding interest income	(13,504)	16,730
Company contributions	57,593	57,796
Members contributions	10,318	10,370
Additional voluntary contributions	25	25
Benefits paid	(56,367)	(24,063)
Expenses	(1,038)	(1,041)
Fair value of plan assets at end of year	**646,389**	**618,192**
Asset allocation:		
Locally listed equities	121,707	106,774
Overseas equities	84,506	81,169
Government issued bonds	205,264	208,597
Corporate bonds	180,849	159,013
Mutual funds	10,210	10,028
Cash and cash equivalents	37,324	45,829
Annuities	6,529	6,782
Fair value of plan assets at end of year	**646,389**	**618,192**

All asset values as at 31 December 2014 were provided by the plan's investment managers (Republic Bank Limited and First Citizens Investment Services Limited). Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The investment managers calculate the fair value of the government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the plan's government bonds were issued by the Government of the Republic of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the plan.

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

Funding

The Group meets the balance of the cost of funding the defined benefit pension plan and the Group must pay contributions at least equal to twice those paid by members, which are fixed. The funding requirements are based on regular (at least every three 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 $58.9 million to the pension plan during 2015.

29. Pension obligation (continued)

Funding

Some of the Group employees are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. This is a defined benefit pension plan that provides pensions related to employees' length of service and basic earnings at retirement. The Plan's financial funding position is assessed by means of triennial actuarial valuations which was completed in 2013 and carried out by an independent actuary.

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

30. Take-or-pay liability

Take-or-pay liabilities are expected to be settled within one year after 31 December 2014.

31. Trade payables

	2014 $'000	2013 $'000
Trade payables are settled on 30-day terms	**2,920,793**	**3,242,625**

32. Sundry payables and accruals

	2014 $'000	2013 $'000
Accrued interest – Board of Inland Revenue	8,523	24,197
Accrued interest – other	85,086	84,182
Accrued material/service amounts	1,333,153	1,293,047
Contract provisions	127,614	47,248
Employee related accruals	98,226	122,797
Other	–	4,561
	1,652,602	**1,576,032**

Terms and conditions of the above financial liabilities:

Interest payable is normally settled in accordance with the terms and conditions of the respective loan. (Note 25)

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

33. Sales and cost of sales

	2014 $'000	2013 $'000
Sales include the following:		
Gas sales	15,813,386	13,125,822
Natural gasoline	2,206,251	2,735,653
Natural gas liquid sale	2,116,019	2,322,020
Condensate sales	36,038	543,632
Transportation tariffs income	265,998	361,475
Compression charges income	72,992	66,038
Crude oil income	1,195,873	1,420,915
Rental Income	30,305	22,750
LNG sales	1,468,924	1,478,152
Marine facilities and services income	307,532	296,726
	23,513,318	**22,373,183**
Cost of sales includes the following:		
Gas purchases	11,664,133	12,462,520
Feedstock purchases	2,045,198	1,327,253
Depreciation	437,303	314,489
Impairment – offshore plant and equipment	–	1,407
Other operating cost	232,253	244,685
Production taxes including supplemental petroleum taxes	169,682	124,035
Maintenance cost	242,366	173,038
Staff cost (Note 36)	69,345	52,700
Royalties	54,157	64,969
Exploration and production costs	192,095	81,713
	15,106,532	**14,846,809**

34. Other operating income

	2014 $'000	2013 $'000
Lease income	18,973	19,005
Interest income – Dolphin lease	212,878	188,981
Operating and maintenance fees income – Dolphin pipeline and other	127,538	105,630
Project management fees income – GORTT	9,034	5,611
Amortisation of non-refundable capital contribution	6,690	7,056
Other income	18,214	20,967
	393,327	**347,250**

35. Interest, investment and other income

	2014 $'000	2013 $'000
Investment income	82,392	76,461
Interest income – related party income	52,716	47,662
Net gain on financial asset through profit and loss (Note 11)	102,741	89,047
Fair value gain on T&TEC loan (Note 12 (a)) and other receivable	42,314	65,837
Net gain on disposal of equities	6,083	–
Dividend income – AFS investments	345,785	342,445
Interest and investment income	**632,031**	**621,452**
Net decrease in provision for asset retirement obligation	–	196,902
LNG production payments	315,242	296,333
Other income	**315,242**	**493,235**
	947,273	**1,114,687**

36. Expenses

	2014 $'000	2013 $'000
Administrative, maintenance and general expenses include the following:		
Staff costs (see below)*	364,164	382,377
Penalty interest – Board of Inland Revenue	664	–
Voluntary early retirement plan	–	20,891
Depreciation, depletion and amortisation	516,107	150,117
Allowance for irrecoverable receivables	46,891	22,174
Increase in provision for onerous contract	239,591	185,057
Operations and maintenance – Dolphin pipeline	122,131	91,382
Proceeds received from insurance claim	(404,669)	–
Material, service and contract labour	128,224	58,785
Professional fees	108,335	77,234
Other	22,165	512,645
	1,143,603	**1,500,662**
Staff costs:		
Wages and salaries	338,775	337,626
National insurance	9,298	7,880
Pension and post-retirement medical and group life	85,436	89,571
	433,509	**435,077**
Staff costs included within:		
Cost of sales (Note 33)	69,345	52,700
Administrative and general expenses*	364,164	382,377
	433,509	**435,077**

* Comprises staff costs and voluntary early retirement plan.

37. Impairment expense

	2014 $'000	2013 $'000
Impairment of investments	4,329	–
Impairment on other receivables	134,747	–
Investment properties (Note 7)	(2,986)	8,670
Property, plant and equipment (Note 5)	426,323	1,505
	562,413	**10,175**

38. Finance costs

	2014 $'000	2013 $'000
Interest	325,473	224,393
Decommissioning – unwinding of discount rate	25,185	–
Take or pay interest	7,154	(13,120)
	357,812	**211,273**

39. Taxation

	2014 $'000	2013 $'000
Corporation tax	2,356,508	1,767,784
Petroleum profit tax	449,993	780,160
Business levy	5	–
Green fund levy	24,108	27,876
	2,830,614	2,572,820
Deferred tax expense	271,775	623,408
	3,102,389	**3,199,228**

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

	2014 $'000	2013 $'000
Profit for the year before taxation	7,581,201	9,713,129
Tax at the rate of 35%	2,653,420	3,399,594
Tax exempt income	(239,897)	(253,443)
Non-deductible expenses	152,268	306,257
Permanent differences	(134)	(189)
Other differences	32,925	(179,000)
Prior years' tax	436,180	(58,513)
Business levy	5	–
Green fund	24,108	24,876
Increase in valuation allowance	(68,447)	(2,669)
Tax effect of subsidiaries at different rate	(124,585)	(194,726)
Tax losses utilised	388	(218)
Effect of oil and gas assets taxed at a different rate	142,700	166,409
Foreign exchange translation	93,458	(9,150)
Income tax expense	**3,102,389**	**3,199,228**

40. Cash generated from operations

	2014 $'000	2013 $'000
Profit for the year before taxation	7,581,201	9,713,129
Adjustments to reconcile profit for the year before taxation with net cash from operating activities:		
Depreciation	666,463	900,081
Impairment of property, plant and equipment	423,337	10,175
Amortisation of capital assets and licences	133,320	–
Impairment of other receivables	134,747	–
Impairment of investment in TTHLLC	4,329	–
Increase/(decrease) in decommissioning cost	18,006	(190,209)
Loss on disposal of property, plant and equipment	(2,541)	(337)
Increase in deferred income	(153,421)	(147,307)
Decrease/(increase) in deferred expenses	17,478	(49,442)
Post-retirement costs	79,166	(80,244)
(Decrease)/increase in onerous contract provision	(70,961)	187,019
Decrease in environmental obligation	(2,452)	(2,595)
Dividend income	(369,444)	(342,445)
Fair value gain on remeasurement of investment	–	(1,263,086)
Gain on disposal of other financial assets	(6,084)	–
Gain on asset acquisition	–	(1,247,835)
Amortisation of deferred expenses	–	2,069
Amortisation of deferred income	(3,884)	(3,717)
Finance costs	357,812	211,273
Interest expense	57	–
Interest income on finance lease	(212,876)	(188,983)
Interest and investment income	(261,793)	(283,702)
Operating profit before working capital changes	8,332,460	7,223,844
Working capital changes:		
Decrease in accounts receivable and sundry debtors	521,168	1,964,953
Increase in inventories	(72,389)	(428,547)
Decrease in trade creditors, sundry creditors and accruals	(428,828)	(881,579)
Cash generated from operations	**8,352,411**	**7,878,671**

41. Subsidiaries

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

Name of company	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power by the Group 2014	2013
Subsidiaries				
National Energy Corporation of Trinidad and Tobago Limited	Management of certain marine infrastructural facilities at the port of Point Lisas and the promotion and development of the Union Industrial Estate at La Brea	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, finance, construct, operate and maintain a 56-inch-diameter Cross Island Pipeline (CIP) from Beachfield on the south-east coast of Trinidad to Point Fortin on the south-west coast of Trinidad	Trinidad and Tobago	100%	100%
Trinidad and Tobago LNG Limited	Shareholding in a liquefied natural gas plant in Trinidad and in the processing and sale of Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs) in partnership with others	Trinidad and Tobago	100%	100%
La Brea Industrial Development Company Limited	Promotion and development of an industrial estate and marine infrastructure facilities at La Brea	Trinidad and Tobago	81.00%	83.43%

41. Subsidiaries (continued)

(a) The Group's subsidiaries **(continued):**

Name of company	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power by the Group 2014	2013
Subsidiaries				
Trinidad and Tobago NGL Limited (effective 13 September 2013)	An investment holding company with a 39% effective ownership interest in Phoenix Park Gas Processors Limited (PPGPL)	Trinidad and Tobago	100%	100%
Trinidad & Tobago Holdings LLC (from 16 August 2013) (Formerly ConocoPhillips Trinidad and Tobago Holdings Inc.)	An investment holding company which held a 39% effective ownership interest in PPGPL, which was transferred to Trinidad and Tobago NGL Limited effective 24 March 2014.	United States of America	100%	100%
NGC Trinidad and Tobago LNG Company Limited	Shareholding in a liquefied natural gas plant in Trinidad in partnership with others	Trinidad and Tobago	62.16%	62.16%
NGC NGL Company Limited	An investment holding company which holds a 51% investment in PPGPL.	Trinidad and Tobago	80%	80%
NGC CNG Company Limited	Construct, operate and maintain compressed natural gas service stations throughout Trinidad and Tobago	Trinidad and Tobago	100%	100%

41. Subsidiaries (continued)

(a) The Group's subsidiaries **(continued):**

Name of company	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power by the Group 2014	2013
Subsidiaries				
NGC E&P (Barbados) Limited (effective 26 September 2013)	Provide for certain material needs and services for its member (NGC E&P Netherlands Coöperatief U.A)	Barbados	100%	100%
NGC E&P Investments (Barbados) Limited (effective 26 September 2013)	Provide for certain material needs and services for its investee (NGC E&P Netherlands Coöperatief U.A)	Barbados	100%	100%
Sub-Subsidiaries				
Phoenix Park Gas Processors Limited company status changed to subsidiary due to the acquisition of Trinidad and Tobago Holdings LLC in August 2013	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	79.80%	79.80%
NGC E&P Netherlands Coöperatief U.A	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	100%

41. Subsidiaries (continued)

(a) The Group's subsidiaries **(continued):**

Name of company	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power by the Group	
			2014	2013
Sub-Subsidiaries				
NGC E&P (Netherlands) B.V. (formally ELF Exploration Trinidad B.V) (effective 26 September 2013)	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	100%
NGC E&P Investments (Netherlands) B.V. (formally TOTAL E&P Trinidad B.V.) (effective 26 September 2013)	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	100%

41. Subsidiaries (continued)

(b) Wholly owned subsidiaries

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries 2014	2013
NGL and LNG Sales	Trinidad and Tobago	1	1
Natural gas purchase, sale, transmission and distribution	Trinidad and Tobago	1	1
Construction, operation and maintenance of compressed natural gas service stations	Trinidad and Tobago	1	1
Port infrastructure and development	Trinidad and Tobago	1	1
Exploration, development and production of oil and gas	Netherlands	2	2
Intermediate holding companies	Trinidad and Tobago	1	1
	Barbados	2	2
	Netherlands	1	1
	United States of America	1	1
		11	11

(c) Non-wholly owned subsidiaries

Principal activity	Place of incorporation and operation	Number of non-wholly-owned subsidiaries 2014	2013
NGL and LNG Sales	Trinidad and Tobago	3	3
Port infrastructure and development	Trinidad and Tobago	1	1
		4	4

41. Subsidiaries (continued)

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

Name of Company	Place of incorporation and operation	Proportion of shareholding and voting rights held by non-controlling interest		Profit allocated to non-controlling interests		Accumulated non-controlling interest	
		2014	2013	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Phoenix Park Gas Processors Limited	Trinidad and Tobago	10%*	10%*	106,388	129,986	194,950	196,365
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	37.84%	37.84%	72,269	58,676	103,636	107,639
NGC NGL Company Limited	Trinidad and Tobago	20%	20%	109,002	133,374	319,784	354,691
Fair value adjustment to non-controlling interest in PPGPL						385,653	398,163
Individually immaterial subsidiaries with non-controlling interests						33,976	6,308
Total						**1,037,999**	**1,063,166**

*NGC currently holds a 79.8 per cent shareholding in PPGPL. The non-controlling interest consists of Pan West Engineers and Constructors Inc. (10 per cent) and National Enterprises Limited (NEL) (10.2 per cent). The NEL portion of the non-controlling interest is represented within the NGC NGL Company Limited balances shown in the table above.

An investment consortium comprising The National Insurance Board of Trinidad and Tobago (NIBTT), National Enterprises Limited, and The Trinidad and Tobago Unit Trust Corporation (UTC) have acquired 100 per cent of the equity of Pan West Engineers & Constructors, LLC (Pan West) for a total of US$ 168 million. Pan West is a wholly-owned subsidiary of General Electric Capital Corporation (GE) and the holder of a 10 per cent equity interest in Phoenix Park Gas Processors Limited (PPGPL).

41. Subsidiaries (continued)

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

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

Phoenix Park Gas Processors Limited

	2014 $'000	2013 $'000
Summary statement of financial position		
Current assets	1,297,280	1,656,195
Non-current assets	2,017,431	2,083,202
Current liabilities	(484,054)	(760,116)
Non-current liabilities	(881,155)	(1,015,628)
Equity attributable to owners of PPGPL	1,754,553	1,767,288
Non-controlling interest of PPGPL	194,950	196,365
Summary statement of profit or loss and other comprehensive income		
Revenue	4,449,430	5,188,600
Expenses	(3,385,546)	(3,888,737)
Profit for the year	**1,063,884**	**1,299,863**
Profit attributable to owners of PPGPL	957,496	1,169,877
Profit attributable to the non-controlling interest	106,388	129,986
Profit for the year	**1,063,884**	**1,299,863**
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	957,496	1,169,877
Total comprehensive income attributable to the non-controlling interest	106,388	129,986
Total comprehensive income for the year	**1,063,884**	**1,299,863**
Dividends paid to non-controlling interest	**104,915**	**74,043**
Summary statement of cash flows		
Net cash used in operating activities	(8,224)	(58,388)
Net cash used in investing activities	(94,204)	(71,103)
Net cash used in financing activities	(74,620)	(158,861)
Net cash outflows	**(177,048)**	**(288,352)**

41. Subsidiaries (continued)

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

	2014 $'000	2013 $'000
NGC NGL Company Limited (NGC NGL)		
Summary statement of financial position		
Current assets	604,773	835,081
Non-current assets	994,247	1,001,463
Current liabilities	(98)	(63,089)
Equity attributable to owners of NGC NGL	1,279,138	1,418,764
Non-controlling interest	319,784	354,691
Summary statement of profit or loss and other comprehensive income		
Revenue	545,499	665,435
Other (expenses)/income	(489)	1,433
Profit for the year	545,010	666,868
Profit attributable to owners of NGC NGL	436,008	533,494
Profit attributable to the non-controlling interest	109,002	133,374
Profit for the year	**545,010**	**666,868**
Other comprehensive income attributable to owners of NGC NGL	(21,697)	10,415
Other comprehensive income attributable to the non-controlling interest	(5,424)	2,604
Other comprehensive income for the year	**(27,121)**	**13,019**
Total comprehensive income attributable to owners of NGC NGL	414,311	543,910
Total comprehensive income attributable to the non-controlling interest	103,578	135,977
Total comprehensive income for the year	**517,889**	**679,887**
Dividends paid to non-controlling interest	138,484	123,031
Summary statement of cash flows		
Net cash generated (used in)/from operating activities	(63,023)	65,386
Net cash generated from investing activities	570,656	720,615
Net cash used in financing activities	(692,422)	(615,154)
Net cash (outflow)/inflow	**(184,789)**	**170,847**

41. Subsidiaries (continued)

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

	2014 $'000	2013 $'000
NGC Trinidad and Tobago LNG Limited (NGT)		
Summary statement of financial position		
Current assets	118,906	128,004
Non-current assets	155,052	157,003
Current liabilities	(78)	(549)
Equity attributable to owners of NGT	170,244	176,819
Non-controlling interest	103,636	107,639
Summary statement of profit or loss and other comprehensive income		
Revenue	192,090	156,117
Expenses	(1,105)	(1,054)
Profit for the year	**190,985**	**155,063**
Profit attributable to owners of NGT	118,716	96,387
Profit attributable to the non-controlling interest	72,269	58,676
Profit for the year	**190,985**	**155,063**
Other comprehensive income attributable to owners of NGT	(3,270)	1,144
Other comprehensive income attributable to the non-controlling interest	(1,991)	696
Other comprehensive (loss)/income for the year	**(5,261)**	**1,840**
Total comprehensive income attributable to owners of NGT	115,446	97,531
Total comprehensive income attributable to the non-controlling interest	70,278	59,372
Total comprehensive income for the year	**185,724**	**156,903**
Dividends paid to non-controlling interest	74,281	54,337
Summary statement of cash flows		
Net cash generated (used in)/from operating activities	(1,251)	1,263
Net cash generated from investing activities	191,770	154,173
Net cash used in financing activities	(196,302)	(143,598)
Net cash (outflow)/inflow	**(5,783)**	**11,838**

41. Subsidiaries (continued)

(e) Acquisitions

Name of company	Principal activity	Date of acquistion	Place of incorporation and operation	Proportion of voting equity interest acquired %	Consideration transferred $'000
Trinidad and Tobago Holdings LLC.	NGL and LNG Sales	16 August 2013	Trinidad and Tobago	100%	3,863,100

Effective 16 August 2013, ConocoPhillips Trinidad and Tobago Holdings Inc. was purchased by NGC, and its name subsequently changed to Trinidad and Tobago Holdings LLC, a limited liability company. Its registered office is located at 2711 Centerville Road, Suite 400, in the City of Wilmington, Country of New Castle, 19808, USA. It is principally engaged in holding a 39 per cent investment in PPGPL. As a consequence, PPGPL became a subsidiary of NGC during the year. Refer to Note 8 for further details.

Net cash outflow on acquisition of subsidiaries and capital assets and licences

	2014 $'000	2013 $'000
Consideration paid in cash	–	7,362,635
Less: Cash and cash equivalent balances acquired	–	(2,614,117)
	–	**4,748,518**

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.

42. Associates

	Place of incorporation and operation	Proportion of ownership interest and voting powers held by the Group 2014	2013
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 by NGC

For income years 1993 to 1994 and 1999, the Group has objected to certain adjustments of TT$126.7 million by the Board of Inland Revenue (BIR) to NGC's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the financial statements for any additional tax liabilities, penalties or interest.

Claims made by PPGPL

The BIR has issued additional assessments for years of income 1997, 1999 to 2008 in respect of claims for capital allowances and resultant additional taxes totaling TT$259.7 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).

This payment is currently classified as 'sundry debtors and prepayments' in the statement of financial position.

Claims made by National Energy

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

(b) **Litigation matters**

The Group is involved in legal proceedings arising in the normal course of business. Management believes that, based on the advice of legal counsel, the outcome of these proceedings will not have any adverse material effects on the Group's consolidated financial statements. However based on legal counsel advice management has made adequate provisions for legal proceedings.

(c) **Customs bonds**

The Group has contingent liabilities in respect of customs bonds amounting to $1.1 million (2013: $0.8 million).

44. Contingent asset

The Group has submitted a claim to its insurers in respect of amounts incurred in relation to a mechanical failure which occurred during construction of one of the Group's pipelines which occurred in 2010. There is uncertainty regarding the quantum and timing of recovery however discussions are currently ongoing with the insurers. During the year, a sum of $404.7 million was received from insurers in full settlement of the claim made and has been recorded in the financial statements as a credit in administrative, maintenance and general expenses where expenses incurred relating to the claim were previously recorded.

45. Guarantees

The Group has provided the following guarantees as at 31 December 2014:

(i) Bank guarantee for an amount of $51.5 million in respect of a loan obtained by La Brea Industrial Development Company Limited. The loan balance is $3.4 million at 31 December 2014.

(ii) 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 Group. The loan also restricts the ability of the subsidiary to declare dividends. The loan balance is $542.6 million (US$85.3 million) at 31 December 2014, $629.9 million (US$97.8 million) at 31 December 2013.

46. Capital commitments

	2014 $'000	2013 $'000
Approved and contracted capital expenditure	**703,283**	**322,566**

47. Operating lease commitments

(i) Group as a lessee

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

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

	2014 $'000	2013 $'000
Within one year	38,034	91,331
One to five years	48,023	142,494
More than five years	67,718	74,004
	153,775	**307,829**

47. Operating lease commitments (continued)

(ii) Group as a lessor

The Group entered into commercial land leases on its investment properties portfolio, consisting of land and infrastructure. These leases have terms of between one year and 30 years.

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

	2014 $'000	2013 $'000
Within one year	28,273	17,217
One to five years	47,108	43,611
More than five years	167,366	172,458
	242,747	**233,286**

48. Commitment contracts

Purchases

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

In prior years, the Group committed to purchase additional volumes of natural gas for several new projects that have not materialised as forecasted. For 2014, the Group had no take-or-pay liability.

Sales

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

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

48. Commitment contracts (continued)

Royalty gas

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

Effective October 2012, the Group has agreed to purchase the royalty gas from the Ministry of Energy and Energy Affairs. The terms and conditions of the purchase have not been finalised.

49. Related party transactions

The Group is wholly-owned by the GORTT. In the ordinary course of its business, the Group enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include T&TEC, Petrotrin, First Citizens Bank Limited, Trinidad Generation Unlimited, Alutrint Limited and Alutech Limited.

Outstanding balances at the year end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2014, the Group has not made any additional allowance for doubtful debts relating to amounts owed by related parties. At 31 December 2014, the Group has an allowance for doubtful debts relating to amounts owed by related parties of $22.4 million (2013: $42.7 million). An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The following table provides the total amount of material transactions, which have been entered into with related parties as at or for the years ended 31 December.

		Income from related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Trinidad Nitrogen Company Ltd	2014	**1,214,986**	**–**	**153,254**	**–**
	2013	**1,392,593**	**–**	**205,230**	**–**

Compensation of key management personnel:

	2014 $'000	2013 $'000
Short-term employee benefits	46,201	37,992
Post-employment benefit	5,477	5,388
	51,678	**43,380**

50. Financial instruments

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

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

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

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

(b) **Categories of financial instruments**

	2014 $'000	**2013 $'000**
Financial assets:		
Financial assets at fair value through profit or loss	332,041	232,623
Available-for-sale financial assets through other comprehensive income:		
Other financial assets	3,110,860	3,420,114
Financial assets at amortised cost:		
– **Held to maturity**		
Other financial assets	256,331	277,636
– **Loans and receivables**		
Loans receivable	1,473,120	1,745,193
Other financial assets	4,473	3,887
Debt reserve funds	231,321	290,146
Cash and cash equivalents	8,028,970	7,590,825
Short-term investments	2,777,442	2,972,766
Accounts receivable	3,667,762	3,783,468
Sundry debtors and prepayments	402,353	752,187
	16,585,441	**17,138,472**
Total financial assets	**20,284,673**	**21,068,845**
Non-financial assets	**24,049,797**	**24,059,196**
Total assets	**44,334,470**	**45,128,041**

50. Financial instruments (continued)

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

	2014 $'000	2013 $'000
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	3,152,574	3,413,112
Take-or-pay liability	72,337	356,918
Trade payables	2,920,793	3,242,625
Sundry payables and accruals	1,652,602	1,576,032
Dividends payable	181,359	187,877
Total financial liabilities	**7,979,665**	**8,776,564**
Non-financial liabilities	**6,536,540**	**6,553,937**
Shareholder's equity	**29,818,265**	**29,797,540**
Total liabilities	**44,334,470**	**45,128,041**

(c) **Credit risk**

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

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

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

As stated in Note 12 (a), a loan agreement was executed with T&TEC in 2011 for the capitalisation of 2005 to 2009 outstanding trade balances. The Group is working with T&TEC and the GORTT to formulate the terms and conditions for the sale of gas and to put measures in place to ensure that T&TEC continues to service the loan as well as its monthly gas purchases.

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

50. Financial instruments (continued)

(c) **Credit risk (continued)**

The following table shows the Group's maximum exposure to credit risk.

	Gross maximum exposure 2014 ($'000)	Gross maximum exposure 2013 ($'000)
On statement of financial position		
Loans receivable	1,473,120	1,745,193
Financial assets at fair value through profit or loss	332,041	232,623
Other financial assets	3,371,664	3,701,637
Debt reserve funds	231,321	290,146
Cash and cash equivalents	8,028,970	7,590,825
Short-term investments	2,777,442	2,972,766
Accounts receivable	3,667,762	3,783,468
Sundry debtors and prepayments	402,353	752,187
	20,284,673	**21,068,845**
Not included in the statement of financial position		
Credit commitments	703,283	322,566
	703,283	**322,566**
Total credit risk exposure	**20,987,956**	**21,391,411**

50. Financial instruments (continued)

(c) **Credit risk (continued)**

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

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

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 December 2014				
Gross amounts	18,746,388	1,538,285	151,403	20,436,076
Impaired amounts	–	–	(151,403)	(151,403)
Net amounts	18,746,388	1,538,285	–	20,284,673
As at 31 December 2013				
Gross amounts	19,904,019	1,164,856	30,869	21,099,744
Impaired amounts	–	–	(30,869)	(30,869)
Net amounts	**19,904,019**	**1,164,856**	**–**	**21,068,875**

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 December 2014				
Loans receivable	1,473,120	–	74,223	1,547,343
Financial assets at fair value through profit or loss	332,041	–	–	332,041
Other financial assets				
- Held to maturity	256,331	–	–	256,331
- Available-for-sale	3,110,860	–	–	3,110,860
- Other financial assets	4,473	–	–	4,473
	3,371,664	–	–	3,371,664
Debt reserve funds	231,321	–	–	231,321
Cash and cash equivalents	8,028,970	–	–	8,028,970
Short-term investments	2,777,442	–	–	2,777,442
Accounts receivable	2,129,477	1,538,285	77,180	3,744,942
Sundry debtors and prepayments	402,353	–	–	402,353
	18,746,388	**1,538,285**	**151,403**	**20,436,076**

50. Financial instruments (continued)

(c) **Credit risk (continued)**

	Neither past due nor impaired ($'000)	Past due but not impaired ($'000)	Impaired ($'000)	Total ($'000)
As at 31 December 2013				
Loans receivable	1,745,193	–	–	1,745,193
Financial assets at fair value through profit or loss	232,623	–	–	232,623
Other financial assets				
- Held to maturity	277,636	–	–	277,636
- Available-for-sale	3,420,144	–	–	3,420,144
- Other financial assets	3,887	–	–	3,887
	5,679,483	–	–	5,679,483
Debt reserve funds	290,146	–	–	290,146
Cash and cash equivalents	7,590,825	–	–	7,590,825
Short-term investments	2,972,766	–	–	2,972,766
Accounts receivable	2,618,612	1,164,856	30,869	3,814,337
Sundry debtors and prepayments	752,187	–	–	752,187
	19,904,019	**1,164,856**	**30,869**	**21,099,744**

Aging analysis of past due but not impaired financial assets:

As at 31 December 2014	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Accounts receivable	**86,144**	**343,865**	**1,108,276**	**-**	**1,538,285**

As at 31 December 2013	≤ 3 months $'000	3-12 months $'000	1-5 months $'000	≥ 5 years $'000	Total $'000
Accounts receivable	**194,288**	**188,465**	**782,103**	**-**	**1,164,856**

No financial assets have been renegotiated for 2014 and 2013.

(d) **Liquidity risk**

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

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

50. Financial instruments (continued)
(d) **Liquidity risk (continued)**

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2014						
Borrowings	–	37,471	381,712	1,613,070	5,043,101	7,075,354
Take-or-pay liability	–	–	–	72,337	–	72,337
Trade and other payables	131	4,447,606	125,658	–	–	4,573,395
Dividends payable	–	–	181,359	–	–	181,359
	131	**4,485,077**	**688,729**	**1,685,407**	**5,043,101**	**11,902,445**

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2013						
Borrowings	–	128,007	344,606	1,633,646	6,094,279	8,200,538
Take-or-pay liability	–	–	–	356,918	–	356,918
Trade and other payables	–	4,765,780	52,342	535	–	4,818,657
Dividends payable	–	–	187,877	–	–	187,877
	-	**4,893,787**	**584,825**	**1,991,099**	**6,094,279**	**13,563,990**

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

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2014						
Guarantees	594,095	–	–	–	–	594,095
Capital commitments	–	681,312	21,971	–	–	703,283
Operating lease commitments	–	–	66,307	95,131	235,084	396,522
	594,095	**681,312**	**88,278**	**95,131**	**235,084**	**1,693,900**

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2013						
Guarantees	681,403	–	–	–	–	681,403
Capital commitments	–	322,566	–	–	–	322,566
Operating lease commitments	–	–	112,443	193,584	235,088	541,115
	681,403	**322,566**	**112,443**	**193,584**	**235,088**	**1,545,084**

50. Financial instruments (continued)

(d) **Liquidity risk (continued)**

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

As at 31 December 2014	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Loans receivable	–	–	318,665	651,781	502,674	1,473,120
Financial assets at fair value through profit or loss	332,041	–	–	–	–	332,041
Other financial assets						
- Held to maturity	256,331	–	–	–	–	256,331
- Available-for-sale	3,110,860	–	–	–	–	3,110,860
- Other financial assets	4,473	–	–	–	–	4,473
Debt reserve funds	231,321	–	–	–	–	231,321
Cash and cash equivalents	8,028,970	–	–	–	–	8,028,970
Short-term investments	–	–	2,777,442	–	–	2,777,442
Accounts receivable	2,206,657	86,145	343,864	1,108,295	(77,199)	3,667,762
Sundry debtors	15,641	(1,095)	272,226	107,899	7,682	402,353
	14,186,294	**85,050**	**3,712,197**	**1,867,975**	**433,157**	**20,284,673**

As at 31 December 2013	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Loans receivable	–	–	296,205	911,372	537,616	1,745,193
Financial assets at fair value through profit or loss	232,623	–	–	–	–	232,623
Other financial assets						
- Held to maturity	277,636	–	–	–	–	277,636
- Available-for-sale	3,420,144	–	–	–	–	3,420,144
- Other financial assets	3,887	–	–	–	–	3,887
Debt reserve funds	290,146	–	–	–	–	290,146
Cash and cash equivalents	7,590,825	–	–	–	–	7,590,825
Short-term investments	–	–	2,972,766	–	–	2,972,766
Accounts receivable	2,649,481	170,698	212,055	751,234	–	3,783,468
Sundry debtors	28,420	1,135	61,261	256,106	405,265	752,187
	14,493,162	**171,833**	**3,542,287**	**1,918,712**	**942,881**	**21,068,875**

50. Financial instruments (continued)

(e) **Market risk**

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

(i) **Interest rate risk**

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rates. The Group has used derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations whereby the Group agrees to exchange at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon national principal amount.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowing). There is minimal impact on the Group's equity.

	Increase/ (decrease) in basis points	Effect on profit before tax $'000
Borrowings		
2014	+50	**2,713**
	−50	**(2,713)**
2013	+50	**3,150**
	−50	**(3,150)**

	Increase/ (decrease) in basis points	Effect on profit before tax $'000
Loans receivable		
2014	+50	**2,655**
	−50	**(2,655)**
2013	+50	**2,732**
	−50	**(2,732)**

50. Financial instruments (continued)

(e) **Market risk (continued)**

(i) **Interest rate risk (continued)**

The table below summarises the Group's exposures to interest rate risk. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Non-interest bearing $'000	Total $'000
As at 31 December 2014							
Assets							
Loans receivable	–	–	318,665	651,781	502,674	–	1,473,120
Financial assets at fair value through profit or loss	–	–	–	–	–	332,041	332,041
Other financial assets	488,984	1,022	1,838	54,863	198,608	2,626,349	3,371,664
Cash and cash equivalents	–	–	–	–	–	8,028,970	8,028,970
Short-term investments	–	–	2,777,442	–	–	–	2,777,442
Debt reserve funds	–	–	–	–	–	231,321	231,321
Accounts receivable	–	–	–	–	–	3,667,762	3,667,762
Sundry debtors	–	–	–	–	–	402,353	402,353
	488,984	**1,022**	**3,097,945**	**706,644**	**701,282**	**15,288,796**	**20,284,673**
Liabilities							
Borrowings	–	–	198,092	687,964	2,266,518	–	3,152,574
Take-or-pay liability	–	–	–	72,337	–	–	72,337
Trade and other payables	–	–	–	–	–	4,573,395	4,573,395
Dividends payable	–	–	–	–	–	181,359	181,359
	–	**–**	**198,092**	**760,301**	**2,266,518**	**4,754,754**	**7,979,665**
Interest sensitivity gap	**488,984**	**1,022**	**2,899,853**	**(53,657)**	**(1,565,236)**	**10,534,042**	**12,305,008**

50. Financial instruments (continued)

(e) **Market risk (continued)**

(i) **Interest rate risk (continued)**

	On demand $'000	≤3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Non-interest bearing $'000	Total $'000
As at 31 December 2013							
Assets							
Loans receivable	–	–	296,205	911,372	537,616	–	1,745,193
Financial assets at fair value through profit or loss	–	–	–	–	–	232,623	232,623
Other financial assets	175,590	782	1,616	74,131	201,107	3,248,411	3,701,637
Debt reserve funds	–	–	–	–	–	290,146	290,146
Cash and cash equivalents	–	–	–	–	–	7,590,825	7,590,825
Short-term investments	–	–	2,972,766	–	–	–	2,972,766
Accounts receivable	–	–	–	–	–	3,783,468	3,783,468
Sundry debtors and prepayments	–	–	–	–	–	752,187	752,187
	175,590	**782**	**3,270,587**	**985,503**	**738,723**	**15,897,660**	**21,068,845**
Liabilities							
Borrowings	–	–	221,684	721,127	2,470,301	–	3,413,112
Take-or-pay liability	–	–	–	356,918	–	–	356,918
Trade and other payables	–	–	–	–	–	4,818,657	4,818,657
Dividends payable	–	–	–	–	–	187,877	187,877
	–	**–**	**221,684**	**1,078,045**	**2,470,301**	**5,006,534**	**8,776,564**
Interest sensitivity gap	**175,590**	**782**	**3,048,903**	**(92,542)**	**(1,731,578)**	**10,891,126**	**12,292,281**

(ii) **Foreign currency risk**

The Group has no significant exposure to foreign currency risk as it holds adequate resources denominated in both US dollars and TT dollars to meet its obligations.

50. Financial instruments (continued)

(e) **Market risk (continued)**

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

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

As at 31 December 2014	**TT $'000**	**US $'000**	**Other $'000**	**Total $'000**
Assets				
Loans receivable	–	1,473,120	–	1,473,120
Financial assets at fair value through profit or loss	–	332,041	–	332,041
Other financial assets	260,804	3,110,860	–	3,371,664
Debt reserve funds	4,978	226,343	–	231,321
Cash and cash equivalents	154,487	7,874,433	50	8,028,970
Short-term investments	–	2,777,442	–	2,777,442
Accounts receivable	133,282	3,534,457	23	3,667,762
Sundry debtors and prepayments	529,316	141,931	–	671,247
	1,082,867	**19,470,627**	**73**	**20,553,567**
Liabilities				
Borrowings	3,439	3,149,135	–	3,152,574
Take-or-pay liability	–	72,337	–	72,337
Trade and other payables	329,595	4,205,670	2,130	4,537,395
Dividends payable	175,000	6,359	–	181,359
	508,034	**7,433,501**	**2,130**	**7,943,665**
Net position	**574,833**	**12,037,126**	**(2,057)**	**12,609,902**
Not included in the statement of financial position				
Guarantees	**–**	**594,095**	**–**	**594,095**
Credit commitments	**103,732**	**596,530**	**3,021**	**703,283**
Operating lease commitments	**153,775**	**242,747**	**–**	**396,522**

50. Financial instruments (continued)

(e) **Market risk (continued)**

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

As at 31 December 2013	**TT $'000**	**US $'000**	**Other $'000**	**Total $'000**
Assets				
Loans receivable	–	1,745,193	–	1,745,193
Financial assets at fair value through profit or loss	–	232,623	–	232,623
Other financial assets	267,726	3,420,114	13,797	3,701,637
Debt reserve funds	9,956	280,190	–	290,146
Cash and cash equivalents	475,550	7,115,224	51	7,590,825
Short-term investments	–	2,972,766	–	2,972,766
Accounts receivable	363,677	3,419,712	79	3,783,468
Sundry debtors and prepayments	1,001,467	134,675	–	1,136,142
	2,118,376	**19,320,497**	**13,927**	**21,452,800**
Liabilities				
Borrowings	–	3,393,279	–	3,393,279
Take-or-pay liability	–	356,918	–	356,918
Trade and other payables	390,217	4,428,029	411	4,818,657
Dividends payable	175,000	12,877	–	187,877
	565,217	**8,191,103**	**411**	**8,756,731**
Net position	**1,553,159**	**11,129,394**	**13,516**	**12,696,069**
Not included in the statement of financial position				
Guarantees	**–**	**681,403**	**–**	**681,403**
Credit commitments	**191,026**	**126,002**	**5,538**	**322,566**
Operating lease commitments	**307,829**	**233,286**	**–**	**541,115**

(iii) **Other price risk**

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

The following table demonstrates the sensitivity to a reasonably possible change in the price of these equity instruments, with all other variables held constant, of the Group's equity. There is no impact to the Group's profit before tax.

50. Financial instruments (continued)

(e) **Market risk (continued)**

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

	Increase/(decrease) in equity price	Effect on equity $'000
2014	10%	**282,157**
	(10%)	**(282,157)**
2013	10%	**307,651**
	(10%)	**(307,651)**

(f) **Commodity price risk**

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

(g) **Capital management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. It also manages its capital to ensure that the Group will be able to continue as a going concern. The Group's overall strategy remains unchanged from 2013.

The capital structure of the Group consists of share capital, reserves and retained earnings. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure the Group may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objectives, policies or process during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio which is debt divided by equity plus debt. The Group's policy is to keep the gearing ratio between 25 per cent and 30 per cent. The Group includes within debt interest bearing loans and borrowing. Capital includes share capital, reserves and retained earnings.

	2014 $'000	2013 $'000
Debt	3,152,574	3,413,112
Equity	28,780,266	28,734,374
Debt plus equity	**31,932,840**	**32,147,486**
Gearing ratio	**9.8%**	**10.6%**

50. Financial instruments (continued)

(h) **Fair Values (continued)**

(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 2014 the fair values of listed available-for-sale investments and held for trading shares and bonds were based on quoted market prices and therefore included in the Level 1 hierarchy.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. At 31 December 2014 the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy

Level 3

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

(ii) Fair values of the Group's financial assets that are measured at fair value. The Group's financial liabilities are measured at amortised cost.

	Level 1 $'000	Level 2 $'000	Level 3 $'000
As at 31 December 2014			
Available-for-sale financial assets	**2,771,529**	**339,331**	**–**
Financial assets at fair value through profit or loss	**332,041**	**–**	**–**

	Level 1 $'000	Level 2 $'000	Level 3 $'000
As at 31 December 2013			
Available-for-sale financial assets	**3,076,513**	**343,601**	**-**
Financial assets at fair value through profit or loss	**232,623**	**–**	**–**

50. Financial instruments (continued)

(h) **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

Long-term financial assets and liabilities

The fair values of the Group's long-term receivables and borrowings with fixed interest rates are:

	2014		2013	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Long-term receivables				
Trinidad and Tobago Electricity Commission	942,183	942,183	1,207,577	1,207,577
Atlantic LNG 4 Company of Trinidad and Tobago Limited	358,866	358,866	363,381	363,381
Atlantic LNG Company of Trinidad and Tobago Unlimited	172,071	172,071	174,235	174,235
Borrowings				
US$400M 30-year bond	2,769,635	2,124,157	2,683,260	2,150,122
RBTT Trust (Trinidad and Tobago) Limited	3,439	3,439	10,338	10,333
Credite Agricole Bank	575,890	542,635	669,140	629,943
First Citizens Bank Limited	-	-	9,486	9,500
Bank of New York	522,395	482,343	654,596	613,214
Take-or-pay liability	72,337	72,337	356,918	356,918

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2014				
Loans receivable	1,473,120	–	–	1,473,120
Take-or-pay liability	-	–	72,337	72,337
Borrowings	3,152,574	–	–	3,152,574
	4,625,694	**-**	**72,337**	**4,698,031**
At 31 December 2013				
Loans receivable	1,745,193	–	–	1,745,193
Take-or-pay liability	-	–	356,918	356,918
Borrowings	3,413,112	–	–	3,413,112
	5,158,305	**-**	**356,918**	**5,515,223**

50. Financial instruments (continued)

(h) **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.

(i) **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 remeasured 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 Credite Agricole Bank effective 1 December 2005 for 15 years for US$100 million, whereby it receives a fixed rate of interest of 4.98 per cent and pays a variable rate equal to LIBOR + 1.625 per cent on the notional amount. The impact of this hedge in 2014 was an increase in interest expense in the amount of $15.2 million (2013: $16.8 million). The secured loan and interest rate swap have the same terms.

51. Dividends

	2014 $'000	**2013 $'000**
Dividends declared during the year:		
Dividends for 2012	–	1,300,000
Dividends for 2013	350,000	2,250,000
Dividends for 2014	3,449,455	–
	3,799,455	3,550,000
Dividends attributable to non-controlling interest:		
Dividends for 2014	317,681	251,411
Total dividends	**4,117,136**	**3,801,411**

52. Events after the reporting period

The Group is currently evaluating both upstream and downstream gas-related investment opportunities. These investments will present the Group with an attractive opportunity to diversify its asset base, and become a more prominent player in the natural gas value chain. In addition, the Group's brand as a global player in the gas industry will be enhanced.

All proposed investment opportunities are subject to approval by NGC's shareholder, the Government of the Republic of Trinidad and Tobago.

During 2015, the Group's management is currently planning to divest part of the shareholdings in Trinidad and Tobago NGL Limited on the Trinidad and Tobago Stock Exchange, although no date has yet been publicised for this initial public offering.

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO
UNCONSOLIDATED FINANCIAL STATEMENTS

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Statement of Management's Responsibilities

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

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

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

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

President

8 June 2015

Vice President –
Finance and Information
Management Group
8 June 2015

Deloitte.

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Independent auditors' report to the shareholder of
The National Gas Company of Trinidad and Tobago Limited

Report on the unconsolidated financial statements

We have audited the accompanying unconsolidated financial statements of The National Gas Company of Trinidad and Tobago Limited, which comprises the unconsolidated statement of financial position as at 31 December 2014, and the unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in equity and unconsolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the unconsolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of The National Gas Company of Trinidad and Tobago Limited as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with IFRS.

Deloitte & Touche
Port of Spain
Trinidad
8 June 2015

Deloitte & Touche

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Unconsolidated Statement of Financial Position

As at 31 December 2014 *(Expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'000
Assets			
Non-current assets			
Property, plant and equipment	5	8,964,595	8,728,008
Intangible assets	6	1,566	2,746
Investments in subsidiaries	7	7,385,200	8,577,209
Other financial assets	8	3,088,634	3,364,374
Financial assets at fair value through profit and loss	9	332,041	232,623
Loans receivable	10	1,682,853	2,057,123
Net investment in leased assets	11	659,566	519,445
Deferred tax asset	35	525,250	481,812
Deferred expenses	12	131,828	336,303
Total non-current assets		22,771,533	24,299,643
Current assets			
Cash and cash equivalents	13	2,764,493	2,529,448
Short-term investments	14	2,453,248	2,639,315
Loans receivable	10	374,663	306,936
Net investment in leased assets	11	43,598	14,647
Accounts receivable	15	3,232,320	2,982,443
Sundry debtors and prepayments	16	995,408	1,414,876
Inventories	17	40,833	39,354
Deferred expenses	12	205,903	23,446
Income tax receivable		300,451	437,506
Total current assets		10,410,917	10,387,971
Total assets		**33,182,450**	**34,687,614**

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Unconsolidated Statement of Financial Position (continued)

As at 31 December 2014 *(Expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'000
Shareholder's equity and liabilities			
Shareholder's equity			
Share capital	18	1,855,266	1,855,266
Reserve fund	19	438,192	438,192
Other reserves	20	2,457,651	2,863,571
Retained earnings		18,249,052	19,013,290
Total shareholder's equity		23,000,161	24,170,319
Non-current liabilities			
Deferred tax liability	35	1,812,834	1,756,873
Borrowings	21	2,124,157	2,150,122
Deferred income	22	80,556	95,021
Provisions	23	726,995	792,978
Post-retirement medical and group life obligation	24	192,506	135,125
Pension obligation	25	603,587	481,320
Take-or-pay liabilities	26	72,337	356,918
Total non-current liabilities		5,612,972	5,768,357
Current liabilities			
Trade payables	27	2,666,745	2,891,109
Sundry payables and accruals	28	1,626,791	1,162,418
Deferred income	22	21,398	167,711
Environmental obligation	23	3,926	3,000
Dividend payable		175,000	175,000
Income tax payable		75,457	349,700
Total current liabilities		4,569,317	4,748,938
Total liabilities		10,182,289	10,517,295
Total equity and liabilities		**33,182,450**	**34,687,614**

The accompanying notes on pages 139 to 219 form an integral part of these financial statements.

The financial statements of The National Gas Company of Trinidad and Tobago Limited were authorised for issue by The Board of Directors on 8 June 2015.

Director
Roop Chan Chadeesingh

Director
Gordon Ramjattan

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Unconsolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2014 *(Expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'000
Sales	29	16,926,404	17,495,758
Cost of sales	29	(12,383,580)	(12,625,599)
Gross profit		4,542,824	4,870,159
Other operating income	30	421,390	378,132
Interest, investment and other income	31	2,177,917	2,196,444
Administrative and general expenses	32	(486,426)	(1,075,001)
Impairment	33	(1,508,351)	–
Other expenses		(157,294)	(48,242)
Finance costs	34	(318,793)	(147,638)
Profit on foreign exchange transactions		47,557	15,700
Profit before taxation		4,718,824	6,189,554
Income tax expense	35	(1,634,593)	(1,747,249)
Profit for the year after taxation		3,084,231	4,442,305
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of net defined benefit liability		(148,840)	(184,957)
Income tax relating to net defined benefit liability		62,877	77,044
Foreign currency translation differences		(380,973)	151,242
		(466,936)	43,329
Items that may be reclassified subsequently to profit or loss			
Net gain on available-for-sale financial assets		12,002	422,742
Other comprehensive (loss)/income for the year, net of tax		(454,934)	466,071
Total comprehensive income for the year		**2,629,297**	**4,908,376**

The accompanying notes on pages 139 to 219 form an integral part of these financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Unconsolidated Statement of Changes in Equity

For the Year Ended 31 December 2014 *(Expressed in Trinidad and Tobago dollars)*

	Notes	Share capital $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Year ended 31 December 2013						
Balance as at 1 January 2013		1,855,266	438,192	2,326,492	18,191,993	22,811,943
Profit for the year after taxation		-	-	-	4,442,305	4,442,305
Other comprehensive income for the year, net of taxation		-	-	573,984	(107,913)	466,071
Transfer of depreciation for offshore plant and equipment and pipelines to retained earnings		-	-	(36,905)	36,905	-
Dividends	46	-	-	-	(3,550,000)	(3,550,000)
Balance as at 31 December 2013		**1,855,266**	**438,192**	**2,863,571**	**19,013,290**	**24,170,319**
Year ended 31 December 2014						
Balance as at 1 January 2014		1,855,266	438,192	2,863,571	19,013,290	24,170,319
Profit for the year after taxation		-	-	-	3,084,231	3,084,231
Other comprehensive loss for the year, net of taxation		-	-	(368,971)	(85,963)	(454,934)
Transfer of depreciation for offshore plant and equipment and pipelines to retained earnings		-	-	(36,949)	36,949	-
Dividends	46	-	-	-	(3,799,455)	(3,799,455)
Balance as at 31 December 2014		**1,855,266**	**438,192**	**2,457,651**	**18,249,052**	**23,000,161**

The accompanying notes on pages 139 to 219 form an integral part of these financial statements.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Unconsolidated Statement of Cash Flows

For the Year Ended 31 December 2014 *(Expressed in Trinidad and Tobago dollars)*

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash generated from operations	36	4,553,052	3,890,985
Pension and other post-retirement contributions paid		(45,219)	(50,010)
Income taxes paid		(1,685,524)	(1,219,760)
Net cash generated from operating activities		2,822,309	2,621,215
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(1,026,809)	(215,567)
Proceeds on disposal of property, plant and equipment		722	540
Purchase of long-term investments		(46,281)	(8,612,834)
Proceeds from sale/redemption of investments		299,741	9,187
Net decrease in short-term deposits		153,920	913,317
Investment in subsidiary (NGC CNG Company Limited)		(6,006)	–
Proceeds from repayment of loan receivable		323,804	439,282
Dividends received		1,543,121	1,291,620
Interest received		205,214	372,741
Net cash generated from/(used in) investing activities		1,447,426	(5,801,714)
Cash flows from financing activities			
Interest paid		(158,128)	(160,047)
Dividends paid	46	(3,799,455)	(4,200,000)
Net cash used in financing activities		(3,957,583)	(4,360,047)
Net increase/(decrease) in cash and cash equivalents		312,152	(7,540,546)
Net foreign exchange difference		(77,107)	67,073
Cash and cash equivalents at beginning of year		2,529,448	10,002,921
Cash and cash equivalents at end of year	13	**2,764,493**	**2,529,448**

The accompanying notes on pages 139 to 219 form an integral part of these financial statements.

1. Corporate information

The National Gas Company of Trinidad and Tobago Limited (NGC) was incorporated in Trinidad and Tobago in August 1975 and continued in accordance with Section 340(1) of The Companies Act, 1995. It is principally engaged in the purchase, compression, transportation and distribution of natural gas to industrial users.

The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas.

The Company is owned by the Government of the Republic of Trinidad and Tobago (GORTT).

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

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

In the current year, the Company has applied a number of amendments to IFRS and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities'**

  The Company has applied the amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

  To qualify as an investment entity, a reporting entity is required to:
  - obtain funds from one or more investors for the purpose of providing them with investment management services;
  - commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
  - measure and evaluate performance of substantially all of its investments on a fair value basis.

  Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

  As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has no impact on the disclosures or the amounts recognised in the Company's financial statements.

- **Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities'**

  The Company has applied the amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right to set-off' and 'simultaneous realisation and settlement'.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

- **Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (continued)**

  The amendments have been applied retrospectively. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements. The Company has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognised in the Company's financial statements.

- **Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets'**

  The Company has applied the amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to instances where the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure requirements required by IFRS 13 'Fair Value Measurements'.

  The application of these amendments has no material impact on the disclosures in the Company's financial statements.

- **Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'**

  The Company has applied the amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

  As the Company does not have any derivatives that are subject to novation, the application of these amendments has no impact on the disclosures or on the amounts recognised in the Company's financial statements.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

- **IFRIC 21 'Levies'**

  The Company has applied the IFRIC 21 'Levies' for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in the future period.

  The application of this interpretation has no impact on the disclosures or on the amounts recognised in the Company's financial statements.

2.2 New and revised IFRS in issue but not yet effective

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

• IFRS 9	Financial instruments[5]
• IFRS 15	Revenue from Contracts with Customers[4]
• Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint Operations[3]
• Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
• Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
• Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[1]
• Amendments to IFRS	Annual Improvements to IFRS 2010-2012[2]
• Amendments to IFRS	Annual Improvements to IFRS 2011-2013[1]
• Amendments to IFRS 10 and IAS 28	Sale of Contribution of Assets between an Investor and its Associate or Joint Venture[3]
• Amendments to IFRS	Annual Improvements to IFRS 2012-2014[6]
• Amendments to IAS 1	Disclosure Initiative[3]
• Amendments to IAS 27	Equity Method in Separate Financial Statements[3]
• Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[3]

[1] Effective for annual periods beginning on or after 1 July, 2014, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 July, 2014, with limited exceptions. Earlier application is permitted.
[3] Effective for annual periods beginning on or after 1 January, 2016, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January, 2017, with earlier application permitted.
[5] Effective for annual periods beginning on or after 1 January, 2018, with earlier application permitted.
[6] Effective for annual periods beginning on or after 1 July, 2016, with earlier application permitted.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

- **IFRS 9 'Financial Instruments'**

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

  Key requirements of IFRS 9:

  – all recognised financial assets that are within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

  – in relation to the impairment of financial assets, IFRS 9 requires an expected loss model, as opposed to an incurred loss model under IAS 39. The expected loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

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

reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

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

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

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

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

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

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

- **IFRS 15 'Revenue from Contracts with Customers' (continued)**

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

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

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

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

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

  The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The management of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Company's financial statements.

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

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

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

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

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

- **Amendments to IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortisation' (continued)**

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

The management of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

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

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

The management of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have an impact on the Company's financial statements as the Company is not engaged in agricultural activities.

- **Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'**

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The management of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Company's financial statements.

- **Annual Improvements to IFRS 2010-2012**

The 'Annual Improvements to IFRS 2010-2012' include a number of amendments to various IFRS, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition'. The amendments to IFRS 2 are effective for share-based payments transaction for which the grant date is on or after 1 July 2014.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

- **Annual Improvements to IFRS 2010-2012 (continued)**

  The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

  The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

  The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

  The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for the accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

  The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

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

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

- **Annual Improvements to IFRS 2011-2013**

The 'Annual Improvements to IFRS 2011-2013' include a number of amendments to various IFRS, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a Company of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and
(b) the transaction meets the definition of a business combination under IFRS 3.

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

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

Amendments were made to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

(a) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations')
(b) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

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

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

- **Annual Improvements 2012–2014**

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

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

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

  IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

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

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

2. Application of new and revised International Financial Reporting Standards (IFRS) (continued)

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

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

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

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

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

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

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

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

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

(i) at cost; or
(ii) in accordance with IFRS 9 (or IAS 39); or
(iii) using the equity method.

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

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

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

3. Significant accounting policies (continued)

3.4 Foreign currencies

The functional currency of the Company is the United States dollar (US$) because the US$ is the currency of the primary economic environment in which the Company operates. The Company's statutory financial statements are required to be presented in Trinidad and Tobago dollars (TT$), therefore the presentation currency is the Trinidad & Tobago dollar (TT$). All statement of financial position amounts have been translated using exchange rates in effect at the reporting date and the statement of profit or loss and other comprehensive income amounts have been translated using average exchange rates for the year. Gains and losses resulting from this process have been recorded in translation reserve as a separate component of equity. The closing rate at the reporting date was 6.3585 (2013: 6.4385) and the average rate for the year was 6.3854 (2013: 6.4115).

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

3.5 Property, plant and equipment

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

The pipelines and related facilities were revalued at 31 December 2010. Effective 1 January 2011 these assets will be depreciated over their remaining useful lives varying from five to 60 years, but not exceeding 31 December 2070.

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

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

3. Significant accounting policies (continued)

3.2 **Basis of preparation (continued)**

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

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

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

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

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

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

After the disposal takes place, the Company accounts for any retained interest in the associate or joint venture in accordance with IAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Company uses the equity method (See the accounting policy regarding investments in associates or joint ventures above).

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

3. Significant accounting policies (continued)

3.4 **Foreign currencies**

The functional currency of the Company is the United States dollar (US$) because the US$ is the currency of the primary economic environment in which the Company operates. The Company's statutory financial statements are required to be presented in Trinidad and Tobago dollars (TT$), therefore the presentation currency is the Trinidad & Tobago dollar (TT$). All statement of financial position amounts have been translated using exchange rates in effect at the reporting date and the statement of profit or loss and other comprehensive income amounts have been translated using average exchange rates for the year. Gains and losses resulting from this process have been recorded in translation reserve as a separate component of equity. The closing rate at the reporting date was 6.3585 (2013: 6.4385) and the average rate for the year was 6.3854 (2013: 6.4115).

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

3.5 **Property, plant and equipment**

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

The pipelines and related facilities were revalued at 31 December 2010. Effective 1 January 2011 these assets will be depreciated over their remaining useful lives varying from five to 60 years, but not exceeding 31 December 2070.

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

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

3. Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

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 at original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

Freehold land is not depreciated.

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

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

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

Machinery and equipment	10% - 20%
Offshore assets	12.5% - 25%
Marine infrastructural assets	2.5%
Other assets	12.5% - 33.3%

Leasehold property is amortised as follows:

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

All costs relating to assets under construction will upon completion be transferred to their relevant fixed asset categories and are depreciated from that date.

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

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

3. Significant accounting policies (continued)

3.5 Property, plant and equipment (continued)

Oil and gas exploration, development and production assets

The Company accounts for its natural gas and crude oil exploration, development and production activities under the successful efforts method of accounting. Under this method only the cost of successful efforts are capitalised and costs associated with exploratory dry wells/holes are expensed.

The provision 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.

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.

3.6 Intangible assets

(a) **Intangible assets acquired separately**

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

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

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

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

(c) **Derecognition of intangible assets**

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

3. Significant accounting policies (continued)

3.7 Impairment of tangible and intangible assets other than goodwill

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

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

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

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

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

3.8 Taxation

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

(a) **Current tax**

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

3. Significant accounting policies (continued)

3.8 Taxation (continued)

(b) **Deferred tax**

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

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

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

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

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

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

3. Significant accounting policies (continued)

3.9 **Leases**

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

(a) **The Company as a lessor**

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

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

(b) **The Company as a lessee**

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

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

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

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

3.10 **Financial instruments**

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

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

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

(a) **Financial assets**

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

(b) **Effective interest rate method**

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

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

(c) **Financial assets at FVTPL**

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

A financial asset is classified as held for trading if:

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

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

(c) Financial assets at FVTPL (continued)

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'interest, investment and other income' line item. Fair value is determined in the manner described in Note 45.

(d) Held to maturity investments

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

(e) Available-for-sale financial assets

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

Listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value at the end of each reporting period (because management consider that fair value can be reliably measured).

Fair value is determined in the manner described in Note 45. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

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

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

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

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

(f) Loans and receivables

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

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

(g) Impairment of financial assets

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

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

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

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

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

3.10 Financial instruments (continued)

(h) Derecognition of financial assets

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.11 Financial liabilities and equity instruments

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

(a) Equity instruments

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

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

3. Significant accounting policies (continued)

3.11 Financial liabilities and equity instruments (continued)

(b) **Other financial liabilities**

Other financial liabilities (including long-term debt and trade and other payables) are subsequently measured at amortised cost using the effective interest rate method.

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

(c) **Derecognition of other financial liabilities**

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

3.12 Derivative financial instruments and hedging

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

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

3.13 Take-or-pay liability

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

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

3. Significant accounting policies (continued)

3.14 **Inventories**

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

Spares

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

3.15 **Cash and cash equivalents**

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

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

3.16 **Provisions**

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

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

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

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

3. Significant accounting policies (continued)

3.16 **Provisions (continued)**

(a) **Asset retirement obligation**

The Company has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment and its proportionate share of the Teak, Samaan and Poui (TSP) and South-East Coast Consortium (SECC) assets at the end of their useful lives. The related fixed assets are increased in an amount equivalent to the provision and subsequently depreciated as part of the capital costs of the plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset unless related to the time value of money. The unwinding of the discount on the provision is included in finance costs in the unconsolidated statement of profit or loss and other comprehensive income.

(b) **Onerous contracts**

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

The Company has recorded a provision for the net unavoidable costs relating to an onerous contract with a customer (Note 23(c)).

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

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

(a) **Defined benefit plan**

The Company maintains a defined benefit pension plan which covers all of its permanent employees effective 1 May 1977. The funds of the plan are held separately from the Company and are administered by Trustees. The plan is funded by payments from employees and the Company, taking into account the recommendations of independent qualified actuaries. A full valuation of the plan is made every three years. The last full valuation was done as at 31 December 2013 and was carried out in 2014. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities.

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

3. Significant accounting policies (continued)

3.17 Pension and other post-employment benefits (continued)

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

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

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

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

(b) **Defined contribution plan**

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

The plan covers all full-time permanent employees of the subsidiary and is funded by payments from employees and the subsidiary taking into account the recommendations of independent qualified actuaries. The subsidiary's contributions to the defined contribution plan are charged to profit or loss in the period to which the contributions relate. At the end of 2014 there was no liability outstanding.

3.18 Non-refundable capital contribution

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

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

3. Significant accounting policies (continued)

3.19 **Borrowing costs**

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

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

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

3.20 **Revenue recognition**

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

- Revenues associated with the sale of gas oil, and condensate are recognised when title and the related rights pass to the customer.
- Dividend income is recognised when dividends are declared by the investee company.
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.
- Management fees earned on government funded projects are accounted for on the accruals basis.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's significant accounting policies, which are described in Note 3, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

4.1 **Key sources of estimation uncertainty**

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

Impairment of non-financial assets

The Company 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.

Impairment of available-for-sale investments

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

Tax assessments

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the income tax and deferred tax provisions in the period in which such determinations are made.

Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, future salary increases mortality rates and future pension increases. Due to the long-term nature of these plans such estimates are subject to significant uncertainty.

Asset retirement obligation

The Company has recorded a provision for the estimated cost of decommissioning its offshore plant and equipment. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and expected cost to dismantle and remove the offshore plant and equipment.

Take-or-pay

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

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

4.1 Key sources of estimation uncertainty (continued)

Revaluation

The Company revalues its offshore and onshore pipelines and related facilities every five to seven years. The key considerations in arriving at the fair value include location, historic and replacement cost, effective age, indicative life, gas reserve life, inherent risks and other information from management. The functional condition and economic obsolescence of the assets are also taken into account. Based on these factors, it has been estimated that the onshore and offshore pipelines will have a maximum useful life, not extending beyond 31 December 2070.

Carrying value of oil and gas assets

Oil and gas properties are depreciated using the units-of-production (UOP) method over proved developed and undeveloped mineral reserves.

The calculation of the unit-of-production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecasted production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proved reserves;
- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues.

Useful lives of property, plant and equipment and investment property

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment policies above. These rates and the residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities.

Litigation matters

The Company is involved in legal proceedings arising in the normal course of business. Management believes that, based on the advice of legal counsel, the outcome of these proceedings will not have any adverse material effects on the Company's financial statements. However based on legal counsel advice management has made adequate provisions for legal proceedings.

5. Property, plant and equipment

	Freehold land $'000	Leasehold property $'000	Machinery and equipment $'000
Year ended 31 December 2014			
Opening net book value	21,125	148,742	13,849
Additions	2,382	25,695	5,421
Disposals	–	–	–
Depreciation charge for year	–	(2,931)	(5,121)
Impairment	–	–	–
Transfers	–	–	–
Adjustment	–	–	–
Foreign exchange difference	(267)	(2,612)	(179)
Closing net book value	**23,240**	**168,894**	**13,970**
At 31 December 2014			
Cost	23,240	234,253	132,867
Accumulated depreciation	–	(65,359)	(118,897)
Net book value	**23,240**	**168,894**	**13,970**
Year ended 31 December 2013			
Opening net book value	16,513	150,232	12,703
Additions	4,452	–	7,724
Disposals	–	–	–
Depreciation charge for year	–	(2,823)	(6,698)
Impairment	–	–	–
Transfers	–	–	–
Foreign exchange difference	160	1,333	120
Closing net book value	**21,125**	**148,742**	**13,849**
At 31 December 2013			
Cost	21,125	211,981	129,098
Accumulated depreciation	–	(63,239)	(115,249)
Net book value	**21,125**	**148,742**	**13,849**

THE NATIONAL GAS COMPANY
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Notes to the Unconsolidated Financial Statements
For the Year Ended 31 December 2014 *(Expressed in Trinidad and Tobago dollars)*

5. Property, plant and equipment (continued)

Pipeline and related faciiities $'000	Oil and gas assets $'000	Offshore plant and equipment $'000	Other assets $'000	Assets under construction $'000	Total $'000
7,501,168	325,163	–	20,983	696,978	8,728,008
77	174,072	12,100	6,692	799,593	1,026,032
–	(229)	–	(1,011)	–	(1,240)
(160,695)	(62,775)	–	(8,505)	–	(240,027)
–	(415,243)	(12,100)	–	–	(427,343)
47,663	–	–	–	(47,663)	–
–	9,716	–	–	(8,393)	1,323
(104,043)	(2,777)	–	(260)	(12,020)	(122,158)
7,284,170	**27,927**	**–**	**17,899**	**1,428,495**	**8,964,595**
7,862,050	930,872	489,732	86,558	1,428,495	11,188,067
(577,880)	(902,945)	(489,732)	(68,659)	–	(2,223,472)
7,284,170	**27,927**	**–**	**17,899**	**1,428,495**	**8,964,595**
6,348,916	304,375	–	21,368	1,799,004	8,653,111
–	66,574	1,405	9,258	122,696	212,109
–	–	–	(567)	–	(567)
(157,789)	(46,647)	–	(9,269)	–	(223,226)
–	–	(1,405)	–	–	(1,405)
1,253,898	–	–	–	(1,253,898)	–
56,143	861	–	193	29,176	87,986
7,501,168	**325,163**	**–**	**20,983**	**696,978**	**8,728,008**
7,924,834	759,408	483,692	86,411	696,978	10,313,527
(423,666)	(434,245)	(483,692)	(65,428)	–	(1,585,519)
7,501,168	**325,163**	**–**	**20,983**	**696,978**	**8,728,008**

5. Property, plant and equipment (continued)

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

The Company revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Company revalued its offshore plant and equipment at an amount of $139 million, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of $90.3 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December 2014.

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

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

The Company revalues its pipelines every five to seven years. The management approved an independent valuation performed by PricewaterhouseCoopers Limited at 31 December 2010, of the pipelines and related facilities owned by the Company.

The valuation was conducted using the depreciated replacement cost basis assuming the facilities will continue to be used for the purpose for which they were designed and intended. For valuation purposes the pipelines have been assessed to have a maximum useful life not extending beyond 31 December 2070. The estimated useful life is based on current and estimated future gas reserves as well as other factors.

The revaluation resulted in a net revaluation surplus of $1,298.3 million, which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of $62.6 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the statement of profit or loss and other comprehensive income. The 2010 revaluation surplus of $1,361.2 million reserve net of deferred taxes will be transferred to retained earnings on a basis consistent with the depreciation charged on the pipelines.

There have been no changes to conditions and assumptions since the last valuation that was performed as at 31 December 2010.

Details of the Company's pipeline and related facilities and information about the fair value hierarchy as at December 31, 2014 are as follows:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2014	-	7,284,170	-	7,284,170
At 31 December 2013	-	7,501,168	-	7,501,168

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

The net carrying amount of the pipelines, if it was carried at cost rather than at the revalued amount would have been $4,154.5 million as at 31 December 2014 (2013: $4,270.5 million).

5. Property, plant and equipment (continued)

(c) **Pipelines and related facilities**

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

(ii) As at 31 December 2014, the Company has recorded a provision of $37.5 million (2013: $38 million) for compensation payable to owners of land along the Rights of Way of the Company's pipelines.

(d) **Assets under construction**

Included under assets under construction are costs relating to the Phoenix Park Valve Station Upgrade and Beetham Waste Water Reuse Project. Costs incurred on these projects as at 31 December 2014 are $400.5 million and $718.3 million respectively. The estimated completion dates for these projects are the fourth and third quarter of 2015 respectively.

6. Intangible assets

	2014 $'000	2013 $'000
Year ended 31 December		
At 1 January – net book value	2,746	4,454
Additions at cost	777	3,458
Depreciation charge for year	(1,927)	(5,203)
Foreign exchange difference	(30)	37
At 31 December	**1,566**	**2,746**
At 31 December		
Cost	113,073	113,710
Accumulated depreciation	(111,507)	(110,964)
Net book value	**1,566**	**2,746**

7. Investments in subsidiaries

	2014 $'000	2013 $'000
NGC E&P (Barbados) Limited (Note 7(a))	36,913	37,378
NGC E&P Investments (Barbados) Limited (Note 7(a))	3,456,943	3,500,437
La Brea Industrial Development Company Limited (Note 7(b))	134,437	143,440
NGC Pipeline Company Limited	286,134	289,733
National Energy Corporation of Trinidad and Tobago Limited	274,844	278,302
NGC NGL Company Limited	184,656	186,979
Trinidad and Tobago Holdings LLC (Note 7(c))	–	3,863,100
Trinidad and Tobago NGL Limited (Note 7(d))	2,730,906	–
Trinidad and Tobago LNG Limited	178,019	180,259
NGC Trinidad and Tobago LNG Limited	96,368	97,581
NGC CNG Company Limited (Note 7(e))	5,980	–
Investments in subsidiaries	**7,385,200**	**8,577,209**

7. Investments in subsidiaries (continued)

(a) **NGC E&P Investments (Barbados) Limited and NGC E&P (Barbados) Limited**

On 26 September 2013, NGC acquired NGC E&P Investments (Barbados) Ltd. and NGC E&P (Barbados) Ltd. These two companies are 100 per cent owned by NGC.

Both NGC E&P Investments (Barbados) Ltd. and NGC E&P (Barbados) Ltd. own 99.99 per cent and 0.01 per cent respectively in NGC E&P Netherlands Coöperatief U.A. (NL).

NGC E&P Netherlands Coöperatief U.A. (NL), purchased the shares in TOTAL E&P Trinidad B.V. (TET B.V.) and Elf Exploration Trinidad B.V. (EET BV) at a cost of TT$3.500 billion (US$543.7 million) and TT$37 billion (US$5.8 million) respectively, with the economic date being 1 January 2012.

On acquisition of these companies, their names were changed from TOTAL E&P Trinidad B.V (TET B.V.) to NGC E&P Investments (Netherlands) B.V., and from Elf Exploration Trinidad B.V. to NGC E&P (Netherlands) B.V.

The main assets of the companies comprise 30 per cent and 8.5 per cent interests in oil and gas blocks, Block 2c and 3a, of the Greater Angostura Field held by NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V. respectively. These two Companies are 100 per cent owned by NGC E&P Netherlands Coöperatief U.A. (NL). The operator for these assets is BHP Billiton (Trinidad-2C) Limited. The acquisition of TOTAL E&P Trinidad B.V. and Elf Exploration Trinidad B.V. is in keeping with the Company's mandate to pursue both upstream and downstream investments.

(b) **La Brea Industrial Development Company Limited (LABIDCO)**

On 12 August 2014, the shareholders' decision to recapitalise LABIDCO with a new equity split of 81 per cent to NGC and 19 per cent to Petroleum Company of Trinidad and Tobago (Petrotrin) was approved. This recapitalisation which was agreed to in June 2007 is effected by the capitalisation of shareholder advances of $86.3 million and $24.6 million (inclusive of the equity contribution of $22.6 million for the land on which the fabrication yard is situated) by NGC and Petrotrin respectively.

(c) **Trinidad & Tobago Holdings LLC.**

On 27 February 2014, Trinidad & Tobago Holdings LLC. was liquidated and the 39 per cent interest in Phoenix Park Gas Processors Limited was transferred to Trinidad and Tobago NGL Limited in a 'Share for Share Exchange' at TT$3.9 billion (US$600 million).

(d) **Trinidad and Tobago NGL Limited**

Trinidad and Tobago NGL Limited was incorporated in Trinidad and Tobago on 13 September 2013, under the Companies Act 1995, with its registered office located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas.

The company is an investment holding company engaged in holding the ordinary B shares in Phoenix Park Gas Processors Limited (PPGPL), which represents a 39 per cent ownership in PPGPL. Trinidad and Tobago NGL Limited is a fully owned subsidiary of The National Gas Company of Trinidad and Tobago Limited.

7. Investments in subsidiaries (continued)

(d) **Trinidad and Tobago NGL Limited (continued)**

On 27 February 2014, management liquidated T&T Holdings LLC and transferred the 39 per cent interest in PPGPL to Trinidad and Tobago NGL Limited in a 'Share for Share Exchange' valued at TT$3.9 billion (US$600 million).

Globally crude oil prices fell sharply in the fourth quarter of 2014 as a result of a combination of robust world crude oil supply growth and weak global demand which has contributed to rising global inventories and thus falling prices. Consequently, management engaged an independent valuation expert to carry out a review of the recoverable amount of its 39 per cent shareholding investment in PPGPL. The review led to the recognition of an impairment loss of TT$1,084 billion (US$170.5 million). This impairment loss resulted in NGC's investment in Trinidad and Tobago NGL Limited being written down from TT$3.9 billion (US$600 million) to TT$2.7 billion (US$429.5 million).

Part of the shareholdings of Trinidad & Tobago NGL Limited will be divested on the local stock exchange. The timing and the percentage shareholding to be divested are to be decided.

(e) **NGC CNG Company Limited**

In June 2013, the Government of Trinidad and Tobago approved a proposal by the NGC to invest TT$500 million to convert 17,500 vehicles to use compressed natural gas (CNG) and to construct 22 stand-alone CNG stations to be built across Trinidad and Tobago.

This is the first phase of a two phase five-year plan to accelerate the local use of CNG as a major means of energy.

8. Other financial assets

	2014 $'000	2013 $'000
Held-to-maturity investments (Note 89a))	256,331	277,636
Available-for-sale financial assets (Note 8(b))	2,827,830	3,082,851
Other (Note 8(c))	4,473	3,887
	3,088,634	**3,364,374**

(a) **Held-to-maturity investments**

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

	2014 $'000	2013 $'000
Petrotrin bonds	37,717	42,679
Government of Trinidad and Tobago bonds	20,006	20,053
Government of Barbados bonds	–	13,797
Home Mortgage Bank Limited bonds	198,608	201,107
	256,331	**277,636**

8. Other financial assets (continued)

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

These are equity securities and bonds that the Company is holding for some purpose other than short term trading, that are held for an unspecified period. These investments comprise the following:

	2014 $'000	2013 $'000
First Citizens Bank Limited – shares	31,547	34,495
Petrotrin bonds	140,489	157,429
Corporate bonds/shares	901,065	1,108,915
Other listed shares	1,748,469	1,775,673
Shares – unlisted	6,260	6,339
	2,827,830	**3,082,851**

Other listed shares

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

Unlisted

For investments where there is no active market the fair value estimates cannot be reasonably assessed and as such these investments are measured at cost.

(c) **Other**

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

9. Financial assets at fair value through profit and loss

In 2006, the Company issued a $2,509 million (US$400 million) bond to be repaid via a bullet payment in January 2036. To meet 50 per cent of the liability, in 2008, the Company invested $225.7 million (US$35.5 million) in two single tranche credit linked notes at a cost of $112.8 million (US$17.8 million) each. During the first 10 years of the investment there is the risk in relation to loss of the principal. At the end of the 10-year period, the notes convert to a zero coupon bond and this risk no longer applies. The notes, upon maturity, will have a value of US$100 million each subject to any loss in value arising from credit events during the first 10 years of the investment.

The fair value of the credit linked investment as at 31 December 2014 was $332.1 million (US$52.2 million) (2013: $232.6 million (US$36.1 million)). The fair value gain/loss in respect of this investment is charged to the statement of profit or loss and other comprehensive income and presented within finance income or finance expense.

10. Loans receivable

	2014 $'000	2013 $'000
Trinidad and Tobago Electricity Commission (Note 10(a))	942,183	1,205,427
National Energy – Union Industrial Estate (Note 10(b))	286,374	284,653
National Energy – Warehousing facility (Note 10(c))	298,022	323,482
Trinidad and Tobago LNG Limited (Note 10(d))	358,866	376,262
Atlantic LNG Company of Trinidad and Tobago (Note 10(e))	172,071	174,235
	2,057,516	2,364,059
Less: current portion of loan	(374,663)	(306,936)
Long-term loans receivable	**1,682,853**	**2,057,123**

(a) **Trinidad and Tobago Electricity Commission (T&TEC)**
The Company has converted trade receivables of US$282.8 million for unpaid gas sales for the period July 2005 to September 2009 together with related interest of US$36.8 million to a medium-term loan receivable of US$319.7 million with an effective date of 1 December 2009. The respective loan agreement was executed on 9 March 2012. The loan is for a period of seven years with interest payable at a fixed rate of three per cent per annum with semi-annual instalments which commenced on 1 December 2011.

The impairment allowance on the loan has decreased by $43.6 million during 2014 to $74.2 million (US$11.7 million) at 31 December 2014. The impairment test was based on cash flows as per the terms of the medium-term loan, using the original effective interest rate of seven per cent.

The fair value of the long-term loan receivable was $942.2 million at 31 December 2014 (2013: $1,205.4 million).

(b) **National Energy – Union Industrial Estate**
Effective 31 December 2008, the Company disposed of the site development works on the Union Industrial Estate (UIE) to its subsidiary, National Energy Corporation of Trinidad and Tobago Limited (National Energy) for the sum of US$58.5 million. This amount has been set up as a loan with a tenure of 25 years, with interest payable at 3 per cent per annum. The principal is to be repaid in equal semi-annual instalments originally scheduled to commence 1 July 2009. Loan repayments have now been rescheduled to commence from 1 January 2015. Interest for 2010 and 2011 was capitalised with the loan.

(c) **National Energy – warehousing facility**
The National Gas Company of Trinidad and Tobago Limited (NGC) has granted a loan to National Energy to finance and construct a material storage and handling facility. With the discontinuation of the aluminium smelter during 2010, the facility will now provide general warehousing.

The loan is for US$65.8 million. The loan agreement which was executed on 23 June 2010 provides for National Energy to repay the principal over a period of not more than 15 years in equal semi-annual instalments at a rate of seven per cent.

10. Loans receivable (continued)

(c) **National Energy – warehousing facility (continued)**

On 23 August 2013, National Energy repaid the sum of $100 million (US$15.6 million) towards the principal loan balance of US$65.8 million. In 2014, a further $21.44 million (US$3.4 million) was paid towards the loan. The loan balance as at 31 December 2014 is US$46.9 million.

(d) **Trinidad and Tobago LNG Limited**

This amount represents advances from July 2002 to December 2006. Repayment terms have not been finalised. Principal repayments have not been made during 2014. The total paid in 2013 was $8.9 million.

This loan is unsecured and interest is payable based on the interest charged on Trinidad and Tobago LNG Limited's member's loan to Atlantic LNG 4 Company of Trinidad and Tobago Unlimited at a rate of LIBOR plus a margin which ranges from 1.125 per cent to 2.125 per cent per annum. The effective interest rate at the reporting date was 1.9251 per cent (2013: 1.9398 per cent). The fair value of this loan approximates its carrying value.

(e) **Atlantic LNG Company of Trinidad and Tobago Unlimited**

Atlantic LNG Company of Trinidad and Tobago Unlimited has secured financing in the amount of US$270.6 million. The National Gas Company of Trinidad and Tobago Limited (NGC) has provided financing of US$27.06 million which represents 10 per cent of the total loan facility.

The term facility was funded on 30 August 2011. The loan is repayable in five consecutive semi-annual instalments in equal principal amounts, commencing on the date which is 60 months after the closing date of 30 August 2011 and ending on the seventh anniversary of the closing date in 2016. The loan bears interest at a rate per annum equal to the LIBOR rate plus the applicable margin of 1.10 per cent. The effective interest rate at 31 December 2014 was 1.269 per cent (2013: 1.267 per cent).

11. Net investment in leased assets

	2014 $'000	2013 $'000
Finance lease – gross investment	1,608,046	1,627,809
Less: Unearned finance charges	(904,882)	(1,093,717)
	703,164	**534,092**
The gross investment in leased assets has the following maturity profile:		
Within one year	238,442	205,094
Two to five years	1,014,771	872,946
Over five years	354,833	549,769
	1,608,046	**1,627,809**
The net investment in leased assets has the following maturity profile:		
Within one year	43,598	14,647
Two to five years	465,206	235,987
Over five years	194,360	283,458
	703,164	**534,092**
Current	43,598	14,647
Non-current	659,566	519,445
	703,164	**534,092**

In December 2010, NGC completed its acquisition of the 58.8 mile 24-inch-diameter offshore subsea pipeline and related facilities. BG/Chevron Texaco has entered into a Gas Transportation Agreement (GTA) with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85 per cent of the pipeline capacity. BGI as operator will operate and maintain the pipeline and related facilities for an initial term of four years.

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

12. Deferred expenses

	2014 $'000	2013 $'000
Take-or-pay (Note 12(a))	261,242	259,215
Capacity rights (Note 12(b))	76,489	94,663
Other	–	5,871
	337,731	**359,749**
Current	205,903	23,446
Non-current	131,828	336,303
	337,731	**359,749**

12. Deferred expenses (continued)

(a) **Take-or-pay**

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

(b) **Capacity rights**

The Company has acquired reserved capacity rights in a 36-inch-diameter pipeline from Beachfield to Point Fortin.

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

13. Cash and cash equivalents

	2014 $'000	2013 $'000
Current	2,764,493	2,529,448

Cash at bank earns interest at floating rates based on daily deposit rates. The fair value of cash and cash equivalents is $2,764.5 million (2013: $2,529.5 million).

14. Short-term investments

	2014 $'000	2013 $'000
Non-current	2,453,248	2,639,315

Short-term deposits are made for varying periods of between one day and 12 months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

The Company holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT$1,081.1 million (US$169.6 million) as at 31 December 2014 which have matured and were not repaid.

CIB experienced financial and liquidity issues. On 31 January 2009, the Central Bank of Trinidad and Tobago (CBTT) under Section 44D of the Central Bank Act Chapter 79:02 assumed control of CIB. The Central Bank of Trinidad and Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates and the related accrued interest were fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully impaired as at 31 December 2014.

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

15. Accounts receivable

	2014 $'000	2013 $'000
Due from third parties	1,854,584	1,786,145
Due from related parties	1,377,736	1,196,298
	3,232,320	**2,982,443**

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

As at 31 December 2014, fully impaired trade receivables amounted to $77.2 million (2013: $30.9 million). Movements in the allowance for impairment were as follows:

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2013	3,269	10,677	13,946
Charge for year	193	16,730	16,923
At 31 December 2013	3,462	27,407	30,869
(Reversal)/change for year	(43)	46,354	46,311
At 31 December 2014	**3,419**	**73,761**	**77,180**

16. Sundry debtors and prepayments

	2014 $'000	2013 $'000
Sundry debtors and prepayments comprise the following:		
Due from the Government of Trinidad and Tobago – billed	141,524	437,066
Due from the Government of Trinidad and Tobago – unbilled	4,544	24,427
Related party balances	649,881	504,674
Value Added Tax	87,008	53,781
Interest receivable	41,501	69,958
Accrued income	54,179	43,346
Prepayments – other	21,701	19,556
– TSP/SECC	103,787	115,929
Staff related balances	29,655	5,711
Enhancement costs – Dolphin pipeline	–	144,686
Impairment charge – Liquid Fuel pipeline	(138,372)	(4,258)
	995,408	**1,414,876**

For terms and conditions relating to related party receivables refer to Note 37.

17. Inventories

	2014 $'000	2013 $'000
Consumable spares	36,312	35,258
TSP spares	6,763	6,847
Other	1,409	947
Allowance for slow moving and obsolete stock	(3,651)	(3,698)
	40,833	**39,354**

18. Share capital

Authorised:

An unlimited number of ordinary shares of no par value

Issued and fully paid:

	2014 $'000	2013 $'000
1,855,266,340 ordinary shares of no par value	**1,855,266**	**1,855,266**

19. Reserve fund

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

Transfers to the Reserve Fund will be made in such cases where the Company's expected return on equity is exceeded. The fund cap is 25 per cent of the issued stated capital of the Company.

20. Other reserves

	2014 $'000	2013 $'000
Other reserves comprise the following as at 31 December:		
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax	1,074,305	1,111,254
Unrealised gain on available-for-sale financial assets	1,373,181	1,361,179
Foreign currency translation	10,165	391,138
	2,457,651	**2,863,571**

21. Borrowings

	Current portion $'000	Long-term portion $'000	2014 Total $'000	2013 Total $'000
US$400M 30-year bond	**-**	**2,124,157**	**2,124,157**	**2,150,122**

This loan relates to a US$400 million bond issued by the Company and arranged by Lehman Brothers/Citigroup on 20 January 2006 to finance the construction/acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund 11.11 per cent 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 per cent commencing in July 2006. The fair value of the bond was $2,769.6 million (US$435.6 million) at 31 December 2014 (2013: $2,683.3 million) (US$416.8 million).

21. Borrowings (continued)

Total bond purchases as at 31 December 2014 amounted to US$60.3 million. No bonds were purchased during 2014.

	2014 $'000	2013 $'000
Maturity profile of borrowings:		
In more than five years	2,124,157	2,150,122
	2,124,157	**2,150,122**

22. Deferred income

	2014 $'000	2013 $'000
Gas sales (Note 22(a))	49,812	218,150
Non-refundable capital contribution (Note 22(b))	52,142	44,582
	101,954	**262,732**
Non-current	80,556	95,021
Current	21,398	167,711
	101,954	**262,732**

Notes

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

(b) Non-refundable capital contributions received from industrial users are amortised to profit or loss over the period of the industrial users' sales contracts. Refer to Note 3.18

23. Provisions

	Asset retirement obligation $'000	Environmental obligation $'000	Onerous contract $'000	Total $'000
Year ended 31 December 2014				
Balance as at 1 January 2014	475,381	6,446	314,151	795,978
Increase/(decrease) in provision	22,081	(2,520)	(70,957)	(51,396)
Foreign currency translation	(10,058)	–	(3,603)	(13,661)
Balance as at 31 December 2014	**487,404**	**3,926**	**239,591**	**730,921**
Current portion	–	3,926	–	3,926
Non-current portion	487,404	–	239,591	726,995
Balance as at 31 December 2014	**487,404**	**3,926**	**239,591**	**730,921**
Year ended 31 December 2013				
Balance as at 1 January 2013	667,031	4,677	125,343	797,051
(Decrease)/increase in provision	(196,902)	1,769	187,019	(8,114)
Foreign currency translation	5,252	–	1,789	7,041
Balance as at 31 December 2013	**475,381**	**6,446**	**314,151**	**795,978**
Current portion	–	3,000	–	3,000
Non-current portion	475,381	3,446	314,151	792,978
Balance as at 31 December 2013	**475,381**	**6,446**	**314,151**	**795,978**

(a) **Asset retirement obligation**

The Company has recorded provisions for the net present value of the estimated cost of decommissioning the offshore plant and equipment and the Teak, Samaan and Poui (TSP) platforms and SECC assets based on studies conducted.

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

(b) **Environmental obligation**

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

(c) **Onerous contract**

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

The contract provides for 18 months' notice to be given if either party wants to terminate the contract. The Company has provided for the net unavoidable costs expected to be incurred during the 18-month contractual notice period. The Company does intend to terminate the contract.

24. Post-retirement medical and group life obligation

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

	2014	2013
Medical cost inflation	5.75%	5.75%
Discount rate	5.0%	5.0%
Salary increases	6.0%	6.0%

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2013 and 2014 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 profit or loss are as follows:

	2014 $'000	2013 $'000
Current service cost	8,322	6,374
Net interest on net defined benefit liability	6,664	5,278
Net benefit cost	**14,986**	**11,652**
Remeasurement recognised in other comprehensive income		
Experience losses	44,984	17,295
Total amount recognised in other comprehensive income	**44,984**	**17,295**

24. Post-retirement medical and group life (continued)

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

	2014 $'000	2013 $'000
Present value of defined benefit obligation	192,511	134,163
Fair value of plan assets	–	–
Deficit	192,511	134,163
Foreign exchange translation	(5)	962
Net defined benefit liability	**192,506**	**135,125**

Reconciliation of opening and closing statement of financial position:

	2014 $'000	2013 $'000
Opening defined benefit liability	135,125	106,115
Net pension cost	14,986	11,652
Remeasurement recognised in other comprehensive income	44,984	17,295
Company contributions paid	(1,622)	(899)
Foreign exchange translation	(967)	962
Closing defined benefit obligation	**192,506**	**135,125**

Movement in present value of defined benefit obligation:

	2014 $'000	2013 $'000
Defined benefit obligation at start of year	135,125	106,115
Current service cost	8,322	6,374
Interest cost	6,664	5,278
Remeasurements:		
Experience adjustments	44,984	17,295
Company's premiums paid	(1,622)	(899)
Foreign exchange translation	(967)	962
Defined benefit obligation at end of year	**192,506**	**135,125**

Movement in fair value of plan assets/asset allocation:

The Plan has no assets.

24. Post-retirement medical and group life (continued)
Funding

Post-retirement group life
The Company insures the group life benefits for retirees with an external insurer and pays the premiums as they fall due. The Company expects to pay $0.4 million in 2015.

Post-retirement medical
The Company insures the medical benefits for retirees with an external insurer. Retirees meet roughly 10 per cent of the total premiums due and the Company meets the remaining 90 per cent. The Company expects to pay $2.0 million in retiree medical premiums in 2015.

25. Pension obligation
The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2014	**2013**
	%	**%**
Discount rate	5.0	5.0
General salary increases	4.0	4.0
Salary increases due to age, merit and promotion	2.0	2.0

Assumptions regarding future mortality are based on published mortality tables. The life expectancies underlying the value of the defined benefit obligation as at 31 December 2013 and 2014 are as follows:-

Life expectancy at age 60 for current pensioner - in years:

Male	21.0	21.0
Female	25.1	25.1

Life expectancy at age 60 for current members aged 40 - in years:

Male	21.4	21.4
Female	25.4	25.4

Expenses recognised in profit or loss are as follows:

	2014	**2013**
	$'000	**$'000**
Current service cost	53,945	54,118
Net interest on net defined benefit liability	22,348	12,919
Past service cost	-	10,503
Administration expenses	1,038	1,041
Net benefit cost	**77,331**	**78,581**

25. Pension obligation (continued)

Remeasurement recognised in other comprehensive income:

	2014 $'000	2013 $'000
Experience losses	103,856	167,662
Total amount recognised in other comprehensive income	**103,856**	**167,662**

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:

	2014 $'000	2013 $'000
Present value of defined benefit obligation	1,249,975	1,098,184
Fair value of plan assets	(646,389)	(618,192)
Deficit	603,586	479,992
Foreign exchange translation	1	1,328
Net defined benefit liability	**603,587**	**481,320**

Reconciliation of opening and closing statement of financial position entries:

	2014 $'000	2013 $'000
Opening defined benefit liability	481,320	290,207
Net pension cost	77,331	78,581
Remeasurement recognised in other comprehensive income	103,856	167,662
Company contributions paid	(57,593)	(57,796)
Foreign exchange translation	(1,327)	2,666
Closing defined benefit obligation	**603,587**	**481,320**

Movement in present value of defined benefit obligation:

	2014 $'000	2013 $'000
Defined benefit obligation at start of year	1,098,184	822,317
Current service cost	53,945	54,118
Interest cost	53,518	40,522
Members contribution	10,318	10,370
Additional voluntary contributions	25	25
Past service cost	–	10,503
Remeasurements:		
Experience adjustments	90,352	184,392
Benefits paid	(56,367)	(24,063)
Defined benefit obligation at end of year	**1,249,975**	**1,098,184**

25. Pension obligation (continued)

Movement in fair value of plan assets/asset allocation:

	2014 $'000	2013 $'000
Fair value of plan assets at start of year	618,192	530,772
Interest income	31,170	27,603
Return on plan assets excluding interest income	(13,504)	16,730
Company contributions	57,593	57,796
Members contributions	10,318	10,370
Additional voluntary contributions	25	25
Benefits paid	(56,367)	(24,063)
Expenses	(1,038)	(1,041)
Fair value of plan assets at end of year	**646,389**	**618,192**
Asset allocation:		
Locally listed equities	121,707	106,774
Overseas equities	84,506	81,169
Government issued bonds	205,264	208,597
Corporate bonds	180,849	159,013
Mutual funds	10,210	10,028
Cash and cash equivalents	37,324	45,829
Annuities	6,529	6,782
Fair value of plan assets at end of year	**646,389**	**618,192**

All asset values as at 31 December 2014 were provided by the plan's investment managers (Republic Bank Limited and First Citizens Investment Services Limited). Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The investment managers calculate the fair value of the Government bonds and Corporate bonds by discounting expected future proceeds using a constructed yield curve.

The majority of the plan's Government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the Corporate bonds held by the plan.

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

25. Pension obligation (continued)

Funding

The Company meets the balance of the cost of funding the defined benefit pension plan and the Company 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 Company expects to pay $58.9 million to the pension plan over 2015.

The Company and its subsidiaries' employees are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. This is a defined benefit pension plan that provides pensions related to employees' length of service and basic earnings at retirement. The plan's financial funding position is assessed by means of triennial actuarial valuations which was completed in 2013 and carried out by an independent actuary.

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

26. Take-or-pay liabilities

Take-or-pay liabilities expected to be settled more than one year after the reporting date.

27. Trade payables

	2014 $'000	2013 $'000
Trade payables	2,666,745	2,891,109

Trade payables are settled on 30-day terms.

28. Sundry payables and accruals

	2014 $'000	2013 $'000
Accrued interest – Board of Inland Revenue	–	17,938
– Loan	82,972	84,016
Accrued material/service amounts	1,174,421	910,844
Contract provisions	123,961	42,862
Employee related accruals	78,353	85,792
Voluntary early retirement plan	–	20,966
Related party balances	167,084	–
	1,626,791	**1,162,418**

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

Interest payable is normally settled in accordance with the terms and conditions of the respective loan (See Note 21).

Accrued interest – Board of Inland Revenue of $17.9 million relates to an assessment for additional taxes for a previous year, reversed in 2014 due to tax amnesty granted in the 2014-2015 budget.

29. Sales and cost of sales

	2014 $'000	2013 $'000
Sales include the following:		
Gas sales	16,351,634	16,816,529
Crude oil	461,772	553,271
Condensate sales	36,038	55,782
Transportation tariffs	3,968	4,138
Compression charges	72,992	66,038
	16,926,404	**17,495,758**
Cost of sales includes the following:		
Gas purchases	11,654,803	11,992,330
Depreciation	223,470	204,433
Impairment – offshore plant and equipment	12,102	1,407
Exploration and production costs	80,146	46,797
Production taxes including supplemental petroleum taxes	85,280	124,035
Maintenance costs	212,793	147,626
Royalties	54,157	64,969
Staff costs (Note 32)	60,829	44,002
	12,383,580	**12,625,599**

30. Other operating income

	2014 $'000	2013 $'000
Interest income – Dolphin lease	212,878	188,981
Operation and maintenance fees – Dolphin pipeline	134,345	110,118
Operation and maintenance fees – other	32,106	29,710
Lease income	18,973	19,005
Management fees	3,918	4,054
Project management fees – Government of Trinidad & Tobago	1,233	2,313
Loss on disposal of assets	(2,686)	(512)
Amortisation of non-refundable capital contribution	6,691	7,056
Other	13,932	17,407
	421,390	**378,132**

31. Interest, investment and other income

	2014 $'000	2013 $'000
Investment income	77,549	61,281
Interest income – related parties	79,206	94,294
Notional interest income – related parties	5,280	5,001
Net gain on financial asset at fair value	102,741	89,047
Fair value gain on T&TEC loan and accounts receivable	42,314	56,193
Fair value gain on other receivable	–	9,644
Dividend income	1,549,501	1,387,749
Net gain on disposal of equities	6,084	–
Interest and investment income	**1,862,675**	**1,703,209**
Decommissioning – reversal of unwinding of discount rate	–	196,902
LNG production payments	315,242	296,333
Other income	**315,242**	**493,235**
	2,177,917	**2,196,444**

32. Administrative and general expenses

	2014 $'000	2013 $'000
Administrative and general expenses include the following:		
Staff costs	312,646	339,373
Voluntary early retirement plan	–	20,891
Materials, services and contract labour	106,726	58,785
Depreciation	18,486	23,989
Professional fees	105,217	77,234
Operation and maintenance – Dolphin pipeline	122,131	91,382
Rates and taxes	18,801	19,233
Allowance for impairment of receivables	46,891	22,174
Reversal of impairment on investment in a subsidiary – LABIDCO	(13,244)	(9,866)
(Decrease)/increase in provision for onerous contract	(70,961)	185,057
Proceeds received from insurance claim	(404,668)	–
Other	244,401	246,749
	486,426	**1,075,001**
Total staff costs:		
Amount included in cost of sales (Note 29)	60,829	44,002
Amount included in administrative and general expenses	312,646	360,264
Total staff costs	**373,475**	**404,266**
Staff costs:		
Wages and salaries	285,860	313,934
National insurance	8,446	7,028
Pension and post-retirement medical and group life	79,169	83,304
	373,475	**404,266**

33. Impairment

	2014 $'000	2013 $'000
TSP assets (Note 33(a))	415,243	–
Investment in Trinidad and Tobago NGL Limited (Note 33(b))	1,088,781	–
Investment in Trinidad and Tobago Holdings LLC. (Note 33(c))	4,327	–
	1,508,351	**–**

(a) As a result of falling oil prices which commenced in 2014, from an average of US$106.00 per barrel to a range of US$55.00 to US$65.00 per barrel, the Company carried out a review of the recoverable amount of TSP assets. This review led to the recognition of an impairment loss of TT$415.2 million (US$65 million) which has been recognised in these financial statements in the statement of profit or loss.

(b) Management engaged an independent valuation expert to conduct an impairment assessment of its investment in Trinidad and Tobago NGL Limited (TTNGL) whose underlying investment is a 39 per cent shareholding investment in PPGPL as at 31 December 2014 due to the following three factors:

- Accessibility of available and more economical sources of energy, compressed both demand and prices for natural gas products. Alternate energy sources may have been more economical if countries had access to energy sources and processing infrastructure at closer proximity. Industrial and commercial applications were able to tap energy sources at cost levels that were not inhibiting, and overall global supply surpassed demand.
- Import and export volume levels directly impacted the degree of available natural gas supply. As such, global instability caused by political upheaval and conflicts in significant global supply centres applied downward pressure on prices.
- The close correlation between NGL prices and crude oil prices has decreased in recent years due to higher NGL production from shale gas. Consequently, NGL prices have declined in recent years, mainly in 2012 and in 2014 and continue to fall in quarter one 2015.

The impairment assessment led to the recognition of an impairment loss of TT$1,088.8 million which has been recognised and separately disclosed on the statement of profit and loss and other comprehensive income for the year.

The recoverable amount of the Company's investment in TTNGL has been based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a 19-year period from 2015 to 2035 and a discount rate of 11.94 per cent per annum which was based on an estimate of the weighted average cost of capital. Cash flows beyond the 19-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 11.94 per cent
- Selling prices of TTNGL are expected to rebound in year 2018 and steadily increase year on year. Selling prices of NGLs included in the cash flow projections are based on management's best estimate taking into consideration current market conditions.

33. Impairment (continued)

A change in the key assumptions has been analysed and presented below.

- Discount rate

A one per cent increase in the discount rate while holding all other variables will increase the impairment loss by $257.8 million while a one per cent decrease in the discount rate will decrease the impairment loss by $308.6 million.

- Selling prices of NGLs
- A one per cent increase/decrease in the selling prices of NGLs while holding all other variables will decrease/increase the impairment loss by $37.4 million.
- A five per cent increase/decrease in the selling prices of NGLs while holding all other variables will decrease/increase the impairment loss by $187.1 million.
- A 10 per cent increase/decrease in the selling prices of NGLs while holding all other variables will decrease/increase the impairment loss by $374.2 million.

(c) Impairment of the investment in T&T Holdings includes taxes and other expenses paid by NGC on behalf of T&T Holdings in 2014. As T&T Holdings was liquidated on 27 February 2014, these amounts will not be repaid to NGC and therefore the total amount has been impaired as at 31 December 2014 and is recognised in these financial statements in the statement of profit or loss.

34. Finance costs

	2014 $'000	2013 $'000
Interest	158,885	160,758
Decommissioning – unwinding of discount rate	18,006	–
Take or pay interest	7,153	(13,120)
Impairment of other receivables	134,749	–
	318,793	**147,638**

35. Taxation

	2014 $'000	2013 $'000
Income tax expense		
Corporation tax	1,481,027	1,290,865
Petroleum profit tax	42,650	89,636
Green fund levy	19,554	19,637
	1,543,231	1,400,138
Deferred tax	91,362	347,111
	1,634,593	**1,747,249**
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	4,718,824	6,189,554
Tax at the rate of 35%	1,651,588	2,166,344
Tax exempt income	(542,245)	(486,558)
Non-deductible expense	352,701	81,358
Prior years' tax	161,360	(53,800)
Green fund levy	19,554	19,637
Effect of oil and gas assets taxed at a higher rate	9,202	28,304
Foreign exchange translation	(17,567)	(8,036)
Current year taxation expense	**1,634,593**	**1,747,249**
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset		
Accrued interest expense	29,040	29,406
Asset retirement obligation	198,017	194,577
Post-retirement medical, group life and pension	278,628	215,757
Finance lease – Dolphin pipeline	–	21,037
Other	19,565	21,035
	525,250	**481,812**
Deferred tax liability		
Property, plant and equipment	**1,812,834**	**1,756,873**
Net deferred tax liability		
Balance at 1 January	1,275,061	995,138
Charge recognised in profit and loss and other comprehensive income	28,485	270,067
Foreign exchange translation	(15,962)	9,856
Balance as at 31 December	**1,287,584**	**1,275,061**

36. Cash generated from operations

	2014 $'000	2013 $'000
Profit before tax	4,718,824	6,189,554
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	241,954	228,429
Impairment of property, plant and equipment	12,100	1,405
Decrease in provision for investment in subsidiary	13,243	9,867
Gain on disposal of property, plant and equipment	(2,688)	(513)
Gain on disposal of other financial assets	(6,084)	–
Finance costs	318,793	147,638
Dividend income	(1,566,122)	(1,391,702)
Finance income	(295,759)	(320,454)
Interest income on finance lease	(212,876)	(188,983)
Decrease in deferred income	(158,179)	(159,104)
Decrease/(increase) in deferred expenses	17,624	(47,032)
Post-retirement costs	79,166	(80,244)
(Decrease)/increase in onerous contract provision	(70,961)	187,023
(Decrease)/increase in environmental obligation	(2,452)	1,719
Decrease in decommissioning cost	18,006	(196,905)
Impairment of TSP assets	415,243	–
Impairment of investment in subsidiary	1,088,781	–
Loss on investment	4,327	–
Operating profit before working capital changes	4,612,940	4,380,698
Decrease/(increase) in accounts receivable and sundry debtors	50,719	(368,513)
Decrease/(increase) in amounts due from/to subsidiaries	71,708	(231,523)
Increase in inventories	(1,979)	(3,719)
(Decrease)/increase in trade creditors, sundry creditors and accruals	(180,336)	114,042
Cash generated from operations	**4,553,052**	**3,890,985**

37. Related party transactions

The Company is wholly-owned by the GORTT. In the ordinary course of its business, the Company enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include Petrotrin, T&TEC and First Citizens Bank Limited.

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2014, the Company has not made any allowances for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

37. Related party transactions (continued)

The Company subsidiaries, sub-subsidiaries, associates, joint venture and investments are as follows:

Name of company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2014	2013
Subsidiaries				
National Energy Corporation of Trinidad and Tobago Limited	Management of certain marine infrastructural facilities at the Port of Point Lisas and the promotion and development of the Union Industrial Estate at La Brea	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, finance, construct, operate and maintain a 56-inch-diameter Cross Island Pipeline (CIP) from Beachfield on the south-east coast of Trinidad to Point Fortin on the south-west coast of Trinidad	Trinidad and Tobago	100%	100%
Trinidad and Tobago LNG Limited	Ownership of a Liquefied Natural Gas Plant in Trinidad and in the processing and sale of Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs) in partnership with others	Trinidad and Tobago	100%	100%
La Brea Industrial Development Company Limited	Promotion and development of an industrial estate and marine infrastructure facilities at La Brea	Trinidad and Tobago	81.00%	83.43%

37. Related party transactions (continued)

Name of company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2014	2013
Subsidiaries (continued)				
Trinidad and Tobago NGL Limited (effective 13 September 2013)	An investment holding company with a 39% ownership interest in Phoenix Park Gas Processors Limited (PPGPL). These shares were transferred from the liquidation of Trinidad & Tobago Holdings LLC effective 27 Feb 2014	Trinidad and Tobago	100%	100%
Trinidad & Tobago Holdings LLC (from August 2013) (Formerly ConocoPhillips Trinidad and Tobago Holdings Inc.)	An investment holding company with a 39% ownership interest in Phoenix Park Gas Processors Limited (PPGPL). This Company was liquidated on 27 Feb 2014 and the 39% shareholding in PPGPL was transferred to Trinidad and Tobago NGL Limited	United States of America	100%	100%
NGC Trinidad and Tobago LNG Company Limited	Ownership of a Liquefied Natural Gas Plant in Trinidad in partnership with others	Trinidad and Tobago	62.16%	62.16%
NGC NGL Company Limited	Holds a 51% investment in Phoenix Park Gas Processors Limited (PPGPL)	Trinidad and Tobago	80%	80%

37. Related party transactions (continued)

Name of company ***Subsidiaries (continued)***	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2014	2013
NGC CNG Company Limited	Construct, operate and maintain Compressed Natural Gas Service Stations throughout Trinidad and Tobago	Trinidad and Tobago	100%	100%
NGC E&P (Barbados) Limited (effective 26 September 2013)	An investment holding company which has 0.01% membership in NGC E&P Netherlands Coöperatief U.A. (The Coöperatief)	Barbados	100%	100%
NGC E&P Investments (Barbados) Limited (effective 26 September 2013)	An investment holding company which has 99.99% membership in NGC E&P Netherlands Coöperatief U.A. (The Coöperatief)	Barbados	100%	100%
Sub-Subsidiaries				
Phoenix Park Gas Processors Limited Company status changed to subsidiary due to the acquisition of Trinidad and Tobago Holdings LLC in August 2013	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	79.80%	79.80%
NGC E&P Netherlands Coöperatief U.A.	An investment holding company which was incorporated to own 100% of the issued share interest in NGC E&P Investments (Netherlands) B.V. and NGC E&P (Netherlands) B.V.	Netherlands	100%	100%

37. Related party transactions (continued)

Name of company	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2014	2013
Sub-Subsidiaries (continued)				
NGC E&P (Netherlands) B.V. (formally ELF Exploration Trinidad B.V.) (effective 26 September 2013)	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	100%
NGC E&P Investments (Netherlands) B.V. (formally TOTAL E&P Trinidad B.V.) (effective 26 September 2013)	Exploration, development and production of oil and gas in Trinidad and Tobago	Netherlands	100%	100%
Associated Company				
Trintomar	Exploration, development and production of oil in Trinidad and Tobago	Trinidad and Tobago	20%	20%
Investments				
National Helicopter Services Limited	Provides offshore helicopter services to the oil and gas sector and other commercial entities	Trinidad and Tobago	18%	18%
National Enterprises Limited	NEL was formed to consolidate the Government's shareholding in select state enterprise and facilitate a public offering on the Trinidad and Tobago Stock Exchange	Trinidad and Tobago	17%	17%

37. Related party transactions (continued)

The following table provides the total amount of material transactions, which have been entered into with related parties within the group as at or for the years ended 31 December 2014 and 2013.

		Income from related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Subsidiaries:					
Trinidad and Tobago Holdings LLC	**2014**	**132,043**	**–**	**–**	**–**
	2013	129,892	–	2,205	7,590
Trinidad and Tobago LNG Limited	**2014**	**531,575**	**–**	**396,364**	**–**
	2013	528,562	–	419,033	–
NGC Pipeline Company Limited	**2014**	**33,743**	**75,504**	**69,213**	**937**
	2013	31,281	76,079	91,845	1,869
NGC Trinidad and Tobago LNG Limited	**2014**	**123,665**	**–**	**–**	**–**
	2013	89,913	–	471	–
NGC NGL Company Limited	**2014**	**558,504**	**–**	**–**	**–**
	2013	492,844	–	185	–
NGC E&P Investments (Barbados) Limited	**2014**	**–**	**–**	**71**	**–**
	2013	–	–	32,497	–
La Brea Industrial Development Company Limited	**2014**	**–**	**–**	**19,853**	**5,451**
	2013	–	–	–	5,447
National Energy Corporation of Trinidad and Tobago Limited	**2014**	**39,815**	**–**	**648,675**	**16,336**
	2013	44,798	–	679,923	5,462
Sub-Subsidiary Companies					
Phoenix Park Gas Processors Limited Gas Sales	**2014**	**546,948**	**–**	**–**	**–**
	2013	585,293	–	91,262	–

38. Contingent liabilities

(a) **Taxes**

For years of income 1993 to 1994 and 1999 the Company has objected to certain adjustments of $126.7 million by the Board of Inland Revenue to the Company's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the financial statements for any additional tax liabilities, penalties or interest.

(b) **Litigation matters**

The Company is involved in a number of proceedings which are at various stages of litigation and their outcomes are difficult to predict. The information usually required by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these matters.

The Company has made a provision in these financial statements which is believed to be a reasonable estimate of any costs which may be incurred in relation to these outstanding matters. It is the opinion of management, based on the information provided by the internal legal counsel, that if any further liability should arise out of these claims it is not likely to have a materially adverse impact on the Company's financial position or results.

(c) **Customs bonds**

The Company has contingent liabilities in respect of customs bonds amounting to $800 thousand (2013: $800 thousand).

39. Capital commitments

	2014 **$'000**	**2013** **$'000**
Approved and contracted capital expenditure	**682,891**	**204,356**

40. Guarantees

The Company has provided the following guarantees as at 31 December 2014:

(i) Bank guarantee for an amount of $51.5 million in respect of a loan obtained by La Brea Industrial Development Company Limited. The loan balance is $3.4 million at 31 December 2014.

(ii) The Company 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 NGC Pipeline Company Limited. The loan also restricts the ability of the subsidiary to declare dividends. The loan balance is $542.6 million (US$85.3 million) at 31 December 2014, $629.9 million (US$97.8 million) at 31 December 2013.

41. Operating lease commitments

The Company has lease arrangements for motor vehicles, office equipment and helicopter services with durations ranging from one to five years.

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

	2014 $'000	2013 $'000
Payable		
Within one year	29,130	82,647
One to five years	19,175	111,045
	48,305	**193,692**

42. Commitment contracts

Purchases

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

In prior years, the Company committed to purchase additional volumes of natural gas for several new projects that have not materialised as forecasted. For 2014, the Company had no take-or-pay liability.

Sales

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

43. Royalty gas

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

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

44. Compensation of key management personnel

	2014 $'000	2013 $'000
Short-term employee benefits	32,638	25,838
Post-employment benefit	5,477	5,388
	38,115	**31,226**

45. Financial instruments

Financial risk management objectives and policies

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

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

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

(a) **Categories of financial instruments**

	2014 $'000	2013 $'000
Financial assets:		
Financial assets at fair value through profit or loss	332,041	232,623
Available-for-sale financial assets through other comprehensive income		
Other financial assets	2,832,303	3,086,738
Financial assets at amortised cost:		
- Held to maturity		
Other financial assets	256,331	277,636
- Loans and receivables		
Loans receivable	2,057,516	2,364,059
Cash and cash equivalents	2,764,493	2,529,448
Short-term investments	2,453,248	2,639,315
Accounts receivable	3,232,320	2,982,443
Sundry debtors and prepayments	782,913	1,227,604
	11,290,490	11,742,869
Total financial assets	**14,711,165**	**15,339,866**
Non-financial assets	18,471,285	19,347,748
Total assets	**33,182,450**	**34,687,614**

45. Financial instruments (continued)

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

	2014 $'000	2013 $'000
Financial liabilities:		
Financial liabilities at amortised cost		
Borrowings	2,124,157	2,150,122
Take-or-pay liability	72,337	356,918
Trade payables	2,666,745	2,891,109
Sundry payables and accruals	1,626,791	1,162,418
Dividends payable	175,000	175,000
Total financial liabilities	**6,665,030**	**6,735,567**
Non-financial liabilities	3,517,259	3,781,728
Equity	23,000,161	24,170,319
Total liabilities	**33,182,450**	**34,687,614**

(b) **Credit risk**

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

The Company trades only with recognised creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

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

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

As stated in Note 10(a), a loan agreement was executed with T&TEC in 2011 for the capitalisation of 2005 to 2009 outstanding trade balances. The Company is working with T&TEC and the GORTT to formulate the terms and conditions for the sale of gas and to put measures in place to ensure that T&TEC continues to service the loan, as well as its monthly gas purchases.

45. Financial instruments (continued)

(b) **Credit risk (continued)**

The following table shows the Company's maximum exposure to credit risk.

	Gross maximum exposure 2014 $'000	Gross maximum exposure 2013 $'000
On statement of financial position		
Loans receivable	2,057,516	2,364,059
Financial assets at fair value through profit or loss	332,041	232,623
Other financial assets	3,088,634	3,364,374
Cash and cash equivalents	2,764,493	2,529,448
Short-term investments	2,453,248	2,639,315
Accounts receivable	3,232,320	2,982,443
Sundry debtors and prepayments	782,913	1,227,604
	14,711,165	**15,339,866**

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

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2014				
Gross amounts	13,282,522	1,428,643	254,578	14,965,743
Impaired amounts	–	–	(254,578)	(254,578)
Net amounts	**13,282,522**	**1,428,643**	**–**	**14,711,165**
As at 31 December 2013				
Gross amounts	14,265,229	1,074,637	344,717	15,684,583
Impaired amounts	–	–	(344,717)	(344,717)
Net amounts	**14,265,229**	**1,074,637**	**–**	**15,339,866**

45. Financial instruments (continued)

(b) **Credit risk (continued)**

The following table shows the credit quality by class of financial assets (gross amounts).

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2014				
Loans receivable	**2,057,516**	**–**	**177,398**	**2,234,914**
Financial assets at fair value through profit or loss	**332,041**	**–**	**–**	**332,041**
Other financial assets:				
- Held to maturity	256,331	–	–	256,331
- Available-for-sale	2,827,830	–	–	2,827,830
- Other financial assets	4,473	–	–	4,473
	3,088,634	**–**	**–**	**3,088,634**
Cash and cash equivalents	2,764,493	–	–	2,764,493
Short-term investments	2,453,248	–	–	2,453,248
Accounts receivable	1,803,677	1,428,643	77,180	3,309,500
Sundry debtors	782,913	–	–	782,913
	7,804,331	**1,428,643**	**77,180**	**9,310,154**
Total	**13,282,522**	**1,428,643**	**254,578**	**14,965,743**
As at 31 December 2013				
Loans receivable	**2,364,059**	**–**	**227,620**	**2,591,679**
Financial assets at fair value through profit or loss	**232,623**	**–**	**–**	**232,623**
Other financial assets:				
- Held to maturity	277,636	–	–	277,636
- Available-for-sale	3,082,851	–	–	3,082,851
- Other financial assets	3,887	–	–	3,887
	3,364,374	**–**	**–**	**3,364,374**
Cash and cash equivalents	2,529,448	–	–	2,529,448
Short-term investments	2,639,315	–	–	2,639,315
Accounts receivable	1,907,806	1,074,637	30,869	3,013,312
Sundry debtors	1,227,604	–	86,228	1,313,832
	8,304,173	**1,074,637**	**117,097**	**9,495,907**
Total	**14,265,229**	**1,074,637**	**344,717**	**15,684,583**

45. Financial instruments (continued)

(b) **Credit risk (continued)**

Aging analysis of past due but not impaired financial assets:

As at 31 December 2014	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Accounts receivable	**240,222**	**80,145**	**1,108,276**	**-**	**1,428,643**

As at 31 December 2013	≤ 3 months $'000	3-12 months $'000	1-5 months $'000	≥ 5 years $'000	Total $'000
Accounts receivable	**113,502**	**179,032**	**782,103**	**-**	**1,047,637**

No loans were renegotiated for 2014.

(c) **Liquidity risk**

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

The table below summarises the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted payments (i.e. principal and interest):

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2014						
Borrowings	–	–	154,839	774,194	4,524,161	5,453,194
Take-or-pay liability	–	–	–	72,337	–	72,337
Trade payables	–	2,666,745	–	–	–	2,666,745
Sundry payables and accruals	–	1,503,010	123,781	–	–	1,626,791
Dividend payable	–	–	175,000	–	–	175,000
	-	**4,169,755**	**453,620**	**846,531**	**4,524,161**	**9,994,067**
As at 31 December 2013						
Borrowings	–	91,391	91,327	730,869	5,763,783	6,677,370
Take-or-pay liability	–	–	–	356,918	–	356,918
Trade payables	–	2,891,109	–	–	–	2,891,109
Sundry payables and accruals	–	1,120,415	42,003	–	–	1,162,418
Dividend payable	–	–	175,000	–	–	175,000
	-	**4,102,915**	**308,330**	**1,087,787**	**5,763,783**	**11,262,815**

45. Financial instruments (continued)

c) **Liquidity risk (continued)**

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

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2014						
Guarantees	594,095	–	–	–	–	594,095
Capital commitments	–	–	660,920	21,971	–	682,891
Operating lease commitments	–	–	29,130	19,175	–	48,305
	594,095	**-**	**690,050**	**41,146**	**-**	**1,325,291**
As at 31 December 2013						
Guarantees	681,403	–	–	–	–	681,403
Capital commitments	–	–	204,356	–	–	204,356
Operating lease commitments	–	–	82,647	111,045	–	193,692
	681,403	**-**	**287,003**	**111,045**	**-**	**1,079,451**

45. Financial instruments (continued)

(c) **Liquidity risk (continued)**

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

	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2014						
Loans receivable	–	–	374,663	790,982	891,871	2,057,516
Financial assets at fair value through profit or loss	332,041	–	–	–	–	332,041
Other financial assets	–	–	–	–	–	–
- Held to maturity	256,331	–	–	–	–	256,331
- Available-for-sale	2,827,830	–	–	–	–	2,827,830
- Other financial assets	4,473	–	–	–	–	4,473
Cash and cash equivalents	2,764,493	–	–	–	–	2,764,493
Short-term investments	–	–	2,453,248	–	–	2,453,248
Accounts receivable	1,751,929	143,268	306,027	1,108,295	(77,199)	3,232,320
Sundry debtors	595,441	(167)	72,058	107,899	7,682	782,913
	8,532,538	**143,101**	**3,205,996**	**2,007,176**	**822,354**	**14,711,165**
As at 31 December 2013						
Loans receivable	–	–	306,936	1,050,573	1,006,550	2,364,059
Financial assets at fair value through profit or loss	232,623	–	–	–	–	232,623
Other financial assets						
- Held to maturity	277,636	–	–	–	–	277,636
- Available-for-sale	3,082,851	–	–	–	–	3,082,851
- Other financial assets	3,887	–	–	–	–	3,887
Cash and cash equivalents	2,529,448	–	–	–	–	2,529,448
Short-term investments	–	–	2,639,315	–	–	2,639,315
Accounts receivable	1,765,553	263,034	202,622	751,234	–	2,982,443
Sundry debtors	516,007	(218)	48,449	256,106	407,260	1,227,604
	8,408,005	**262,816**	**3,197,322**	**2,057,913**	**1,413,810**	**15,339,866**

45. Financial instruments (continued)

(d) **Market risk**

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

(i) **Interest rate risk**

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations.

The Company's policy is to manage its interest cost using a mix of fixed and variable rates. The Company has used derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations whereby the Company agrees to exchange at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowing). There is minimal impact on the Company's equity.

	Increase/(decrease) in basis points	Effect on profit before tax $'000
Loan receivables		
2014	+50	**2,655**
	−50	**(2,655)**
2013	+50	**2,732**
	-50	**(2,732)**

45. Financial instruments (continued)

(d) **Market risk (continued)**

(i) **Interest rate risk (continued)**

The table below summarises the Company's exposures to interest rate risk. It includes the Company's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	On demand $'000	≤3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Non-interest bearing $'000	Total $'000
As at 31 December 2014							
Assets							
Loans receivable	–	–	336,920	763,565	957,031	–	2,057,516
Financial assets at fair value through profit or loss	–	–	–	–	–	332,041	332,041
Other financial assets							
- Held to maturity	–	–	4,362	22,455	229,514	–	256,331
- Available-for-sale	484,511	–	–	–	–	2,343,319	2,827,830
- Other financial assets	4,473	–	–	–	–	–	4,473
Cash and cash equivalents	–	–	–	–	–	2,764,493	2,764,493
Short-term investments	–	–	2,453,248	–	–	–	2,453,248
Accounts receivable	–	–	–	–	–	3,232,320	3,232,320
Sundry debtors	–	–	–	–	–	782,913	782,913
	488,984	**–**	**2,794,530**	**786,020**	**1,186,545**	**9,455,086**	**14,711,165**
Liabilities							
Borrowings	–	–	–	–	2,124,157	–	2,124,157
Take or pay liabilities	–	–	–	72,337	–	–	72,337
Trade and other payables	–	–	–	–	–	4,293,536	4,293,536
Dividends payable	–	–	–	–	–	175,000	175,000
	–	**–**	**–**	**72,337**	**2,124,157**	**4,468,536**	**6,665,030**
Interest sensitivity gap	**488,984**	**–**	**2,794,530**	**713,683**	**(937,612)**	**4,986,550**	**8,046,135**

45. Financial instruments (continued)

(d) Market risk (continued)

(i) Interest rate risk (continued)

	On demand $'000	≤3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Non-interesting bearing $'000	Total $'000
As at 31 December 2013							
Assets							
Loans receivable	–	–	314,364	1,019,591	1,030,104	–	2,364,059
Financial assets at fair value through profit or loss	–	–	–	–	–	232,623	232,623
Other financial assets							
- Held to maturity	–	–	4,276	21,852	251,508	–	277,636
- Available-for-sale	446,642	–	–	–	–	2,636,209	3,082,851
- Other financial assets	3,887	–	–	–	–	–	3,887
Cash and cash equivalents	–	–	–	–	–	2,529,448	2,529,448
Short-term investments	–	–	2,639,315	–	–	–	2,639,315
Accounts receivable	–	–	–	–	–	2,982,443	2,982,443
Sundry debtors	–	–	–	–	–	1,227,604	1,227,604
	450,529	**-**	**2,957,955**	**1,041,443**	**1,281,612**	**9,608,327**	**15,339,866**
Liabilities							
Borrowings	–	–	–	–	2,150,122	–	2,150,122
Take-or-pay liabilities	–	–	–	356,918	–	–	356,918
Trade and other payables	–	–	–	–	–	4,053,527	4,053,527
Dividend payable	–	–	–	–	–	175,000	175,000
	-	**-**	**-**	**356,918**	**2,150,122**	**4,228,527**	**6,735,567**
Interest sensitivity gap	**450,529**	**-**	**2,957,955**	**684,525**	**(868,510)**	**5,379,800**	**8,604,299**

45. Financial instruments (continued)

(d) Market risk (continued)

(ii) Foreign currency risk

The Company has no significant exposure to foreign currency risk as it holds adequate resources denominated in both US dollars and TT dollars to meet its obligations.

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

As at 31 December 2014	**TT $'000**	**US $'000**	**Other $'000**	**Total $'000**
Assets				
Loans receivable	–	2,057,516	–	2,057,516
Financial assets at fair value through profit or loss	–	332,041	–	332,041
Other financial assets:				
- Held to maturity	256,331	–	–	256,331
- Available for sale	1,754,727	1,073,103	–	2,827,830
- Other financial assets	909	3,564	–	4,473
Cash at bank and short-term investments	(575,024)	5,792,765	–	5,217,741
Accounts receivable	–	3,232,320	–	3,232,320
Sundry debtors	403,329	379,584	–	782,913
	1,840,272	**12,870,893**	**-**	**14,711,165**
Liabilities				
Borrowings	–	2,124,157	–	2,124,157
Trade, sundry payables and accruals	337,773	3,955,764	–	4,293,537
Dividend payable	175,000	–	–	175,000
	512,773	**6,079,921**	**-**	**6,592,694**
Net statement of financial position	**1,327,499**	**6,790,972**	**-**	**8,118,471**
Guarantees	–	594,095	–	594,095
Capital commitments	83,340	596,530	3,021	682,891
Operating lease commitments	48,305	–	–	48,305

45. Financial instruments (continued)

(d) Market risk (continued)

(ii) Foreign currency risk (continued)

As at 31 December 2013	**TT $'000**	**US $'000**	**Other $'000**	**Total $'000**
Assets				
Loans receivable	–	2,364,059	–	2,364,059
Financial assets at fair value through profit or loss	–	232,623	–	232,623
Other financial assets:				
- Held to maturity	263,839	–	13,797	277,636
- Available for sale	1,782,012	1,300,839	–	3,082,851
Other financial assets	921	2,966	–	3,887
Cash at bank and short-term investments	(556,896)	5,725,659	–	5,168,763
Accounts receivable	–	2,982,443	–	2,982,443
Sundry debtors	101,374	1,126,230	–	1,227,604
	1,591,250	**13,734,819**	**13,797**	**15,339,866**
Liabilities				
Borrowings	–	2,150,122	–	2,150,122
Long-term creditors	–	356,918	–	356,918
Trade and other payables	203,454	3,850,073	–	4,053,527
Dividend payable	175,000	–	–	175,000
	378,454	**6,357,113**	**-**	**6,735,567**
Net statement of financial position	**1,212,796**	**7,377,706**	**13,797**	**8,604,299**
Guarantees	–	681,403	–	681,403
Capital commitments	72,815	126,002	5,538	204,356
Operating lease commitments	193,692	–	–	193,692

(iii) Other price risk

The Company is exposed to equity price risk arising from its investments in ordinary shares in NEL, the first unit scheme of the Unit Trust Corporation (a mutual fund), and equity shares in various foreign institutions. These equity instruments are held for strategic or trading purposes and the Company actively trades some of these investments.

The following table demonstrates the sensitivity to a reasonably possible change in the price of these equity instruments, with all other variables held constant, of the Company's equity. There is no impact to the Company's profit before tax.

45. Financial instruments (continued)

(d) Market risk (continued)

(iii) Other price risk (continued)

	Increase/(decrease) in equity price	Effect on equity $'000
2014	10%	282,157
	(10%)	(282,157)
2013	10%	307,651
	(10%)	(307,651)

(e) Commodity price risk

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

(f) Capital management

The primary objective of the Company's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. It also manages its capital to ensure that the Company will be able to continue as a going concern. The Company's overall strategy remains unchanged from 2013.

The capital structure of the Company consists of debt, share capital, reserves and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure, the Company may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objectives, policies or process during the years ended 31 December 2014 and 31 December 2013.

The Company monitors capital using a gearing ratio which is debt divided by equity plus debt. The Company's policy is to maintain a gearing ratio between 25 per cent and 30 per cent. The Company includes within debt interest bearing loans and borrowings. Capital includes stated capital, reserves and retained earnings.

	2014 $'000	2013 $'000
Debt	2,124,157	2,150,122
Equity	23,000,161	24,170,319
Debt plus equity	**25,124,318**	**26,320,441**
Gearing ratio	8.5%	8.2%

45. Financial instruments (continued)

(g) **Fair values**

(i) **Fair value hierarchy**

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

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis. At 31 December 2014, the fair values of listed available-for-sale investments and held for trading shares and bonds were based on quoted market prices and therefore included in the Level 1 hierarchy.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable. At 31 December 2014, the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy.

Level 3

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

As at 31 December 2014	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Financial assets			
Available-for-sale financial assets	**2,821,570**	**6,260**	**-**
Financial assets at fair value through profit and loss	**332,041**	**-**	**-**
As at 31 December 2013			
Financial assets			
Available-for-sale financial assets	**3,076,512**	**6,339**	**-**
Financial assets at fair value through profit and loss	**232,623**	**-**	**-**

45. Financial instruments (continued)

(g) Fair values (continued)

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

Long-term financial assets and liabilities

The fair value of the Company's floating rate long-term loans receivable approximates its carrying amount given the floating nature of the loans at prevailing market rates.

	2014		2013	
	Fair value $'000	Carrying value $'000	Fair value $'000	Carrying value $'000
Loans receivables				
Trinidad and Tobago Electricity Commission	942,183	942,183	1,205,427	1,205,427
National Energy – Union Industrial Estate	286,374	286,374	284,653	284,653
National Energy – Warehousing facility	298,022	298,022	323,482	323,482
Trinidad and Tobago LNG Limited	358,866	358,866	376,262	376,262
Atlantic LNG Company of Trinidad and Tobago	172,071	172,071	174,235	174,235
Borrowings				
US$400M 30-year bond	2,769,635	2,124,157	2,683,260	2,150,122
Take-or-pay liability	72,337	72,337	356,918	356,918

Fair value hierarchy

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
At 31 December 2014				
Loans receivable	1,715,132	–	–	1,715,13
Borrowings	2,124,157	–	–	2,124,157
Take-or-pay liability	–	–	72,337	72,337
	3,839,289	**-**	**72,337**	**3,911,626**
At 31 December 2013				
Loans receivable	1,755,924	–	–	1,755,924
Borrowings	2,150,122	–	–	2,150,122
Take-or-pay liability	–	–	356,918	356,918
	3,906,046	**-**	**356,918**	**4,262,964**

45. Financial instruments (continued)

(g) Fair values (continued)

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

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

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

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

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

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

46. Dividends

	2014 $'000	2013 $'000
Dividends declared		
Dividends for 2012	–	1,300,000
Dividends for 2013	350,000	2,250,000
Dividends for 2014	3,449,455	–
	3,799,455	**3,550,000**
Dividends paid		
Dividends for 2011	–	825,000
Dividends for 2012	175,000	1,125,000
Dividends for 2013	175,000	2,250,000
Dividends for 2014	3,449,455	–
	3,799,455	**4,200,000**

47. Events after the reporting period
In 2015, NGC plans to divest part of the shareholding in Trinidad and Tobago NGL Limited via the Trinidad and Tobago Stock Exchange.

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Five-Year Financial Consolidated Balance Sheet

As at 31 December 2014 *(With comparative figures – Expressed in Trinidad and Tobago dollars)*

	At 31/12/2014 $'000	At 31/12/2013 $'000	At 31/12/2012 $'000	At 31/12/2011 $'000	At 31/12/2010 $'000
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	8,028,970	7,590,825	12,336,453	7,191,084	3,457,396
Short-term investments	2,777,442	2,972,766	3,853,252	5,023,711	5,900,713
Accounts receivable	3,667,762	3,783,468	2,855,973	2,991,250	2,177,894
Loans receivable	318,665	296,206	314,135	520,970	151,470
Net investment in leased assets	43,598	14,647	6,214	916	–
Inventories	301,139	231,936	35,913	31,912	35,644
Sundry debtors and prepayments	671,247	1,136,142	995,361	1,118,519	1,446,055
Income Tax receivable	338,654	450,097	381,867	283,218	148,534
Deferred Expenses	200,122	19,774	28,204	17,965	18,005
Total current assets	**16,347,599**	**16,495,861**	**20,807,372**	**17,179,545**	**13,335,711**
NON-CURRENT ASSETS					
Property, plant and equipment	15,636,626	15,631,417	10,489,098	10,555,773	10,410,582
Investment property	539,835	551,731	577,051	616,472	625,053
Other intangible assets	1,566	2,746	5,138	17,033	15,528
Capital assets and licences	2,926,110	2,981,366	–	–	–
Goodwill	2,269,617	2,298,173			
Interest in joint venture	–	–	1,049,184	1,092,241	956,995
Investments	3,371,664	3,701,637	1,852,109	1,982,296	1,522,123
Net investment in leased asset	659,566	519,445	560,430	569,088	563,311
Financial assets at fair value through profit or loss	332,041	232,623	141,988	59,606	39,376
Deferred tax asset	732,242	632,558	522,140	565,263	605,115
Defered expenses	131,828	341,351	282,658	313,370	326,641
Loans receivable	1,154,455	1,448,987	1,708,955	1,978,036	2,199,044
Debt reserve funds	231,321	290,146	92,378	168,839	167,961
Total non-current assets	**27,986,871**	**28,632,180**	**17,281,129**	**17,918,017**	**17,431,729**
TOTAL ASSETS	**44,334,470**	**45,128,041**	**38,088,501**	**35,097,562**	**30,767,440**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Borrowings	216,281	221,684	101,560	126,324	493,125
Trade payables	2,920,793	3,242,625	3,437,278	2,485,623	2,141,969
Sundry payables and accruals	1,652,602	1,576,032	1,084,361	1,220,651	1,778,962
Dividends payable	181,359	187,877	825,000	565,000	200,000
Income taxes payable	77,649	430,317	131,501	317,547	242,497
Deferred income	68,412	209,088	106,283	67,690	83,700
Environmental obligation	3,926	3,000	6,652	7,721	5,600
Total current liabilities	**5,121,022**	**5,870,623**	**5,692,635**	**4,790,556**	**4,945,853**

Five-Year Financial Consolidated Balance Sheet (continued)

As at 31 December 2014 *(With comparative figures – Expressed in Trinidad and Tobago dollars)*

	At 31/12/2014 $'000	**At 31/12/2013 $'000**	**At 31/12/2012 $'000**	**At 31/12/2011 $'000**	**At 31/12/2010 $'000**
NON-CURRENT LIABILITIES					
Deferred tax liability	4,333,396	4,056,352	1,956,081	1,779,689	1,500,837
Borrowings	2,936,293	3,191,428	2,774,578	2,888,039	2,998,824
Pension obligation	603,587	481,320	290,207	255,386	94,027
Asset retirement obligation	851,974	735,674	667,031	638,250	605,886
Post-retirement medical and group life obligation	192,506	135,125	106,115	102,951	77,431
Deferred income	165,499	185,464	435,572	409,960	353,111
Take-or-pay liability	72,337	356,918	95,472	110,504	109,941
Environmental obligation	–	3,446	2,339	5,120	14,124
Onerous contract	239,591	314,151	125,343	134,319	167,562
Total long-term liabilities	**9,395,183**	**9,459,878**	**6,452,738**	**6,324,218**	**5,921,743**
Total liabilities	**14,516,205**	**15,330,501**	**12,145,373**	**11,114,774**	**10,867,596**
SHAREHOLDERS' 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	2,766,744	3,075,536	2,478,834	2,731,419	2,199,489
Retained earnings	23,720,064	23,365,380	20,722,111	18,433,495	14,966,743
Total Equity attributable to equity holders of the parent	**28,780,266**	**28,734,374**	**25,494,403**	**23,458,372**	**19,459,690**
NON-CONTROLLING INTEREST	**1,037,999**	**1,063,166**	**448,725**	**524,416**	**440,154**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**44,334,470**	**45,128,041**	**38,088,501**	**35,097,562**	**30,767,440**

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Five-Year Financial Review

(Expressed in Trinidad and Tobago dollars)

INCOME STATEMENT

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Sales	23,513,318	22,373,183	18,354,479	18,994,360	14,166,966
Cost of Sales	(15,106,532)	(14,846,809)	(13,588,468)	(13,574,003)	(10,563,970)
Gross Profit	8,406,786	7,526,374	4,766,011	5,420,357	3,602,996
Net Operating Costs	(1,808,373)	(1,574,830)	(968,581)	(864,125)	(1,530,436)
Operating Profit	6,598,413	5,951,544	3,797,430	4,556,232	2,072,560
Interest, Investment and Other Income	947,273	1,114,687	1,557,797	1,766,257	1,497,167
Finance Costs	(357,812)	(211,273)	(249,433)	(277,715)	(381,741)
Other Operating Income	393,327	347,250	369,563	372,211	112,403
Other Income on Asset Acquisition	–	1,247,835	–	–	–
Fair Value Gain on Step Up Acquisition	–	1,263,086	–	–	–
Profit Before Tax	7,581,201	9,713,129	5,475,357	6,416,985	3,300,389
Taxation	(3,102,389)	(3,199,228)	(1,525,329)	(1,812,114)	(1,206,941)
Net Profit For The Year	4,478,812	6,513,901	3,950,028	4,604,871	2,093,448
Non-Controlling Interest	(278,243)	(252,245)	(181,032)	(262,662)	(209,954)
Net Profit Attributable To Equity Holders of Parent	4,200,569	6,261,656	3,768,996	4,342,209	1,883,494

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Five-Year Financial Review

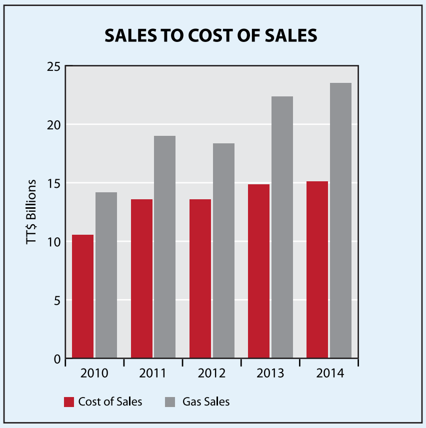
(Expressed in Trinidad and Tobago dollars)

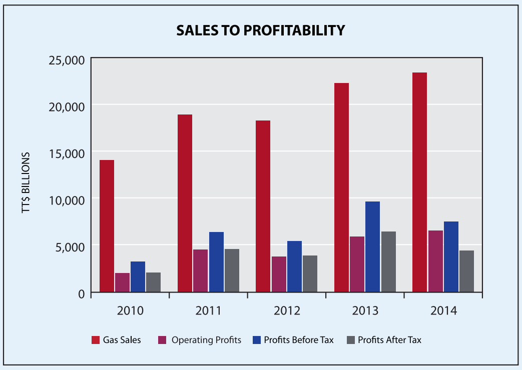
BALANCE SHEET

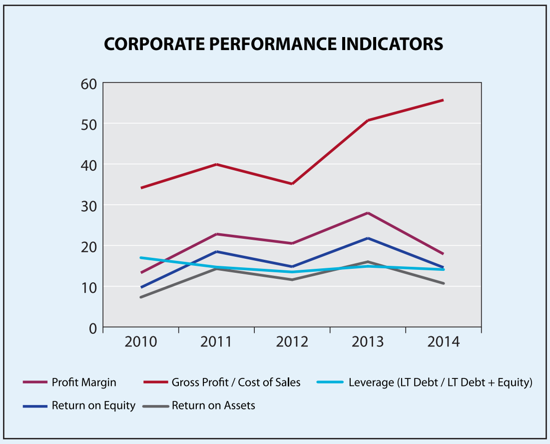
	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Net Current Assets (Current Assets-Liabilities)	11,226,577	10,625,238	15,114,737	12,388,989	8,389,858
Loan Receivable	1,154,455	1,448,987	1,708,955	1,978,036	2,199,044
Investments	3,371,664	3,701,637	2,901,293	3,074,537	2,479,118
Net Investment in Leased Asset	659,566	519,445	560,430	569,088	563,311
Property, Plant and Equipment	15,636,626	15,631,417	10,489,098	10,555,773	10,410,582
Capital Assets and Licences	2,926,110	2,981,366	–	–	–
Investment property	539,835	551,731	577,051	616,472	625,053
Other Intangible Assets	1,566	2,746	5,138	17,033	15,528
Goodwill	2,269,617	2,298,173	-	-	-
Financial Assets at Fair Value through Profit or Loss	332,041	232,623	141,988	59,606	39,376
Deferred Items	864,070	973,909	804,798	878,633	931,756
Debt Reserve Funds	231,321	290,146	92,378	168,839	167,961
	39,213,448	39,257,418	32,395,866	30,307,006	25,821,587
Financed By:					
Long-Term Debt and Accruals	4,896,288	5,218,062	4,061,085	4,134,569	4,067,795
Deferred Items	4,498,895	4,241,816	2,391,653	2,189,649	1,853,948
Non-Controlling Interest	1,037,999	1,063,166	448,725	524,416	440,154
Shareholders' Equity:					
Share Capital	1,855,266	1,855,266	1,855,266	1,855,266	1,855,266
Capital Reserves	3,204,936	3,513,728	2,917,026	3,169,611	2,637,681
Retained Earnings	23,720,064	23,365,380	20,722,111	18,433,495	14,966,743
	39,213,448	39,257,418	32,395,866	30,307,006	25,821,587

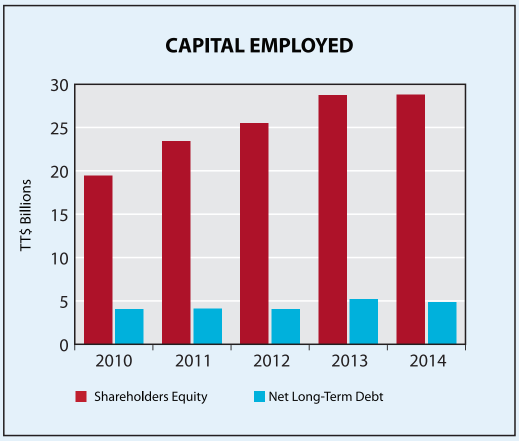
THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

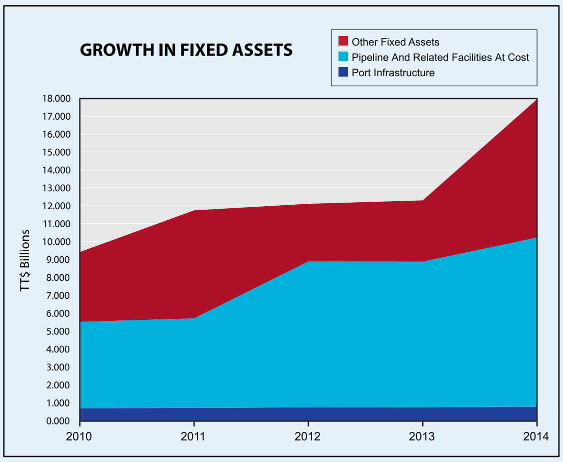
Consolidated Five-Year Financial Review

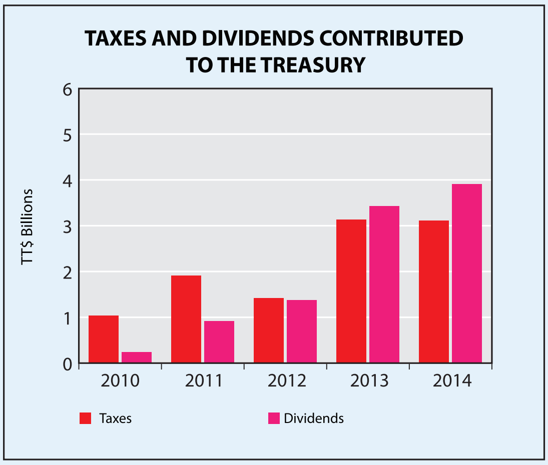












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