THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED
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August 10, 2022

The Permanent Secretary
Ministry of Finance **URGENT**
Investments Division
Level 11, Eric Williams Finance Building
Independence Square
PORT OF SPAIN

Dear Ms. Michelle Durham-Kissoon,

Annual Financial Statements/Annual Reports (the "Reports")

We refer to the above-captioned matter, to our letter dated July 22, 2022, and to yours of August 05, 2022, which was received by The National Gas Company of Trinidad and Tobago Limited ("NGC") on August 10, 2022.

Firstly, and further to our above-referenced letter, we are pleased to advise that the 2021 Annual Audited Consolidated Financial Statements of the NGC Group have been finalized and we now attach same for your attention.

For the purposes of our records however, and with a view to aligning with the requirements of the State Enterprises Performance Monitoring Manual ("SEPMM"), we wish to confirm that the Ministry of Finance ("MOF") agrees to an extension of time to August 10, 2022, for the delivery of the 2021 Annual Audited Financial Statements/Annual Reports ("AFS") for the NGC Group, in accordance with the SEPMM.

In relation to your letter dated August 05, 2022, we have noted your request for clarification as to the reasons or points of contention with the audit process which caused the delay in the finalization of the 2021 AFS and the delivery of same to the MOF in accordance with SEPMM requirements.

We have set out below, for your information, the reasons which collectively impacted the completion of the 2021 Audit process:

(i) <u>Acquisition of Colibri Assets</u> - NGC has been in negotiations with Heritage Petroleum Company Limited ("Heritage") for about eighteen (18) months with a view to acquiring Coilibri Gas producing assets ("Assets") with an effective date of July 01, 2021. In addition to the due diligence and negotiation process with Heritage being protracted, approvals were also required from the Boards of both NGC and its subsidiary entity E & P Investments Limited (where the Assets are to be held) and Ministries of Energy and Energy Industries and Finance, respectively. During the approval process, the LNG markets also underwent changes resulting in renegotiation of the terms of sale initiated by Heritage. This renegotiation resulted in further delays in the execution of the Sale and Repurchase Agreement which had to be executed in order to account for the transaction in the 2021 AFS. The Sale and Repurchase Agreement was finally executed in July 2022 thereby permitting this item to be closed and addressed in the AFS.

(ii) <u>Delays in conducting the 2020 Annual Meeting for NGC</u>- The 2020 Annual Meeting for NGC was convened on February 02, 2022 and reconvened on March 01, 2022. The delays in completing the Agenda for the Annual Meeting, resulted in the delay in the appointment NGC's External Auditors for the purposes of conducting the 2021 audit process. As a result of the above, Deloitte was only formally appointed as NGC's Auditors for this purpose, with effect from March 01, 2022 and would only have commenced the 2021 audit process after this date, thereby negatively impacting NGC's ability to comply with the delivery timelines stipulated in the SEPMM.

(iii) <u>Challenges faced by the External Auditors</u>- NGC's External Auditors, Deloitte, experienced significant challenges with acquisition and retention of skilled resources during the 2021 audit process, which negatively impacted their ability to execute the 2021 audit in a timely matter.

We hope that the above provides some clarity around the delays in the completion of the 2021 AFS and delivery of same to the MOF as required by the SEPMM. Please however let us know if you require any further information or clarification.

We take the opportunity to thank the MOF for your understanding and kind indulgence through this process and we look forward to the favourable response of MOF in granting the extension of time for delivery of the 2021 AFS to August 10, 2022.

Yours faithfully
THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

DocuSigned by:
Mark Loquan
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Mark Loquan
President

Encl:

The National Gas Company of Trinidad and Tobago Limited

Consolidated financial statements
31 December 2021

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Statement of management's responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited, ('the Company') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Mark Loquan
President

25 July 2022

Narinejit Pariag
Vice President
Finance, Technology and Risk

25 July 2022

Deloitte.

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Independent auditors' report

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

Report on the audit of consolidated financial statements

Opinion

We have audited the consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited (the 'Company'), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Opinion

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

Information Other than the Consolidated Financial Statements and Auditors' Report

Management is responsible for the other information. The other information obtained at the date of this auditors' report comprises the information included in the annual report, which is expected to be made available to us after the date of this auditors' report. Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

Deloitte.

Independent auditors' report (continued)

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this Independent Auditors' report is Daryl Walcott-Grappie (ICATT#1248).

Deloitte & Touche

5 August 2022

The National Gas Company of Trinidad and Tobago Limited

Consolidated statement of financial position
As at 31 December 2021
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2021 $'000	2020 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	14,421,562	14,257,985
Investment properties	6	471,245	498,456
Other intangible assets	7	127,212	129,015
Right-of-use assets	8	94,286	138,087
Goodwill	9	2,413,822	2,420,520
Investment in associates	10	353,069	324,052
Loans receivable	11	3,648,702	3,685,904
Other financial assets	12	3,900,489	3,638,134
Net investment in leased assets	8	164,865	172,120
Deferred tax asset	13	2,102,262	2,414,658
Contract assets	14	1,484	1,960
Pension asset	27	88,364	-
Total non-current assets		27,787,362	27,680,891
Current assets			
Cash	15	5,218,147	3,407,459
Short-term investments	16	648,634	2,016,037
Loans receivable	11	54,965	136,264
Net investment in leased assets	8	25,755	17,799
Accounts receivable	17	6,430,820	3,054,060
Sundry debtors and prepayments	18	709,109	896,619
Inventories	19	542,921	319,763
Contract assets	14	6,117	9,475
Income taxes receivable		536,683	594,682
Total current assets		14,173,151	10,452,158
Total assets		**41,960,513**	**38,133,049**

Continued…

The National Gas Company of Trinidad and Tobago Limited

Consolidated statement of financial position
As at 31 December 2021
(Amounts expressed in Trinidad and Tobago dollars)

	Note	2021 $'000	2020 $'000
SHAREHOLDER'S EQUITY AND LIABILITIES			
Shareholder's equity			
Share capital	20	1,855,266	1,855,266
Reserve fund	21	438,192	438,192
Other reserves	22	4,132,107	4,242,781
Retained earnings		15,626,460	13,032,618
Total equity attributable to owners of the parent		22,052,025	19,568,857
Non-controlling interest	41	2,654,861	2,504,716
Total shareholder's equity		24,706,886	22,073,573
Non-current liabilities			
Deferred tax liability	13	3,133,771	2,817,814
Borrowings	23	2,264,007	2,263,572
Contract liabilities	24	82,502	91,786
Lease liability	8	72,145	112,137
Provisions	25	5,889,682	6,812,659
Post retirement, medical and group life obligation	26	154,725	197,658
Pension obligation	27	-	32,720
Total non-current liabilities		11,596,832	12,328,346
Current liabilities			
Trade payables	28	4,532,229	1,978,713
Sundry payables and accruals	29	468,004	914,640
Borrowings	23	63,699	109,156
Contract liabilities	24	79,106	65,391
Lease liability	8	17,736	30,283
Provisions	25	212,977	617,771
Income taxes payable		283,044	15,176
Total current liabilities		5,656,795	3,731,130
Total liabilities		17,253,627	16,059,476
Total equity and liabilities		**41,960,513**	**38,133,049**

The accompanying notes on pages 11 to 92 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 25 July 2022.

______________________: Chairman ______________________: Director

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 2021

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2021 $'000	2020 $'000
Sales	30	23,608,547	11,413,901
Cost of sales	30	(18,927,185)	(10,078,419)
Gross profit		4,681,362	1,335,482
Other income	31	180,271	181,871
Interest and investment income	32	262,289	523,685
Gain on disposal of interest in asset	33	10,997	-
Administrative, maintenance & general expenses	34	(691,593)	(1,713,515)
Change in provision for economic losses	35	1,368,717	(1,784,312)
Impairment expense	36	(800,895)	(1,532,188)
Finance costs	37	(201,132)	(161,743)
Share of profit/(loss) from associates	38	48,915	(39,185)
Profit/(loss) for the year before taxation		4,858,931	(3,189,905)
Taxation	39	(2,290,300)	1,055,302
Profit/(loss) for the year after taxation		**2,568,631**	**(2,134,603)**
Other comprehensive income/(loss), net of taxes:			
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of net defined asset/liability net of income tax		113,798	21,794
Revaluation loss on pipeline net of income tax		-	(878,506)
Net unrealised gain/(loss) on equity instruments designated at fair value through other comprehensive income		279,904	(401,523)
Foreign currency translation differences		57,278	18,647
		450,980	(1,239,588)
Items that may be reclassified subsequently to profit or loss			
Net unrealised (loss)/gain on debt instruments at fair value through other comprehensive income		(3,319)	136
Total other comprehensive income/(loss) for the year, net of tax		447,661	(1,239,452)
Total comprehensive income/(loss) for the year		**3,016,292**	**(3,374,055)**

The accompanying notes on pages 11 to 92 form an integral part of these consolidated financial statements.

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 2021
(Amounts expressed in Trinidad and Tobago dollars)

	2021 $'000	2020 $'000
Profit/(loss) for the year after tax attributable to:		
- Owners of the parent	2,365,544	(2,088,252)
- Non-controlling interests	203,087	(46,351)
	2,568,631	**(2,134,603)**
Total comprehensive income/(loss) for the year, attributable to:		
- Owners of the parent	2,812,720	(3,304,969)
- Non-controlling interests	203,572	(69,086)
	3,016,292	**(3,374,055)**

The accompanying notes on pages 11 to 92 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 2021
(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 2020	1,855,266	438,192	5,565,159	15,125,139	22,983,756	2,622,827	25,606,583
Loss for the year after taxation	-	-	-	(2,088,252)	(2,088,252)	(46,351)	(2,134,603)
Revaluation reserve	-	-	(181,609)	-	(181,609)	(22,508)	(204,117)
Other comprehensive loss for the year, net of tax	-	-	(1,056,902)	21,794	(1,035,108)	(227)	(1,035,335)
Total comprehensive loss for the year	-	-	(1,238,511)	(2,066,458)	(3,304,969)	(69,086)	(3,374,055)
Transfer of loss on disposal of equity investments	-	-	11,049	(11,049)	-	-	-
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(94,916)	94,916	-	-	-
Dividends (Note 49)	-	-	-	(109,930)	(109,930)	(49,025)	(158,955)
Balance as at 31 December 2020	**1,855,266**	**438,192**	**4,242,781**	**13,032,618**	**19,568,857**	**2,504,716**	**22,073,573**

The accompanying notes on pages 11 to 92 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 2021
(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 2021	1,855,266	438,192	4,242,781	13,032,618	19,568,857	2,504,716	22,073,573
Profit for the year after taxation	-	-	-	2,365,544	2,365,544	203,087	2,568,631
Revaluation reserve	-	-	(181,881)	308,086	126,205	(5)	126,200
Other comprehensive income for the year, net of tax	-	-	207,173	113,798	320,971	490	321,461
Total comprehensive income for the year	-	-	25,292	2,787,428	2,812,720	203,572	3,016,292
Transfer of gain on disposal of equity investments	-	-	(70,025)	70,025	-	-	-
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(65,941)	65,941	-	-	-
Dividends (Note 49)	-	-	-	(329,552)	(329,552)	(53,427)	(382,979)
Balance as at 31 December 2021	**1,855,266**	**438,192**	**4,132,107**	**15,626,460**	**22,052,025**	**2,654,861**	**24,706,886**

The accompanying notes on pages 11 to 92 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 2021
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash generated from operations	40	2,814,198	430,615
Pension and other post-retirement contributions paid		(28,065)	(68,221)
Taxation paid		(1,381,472)	(603,101)
Taxation refunds received		4,760	-
Interest paid		(162,435)	(167,160)
Interest received		234,282	293,640
Net cash generated from/(used in) operating activities		1,481,268	(114,227)
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(508,216)	(284,393)
Purchase of capital assets and licences		(484,727)	(597,122)
Purchase of investment property		(544)	(1,357)
Proceeds from disposal of property plant and equipment		115,874	7
Purchase of investments		(603,446)	(3,927,036)
Maturity of investments		2,021,991	4,847,592
Repayment of loans		136,593	190,901
Dividends received		57,500	17,936
Net cash generated from investing activities		735,025	246,528
Cash flow from financing activities			
Repayment of borrowings		(45,442)	(199,065)
Lease payments		(38,776)	(21,433)
Dividends paid		(382,964)	(158,955)
Net cash used in financing activities		(467,182)	(379,453)
Net increase/(decrease) in cash		1,749,111	(247,152)
Net foreign exchange difference on cash balances		61,577	48,909
Cash at beginning of year		3,407,459	3,605,702
Cash at end of year		**5,218,147**	**3,407,459**

The accompanying notes on pages 11 to 92 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 involved in all stages of the gas value chain. The Group holds investments in the upstream, midstream and downstream sector and also owns port and industrial estates to support the petrochemical sector and industrial development. The National Gas Company of Trinidad and Tobago Limited is wholly owned by the Government of the Republic of Trinidad and Tobago (the 'GORTT'). The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas, Trinidad.

2. Significant accounting policies

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB).

2.2 Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

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

2.3 **Basis of consolidation**

1) *Subsidiaries*

A subsidiary Company is an entity controlled by the Group. Control is achieved when the Group:

(i) has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
(ii) has exposure or rights to variable returns from its involvement with the investee; and
(iii) has the ability to use its power over the investee to affect its returns.

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control as stated above. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

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

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

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

2. Significant accounting policies (continued)

2.3 Basis of consolidation (continued)

1) *Subsidiaries (continued)*

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

2) *Transactions eliminated on consolidation*

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

2.4 Business combinations and goodwill

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

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

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

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

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. Significant accounting policies (continued)

2.4 Business combinations and goodwill (continued)

The Group assesses at each reporting date whether there is an indication that goodwill maybe impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the assets recoverable amount. The Group assesses at each reporting date whether there is an indication that goodwill maybe impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the assets recoverable amount.

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

2.5 Investment in associates

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Under the equity method, an investment in an associate 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. When the Group's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), 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.

An investment in an associate 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, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

2.5 **Investment in associates (continued)**

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

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

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

The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate to which the equity method is not applied and which form part of the net investment in the investee.

2.6 **Interest in joint arrangements**

(i) Investment in joint ventures

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

Under the equity method, an investment in 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 joint venture. When the Group's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the 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 joint venture.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired.

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

2.6 **Interest in joint arrangements (continued)**

(i) Investment in joint ventures (continued)

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of a joint venture' in the statement of profit or loss. 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.

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

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

The Group continues to use the equity method when 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.

The Group applies IFRS 9, including the impairment requirements, to long-term interests in a joint venture to which the equity method is not applied and which form part of the net investment in the investee.

(ii) Joint operations

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

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

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

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

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

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and are measured at the lower of carrying amount and fair value less costs to sell. 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.

2. Significant accounting policies (continued)

2.7 Non-current assets held for sale (continued)

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

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale.

Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method.

The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

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

2.8 Foreign currencies

The functional currency of the Group is the United States dollar (‘US$’) because the US$ is the currency of the primary economic environment in which the Group operates. The Group statutory consolidated financial statements are required to be presented in Trinidad & Tobago dollars (‘TT$’), therefore the presentation currency is the TT$.

Transactions in foreign currencies are initially recorded at the functional currency using exchange rates 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.

For the presentation of the financial statements in TT$ from the functional currency, assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position. Income and expenses for each income statement (including comparatives) are translated at exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income.

The closing rate at the reporting date was 6.7625 (2020: 6.7612) and the average rate for the year was 6.7572 (2020: 6.7503).

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

2.9 **Property, plant and equipment**

Pipelines & related facilities are stated at their revalued amounts, less any subsequent accumulated depreciation and 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.

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

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

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

Freehold land is not depreciated.

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

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

All property, plant and equipment are depreciated using the straight-line method at the following rates:

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

2. Significant accounting policies (continued)

2.9 Property, plant and equipment (continued)

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

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

Oil and gas exploration, development and production assets

Property, plant and equipment includes capitalized costs related to exploration and evaluation expenditures, assets under construction and development. The Group capitalizes the initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognized based on exploratory experience and management judgement and charged to profit and loss as exploration expenses. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets are capitalized. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Group carries exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Group is making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalized and are reviewed periodically for impairment.

Producing oil and gas properties are depreciated on a unit of production basis. Drilling related assets are depreciated based over the proved developed reserves. Common facilities that are built specifically to service production directly attributed to designated oil and gas properties are depreciated over the total proved developed reserves of the respective oil and gas properties. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset’s recoverable amount is estimated.

2. Significant accounting policies (continued)

2.10 Intangible assets

a) Intangible assets acquired separately

Intangible assets are depreciated using the straight-line method using a rate of 50%. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated 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 with finite useful lives, acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

c) Derecognition of intangible assets

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

2.11 Impairment of tangible and intangible assets other than goodwill

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

2. Significant accounting policies (continued)

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

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 at the end of a reporting period that the asset may be impaired.

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

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

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

2.12 Investment properties

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

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

No depreciation is provided on freehold land.

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

2.13 Taxation

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

a) **Current tax**

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

2. Significant accounting policies (continued)

2.13 Taxation (continued)

b) Deferred tax

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

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

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

2.14 Leases

A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

a) The Group as a lessee

The Group considers whether a contract is, or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

To determine whether a lease exist the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

2. Significant accounting policies (continued)

2.14 Leases (continued)

a) The Group as a lessee (continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

The lease liability is remeasured and the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

2. Significant accounting policies (continued)

2.14 Leases (continued)

b) The Group as a lessor

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

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

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

2.15 Financial instruments

Financial assets and financial liabilities are recognised in the Company statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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, other than those designated and effective as hedging instruments, are classified and subsequently measured based on the following categories:

1) Financial assets at amortised cost
2) Financial assets at fair value through profit or loss (FVTPL)
3) Financial assets at fair value through other comprehensive income (FVTOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

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

The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. At initial recognition of a financial assets, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model.

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

2.15 **Financial instruments (continued)**

a) **Financial assets (continued)**

The Group reassess its business model each reporting period to determine whether the business models has changed since the preceding period.

1) Financial assets at amortised cost

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

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

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

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

Financial assets at FVPTL are:

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

This category includes derivative instruments.

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

Any gains or losses recognised on debt instruments must be measured at fair value through profit or loss (FVTPL).

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

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

- they are held under a business model whose objective is both to hold and collect the associated cash flows and to sell the financial assets and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

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

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

2.15 **Financial instruments (continued)**

a) **Financial assets (continued)**

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

Equity financial assets designated as FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

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

Debt instruments designated at FVTOCI are initially measured at fair value plus transaction cost. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve. Any gains/ (loss) on disposal are recognised in the statement of comprehensive income.

Reclassification

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

b) **Financial liabilities**

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.

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.

Other financial liabilities

Other financial liabilities including long term debt, dividends payable, trade and sundry payables and accruals are subsequently measured at amortised cost using the effective interest method or at FVTPL. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2. Significant accounting policies (continued)

2.15 Financial instruments (continued)

b) Financial liabilities (continued)

Other financial liabilities (continued)

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.

Derecognition of other financial liabilities

The Goup 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.

c) Impairment of financial assets

The Group applies the forward-looking expected credit loss (ECL) approach to assess whether a financial asset or group of financial assets may be impaired.

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

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

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) for which a 12-month ECL is recognized and financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’) for which ‘lifetime expected credit losses’ are recognised.
- ‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

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

Trade and other receivables and contract assets

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

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

2.15 **Financial instruments (continued)**

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

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

For debt instruments at FVTOCI, the Group applies the low credit risk simplification and recognises a 12 month expected credit losses, as most of these instruments have an investment grade credit rating, the likelihood of default is deemed to be small. However, at each reporting date the Group assesses whether it still qualifies for the low credit risk classification. For any that no longer qualify the Group assesses whether there has been a significant increase in the credit risk of the instrument.

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

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

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

d) **Derecognition of financial assets**

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 entity or when there has been a substantial decrease in valuation due to modification.

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

2.16 **Take-or-pay**

The Group has take-or-pay contracts with various upstream producers. An asset is recognised in the year in which the Company has to pay for volumes contractually committed to but not yet taken. The expense 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.

2. Significant accounting policies (continued)

2.16 Take-or-pay (continued)

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

2.17 Inventories

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

a) Liquefied natural gas ('LNG')

The valuation of LNG inventory includes cost of gas, processing fee and transportation cost.

b) Natural gas liquids ('NGLs')

The value of NGLs includes a proportion of plant overheads.

c) Spares

Plant spares is determined using the weighted average cost of items held in inventory.

d) Crude oil

Inventories of crude oil are measured using the weighted average cost basis.

2.18 Cash

Cash on hand and in banks are held to maturity.

For the purpose of the consolidated statement of cash flows, cash include cash in hand and deposits held at call with banks.

2.19 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risk and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Present values are determined using a current pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage in time is recognised as a finance expense.

2. Significant accounting policies (continued)

2.20 Pension and other post-employment benefits

a) Pension benefits

The employees of The National Gas Company of Trinidad and Tobago Limited (NGC), National Energy Corporation of Trinidad and Tobago Limited (National Energy), La Brea Industrial Development Company Limited (LABIDCO) and NGC CNG Company Limited (NGC CNG) are members of a Defined Benefit Pension Plan which was changed from a Final Salary Defined Benefit Plan at 31 December, 2018 to a Career Average Defined Benefit Plan from 1 January, 2019.

The employee's pension at retirement will be sum of the pension accrued under the Final Salary Defined Benefit Plan at 31 December, 2018 and the pension accrued under the Career Average Defined Benefit plan from 1 January, 2019 to retirement.

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

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. Pension benefits 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 pension benefits in profit or loss in the line item 'administrative, maintenance and general expenses'. Curtailment gains and losses are accounted for as past service costs. Net interest is calculated by applying the discount rate at the beginning of the period to the net pension liability or asset.

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

2. Significant accounting policies (continued)

2.20 Pension and other post-employment benefits

b) Defined contribution plan

The employees of Phoenix Park Gas Processors Limited (PPGPL), are under a defined contribution plan which came in effect from 1 January 2003. A defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay future amounts.

The plan covers all full-time employees of PPGPL and is funded by payments from employees and employer taking into account the recommendations of independent qualified actuaries. PPGPL'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 2021, there was no liability outstanding.

2.21 Non-refundable capital contribution

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

The contribution is recorded as contract liabilities in the statement of financial position with income recognised and the liabilities reduced on a straight-line basis over the life of the customers' sales contract.

2.22 Borrowing costs

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

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

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

2.23 Government grants

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

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

2. Significant accounting policies (continued)

2.24 Revenue and other income recognition

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

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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

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

Revenue from contracts with customers

- Revenues associated with the sale of gas, oil, natural gas liquids and condensate are recognised when title and the related rights pass to the customer being at the point of delivery.

- Revenue associated with services and marine infrastructure income is recognised upon performance of the services over time.

- Lease rental and service charge from operating leases on investment properties are recognised as revenue over time in the period in which they are earned. Premiums on leases are recognised as revenue at the point of execution of the lease in the initial year.
- Sale of methanol is recognised at the point, control of the product is transferred to the customer, which is normally when production and title or risk of loss transfers to the customer.

Other operating income

- Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably and is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable,

- Management fees earned on government funded projects are recognised over time as the management service is provided.

- Lease rental and service at the point of initial year of execution of the lease.

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

3.1 New IFRS and amendments to IFRS that are mandatorily effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest

• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The application of these amendments did not have an impact on the consolidated financial statements of the Group for 2021. The Group intends to use the practical expedient approach as the existing contractual arrangements with interest rates is pegged to LIBOR. This will be amended to a similar rate. The amendment is expected to have an immaterial impact on the financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS

This amendment provided practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. This practical expedient was available to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021.

In March 2021, the Board issued Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.

This amendment had no impact on the consolidated financial statements of the Group.

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

3.2 New and revised IFRS and Interpretations in issue but not yet effective and not early adopted

The Management of the Group does not anticipate that the application of these improvements to IFRS Standards will have any significant impact on the financial statements.

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

• IFRS 17	Insurance Contracts [2]
• IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
• Amendments to IAS 1	Classification of Liabilities as Current or Non - current [2]
• Amendments to IFRS 3	Reference to the Conceptual Framework[1]
• Amendments to IAS 16	Property, Plant and Equipment – Proceeds Before Intended Use [1]
• Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract [1]
• Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1 First-time Adoption of IFRSs, IFRS 9 Financial Instruments, IFRS 16 Leases, IAS 41 Agriculture [1]
• Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies [2]
• Amendments to IAS 8	Definition of Accounting Estimates [2]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [2]

[1] Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2023, with earlier application permitted.
[3] Effective date of the amendments has yet to be set by the IASB; however earlier application of the amendments is permitted.

- **IFRS 17 Insurance Contracts**

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

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

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

- **IFRS 17 Insurance Contracts (continued)**

  The amendments defer the date of the initial application of IFRS 17 to annual reporting periods beginning on or after 1 January 2023. This standard will have no impact on the Group's financial statements.

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

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

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

  This amendment had no impact on the consolidated financial statements of the Group.

- **Amendments to IAS 1 – Classification of Liabilities as Current or Non-current**

  The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

  The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

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

3.2 New and revised IFRS and Interpretations in issue but not yet effective and not early adopted (continued)

- **Amendments to IFRS 3 – Reference to the Conceptual Framework**

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

- **Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of testing whether an asset is functioning properly. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

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

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

- **Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use (continued)**

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other components of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- **Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- **Annual Improvements to IFRS Standards 2018–2020**

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

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

- **Annual Improvements to IFRS Standards 2018–2020 (continued)**

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date. The entity first applies the amendment and is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements. As this amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

IAS 41 Agriculture

The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

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

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies (continued)**

  The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates**

  The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

  The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

  - A change in accounting estimate that results from new information or new development is not the correction of an error

  - The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

  The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

- **Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

  The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

  Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease

  Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

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

3.2 New and revised IFRS and Interpretations in issue but not yet effective and not early adopted (continued)

- **Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (continued)**

  The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

  - A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:

    – Right-of-use assets and lease liabilities

    – Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset

  - The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

4. Critical accounting judgements and key sources of estimation uncertainty

4.1 Critical judgements in applying accounting policies

In the application of the Group's accounting policies, which are described in note 2, the management of the Group 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

4.2 Key sources of estimation uncertainty

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

- *Impairment of non-financial assets*
  (Refer to note 5 - Property, plant and equipment and note 6 – Investment properties)

- *Tax assessments*
  (Refer to note 43 (a) – Contingencies: Taxes)

- *Provisions*
  (Refer to note 25 – Provisions)

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

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

- *Useful lives of investment property*
  (Refer to note 6 – Investment properties)

- *Impairment of goodwill*
  (Refer to note 9 – Goodwill)

- *Pension and other post-employment benefits*
  (Refer to note 27 – Pension obligation and note 26 – Post retirement, medical and group life obligation)

- *Expected credit losses*
  (Refer to note 2.15 (c) – Impairment of financial assets)

- *Fair value measurement of financial instruments*
  (Refer to note 48 (g) - Fair Value)

- *Lease accounting*
  (Refer to note 8 – Right of use assets)

The National Gas Company of Trinidad and Tobago Limited

Notes to the consolidated financial statements
for the year ended 31 December 2021
(Amounts expressed in Trinidad and Tobago dollars)

5. Property, plant and equipment

	Freehold land	Leasehold property	Develop-ment costs	Machinery & equipment	Pipeline & related facilities	Exploration & production assets	Gas plant & other related assets	Offshore plant & equipment	Marine infra-structural assets	Other assets	Assets under construction	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2021												
Opening net book value	348,861	196,357	247	7,383	7,740,122	1,990,382	2,939,076	-	621,589	28,692	385,278	14,257,985
Additions	151	-	-	5,304	-	849,690	-	-	15,381	8,628	138,775	1,017,929
Transfers	-	-	-	3,684	-	-	1,508	-	3,011	10,138	(23,823)	(5,482)
Disposals	-	(120)	-	(12)	-	(154,197)	-	-	(1,502)	(3)	-	(155,834)
Decommissioning	-	-	-	-	-	721,138	-	(116)	-	-	-	721,022
Depreciation for year	-	(3,925)	(57)	(6,552)	(214,887)	(98,414)	(353,222)	-	(50,244)	(12,008)	-	(739,309)
Adjustment	-	-	-	-	-	302	-	-	-	-	(20,689)	(20,387)
Impairment (charge)/reversal	-	-	-	-	-	(656,722)	-	116	-	-	3,906	(652,700)
Foreign exchange difference	66	34	-	1	1,323	3,914	133	-	1	4	(7,140)	(1,662)
Closing net book value	**349,078**	**192,346**	**190**	**9,808**	**7,526,558**	**2,656,093**	**2,587,495**	**-**	**588,236**	**35,451**	**476,307**	**14,421,562**
At 31 December 2021												
Cost	349,078	288,033	2,627	215,957	9,435,983	8,048,594	5,530,663	574,649	1,342,018	251,288	1,748,083	27,786,973
Accumulated depreciation/impairment	–	(95,687)	(2,437)	(206,149)	(1,909,425)	(5,392,501)	(2,943,168)	(574,649)	(753,782)	(215,837)	(1,271,776)	(13,365,411)
Net book value	**349,078**	**192,346**	**190**	**9,808**	**7,526,558**	**2,656,093**	**2,587,495**	**-**	**588,236**	**35,451**	**476,307**	**14,421,562**

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5. Property, plant and equipment (continued)

	Freehold land $'000	Leasehold property $'000	Develop-ment costs $'000	Machinery & equipment $'000	Pipeline & related facilities $'000	Exploration & production $'000	Gas plant & other related assets $'000	Offshore plant & equipment $'000	Marine infra-structural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2020												
Opening net book value	348,600	186,772	260	6,661	11,028,308	1,371,950	3,278,321	2935	656,156	31,899	359,309	17,271,171
Additions	327	-	65	6,531	2,109	673,643	-	-	16,859	8,047	64,362	771,943
Transfers	-	13,503	-	-	3,528	-	7,647	-	12,573	1,406	(38,657)	-
Disposals	-	-	-	(18)	-	-	(115)	-	(2,004)	(10)	-	(2,147)
Revaluation decrease	-	-	-	-	(2,997,303)	-	-	-	-	-	-	(2,997,303)
Decommissioning	-	-	-	-	-	52,210	-	43,104	-	-	-	95,314
Depreciation for period	-	(3,879)	(78)	(5,787)	(278,133)	(232,760)	(353,840)	(2,930)	(47,589)	(12,626)	-	(937,622)
Adjustment	-	-	-	-	-	-	-	-	-	-	(9,742)	(9,742)
Impairment reversal/(charge)	-	-	-	-	-	124,011	7,559	(43,104)	(14,407)	-	28,152	102,211
Foreign exchange difference	(66)	(39)	-	(4)	(18,388)	1,328	(497)	(5)	1	(24)	(18,146)	(35,840)
Closing net book value	**348,861**	**196,357**	**247**	**7,383**	**7,740,121**	**1,990,382**	**2,939,075**	**-**	**621,589**	**28,692**	**385,278**	**14,257,985**
At 31 December 2020												
Cost	348,861	288,119	2,627	206,980	9,434,660	6,627,747	5,529,022	574,765	1,325,128	232,522	1,660,956	26,231,388
Accumulated depreciation/impairment	-	(91,762)	(2,380)	(199,597)	(1,694,539)	(4,637,365)	(2,589,947)	(574,765)	(703,539)	(203,830)	(1,275,678)	(11,973,402)
Net book value	**348,861**	**196,357**	**247**	**7,383**	**7,740,121**	**1,990,382**	**2,939,075**	**-**	**621,589**	**28,692**	**385,278**	**14,257,985**

5. Property, plant and equipment (continued)

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

The Group revalues its pipelines every five to seven years by an independent accredited valuator. The Group's pipelines and related facilities are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. As at 31 December 2020 an independent assessment of the fair value of the pipelines and related facilities was performed.

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 exceeding 60 years. The estimated useful life is based on current and estimated future gas reserves as well as other factors.

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

	Level 1 $’000	Level 2 $’000	Level 3 $’000	Total $’000
As at 31 December 2021	**-**	**-**	**7,526,558**	**7,526,558**
As at 31 December 2020	**-**	**-**	**7,740,121**	**7,740,121**

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

The net carrying amount of the pipelines, if they were carried at cost rather than at the revalued amount, would have been $6,227.2 million as at 31 December 2021 (2020: $6,469.9 million).

b) **Pipelines and related facilities**

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

c) **Transfers**

Management took the decision to transfer this amount of $5.4 million from assets under construction to other receivables relating the development of a Compressed Natural Gas (“CNG”) station at the Preysal Roundabout.

d) **Impairment of exploration and production assets - TT$656.7 million**

The charge for 2021 includes a provision for impairment of Block 3A asset net of a reversal of provision previously recorded relating to the Teak, Saaman and Poui (TSP) asset.

Block 3A
An impairment assessment was conducted by Management of its interest in 3A which resulted in an impairment charge of TT$722.9 million (US$106.9 million).

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

- Discount rate of 10.52% (2020: 9.65%).
- Projected oil and gas prices for the years 2022 - 2026.
- Projected crude oil and gas production for the years 2022 - 2026.

5. Property, plant and equipment (continued)

d) **Impairment of exploration and production assets - TT$656.7 million (continued)**

Block 3A (continued)

Utilizing cashflows computed, sensitivity analyses were conducted based on an increase/decrease of the discount rate of 10.52% by 100 basis points.

While holding all other variables constant the impairment charge will increase/(decrease) by the following:

- Scenario (a), where discount rate was reduced by 100 basis points, while holding all other variables constant, there will be a decrease in the impairment charge by TT$5.8 million.
- Scenario (b), where discount rate was increased by 100 basis points, while holding all other variables constant, there will be an increase in the impairment charge by TT$5.8 million.

Teak, Saaman and Poui (TSP) asset

An impairment assessment was conducted by Management of its interest in TSP which resulted in an impairment reversal of TT$66.2 million (US$9.8 million).

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

- Discount rate of 10.52% (2020:9.65%)
- Projected oil and gas prices for the years 2022 - 2027.
- Projected crude oil and gas production for the years 2022 - 2027.

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6. Investment properties

	Buildings $'000	Freehold land $'000	Development costs $'000	Fabrication Yard $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2021						
Opening net book value	111,195	46,465	324,819	10,149	5,828	498,456
Additions	-	-	-	-	544	544
Depreciation for year	(652)	-	(26,878)	(732)	-	(28,262)
Impairment reversal (note 36)	-	-	3,395	(2,888)	-	507
Closing net book value	**110,543**	**46,465**	**301,336**	**6,529**	**6,372**	**471,245**
At 31 December 2021						
Cost	600,539	46,465	653,192	45,174	6,372	1,351,742
Accumulated depreciation/impairment	(489,996)	-	(351,856)	(38,645)	-	(880,497)
Net book value	**110,543**	**46,465**	**301,336**	**6,529**	**6,372**	**471,245**
Year ended 31 December 2020						
Opening net book value	98,733	46,465	355,098	22,671	6,038	529,005
Additions	-	-	345	-	1,012	1,357
Transfers	-	-	1,222	-	(1,222)	-
Depreciation for year	(652)	-	(27,145)	(1,538)	-	(29,335)
Impairment expense (note 36)	13,114	-	(4,701)	(10,984)	-	(2,571)
Closing net book value	**111,195**	**46,465**	**324,819**	**10,149**	**5,828**	**498,456**
At 31 December 2020						
Cost	600,539	46,465	653,192	45,174	5,828	1,351,198
Accumulated depreciation/impairment	(489,344)	-	(328,373)	(35,025)	-	(852,742)
Net book value	**111,195**	**46,465**	**324,819**	**10,149**	**5,828**	**498,456**

	2021 $'000	2020 $'000
Amounts recognised in the statement of profit or loss:		
Rental income from investment properties	**29,919**	**32,135**
Direct operating expenses	**6,234**	**4,703**

6. Investment properties (continued)

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

The fair value is based on the investment properties' value-in-use. The recoverable amounts of the Company's major assets have been determined based on a value-in-use calculation using cash flow projections from lease agreements and the Board approved business development plan, at a discount rate of 9.410% (2020: 8.810%).

The fair value measurements of the Brighton Materials Storage and Handling Warehouse facility (included in Buildings) as at 31 December 2021 was performed by an independent qualified valuator. The fair value of the facility was determined using the cost approach that reflects the current replacement/reproduction cost of the building structure of comparable utility and age, adjusted for obsolescence.

As a result of this analysis, no impairment was recognised by Management for 2021 (2020: an impairment reversal of $13.1 million) on its investment properties in the statement of profit and loss.

The fair value was based on the fabrication yard and development costs at La Brea Industrial Estate was based on value-in-use. The recoverable amount was based on a value-in-use calculation using cash flow projections from the 2022 financial budgets prepared by Management and approved by the Board of Directors and extrapolated for a four-year period, at a discount rate of 9.34% (2020: 9.17%). As a result of this analysis, impairment reversal of $0.5 million was recognised by Management for 2021 (2020: impairment expense of $15.7 million) on its investment properties in the statement of profit or loss.

7. Other intangible assets

The category of intangible assets comprise of computer software and purchased contracts (Note 2.10). The movement in intangible assets are shown below.

	Software $'000	Purchased contracts $'000	Total $'000
Year ended 31 December 2021			
Opening net book value	21,444	107,571	129,015
Additions	1,129		1,129
Amortisation charge for the year (Note 34)	(2,955)	-	(2,955)
Foreign exchange difference	3	20	23
Closing net book value	**19,621**	**107,591**	**127,212**
Year ended 31 December 2021			
Cost	168,806	107,591	276,397
Accumulated amortisation	(149,185)	-	(149,185)
Net book value	**19,621**	**107,591**	**127,212**
Year ended 31 December 2020			
Opening net book value	21,702	-	21,702
Additions	2,173	107,397	109,570
Amortisation charge for the year (Note 34)	(2,427)	-	(2,427)
Foreign exchange difference	(4)	174	170
Closing net book value	**21,444**	**107,571**	**129,015**
Year ended 31 December 2020			
Cost	167,674	107,571	275,245
Accumulated amortisation	(146,230)	-	(146,230)
Net book value	**21,444**	**107,571**	**129,015**

8. Leases

The Group as a lessee

The Group has lease contracts for land, machinery, equipment and motor vehicles. Set out below are the terms:

(i) Land – with lease term ranging between 30-99 years

(ii) Machinery and equipment which consist of:
- photo copiers with a lease term of three years. There is no option to purchase the copiers.
- cell tower with lease terms of four years

(iii) Motor vehicles have a lease term of four years.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right of use assets

	Office Space $'000	Land Leases $'000	Machinery & Equipment $'000	Motor Vehicle $'000	Total $'000
Year ended 31 December 2021					
As at 1 January 2021	2,292	110,572	9,974	15,249	138,087
Additions	-	3,406	-	662	4,068
Adjustments	(568)	(23,577)	-	-	(24,145)
Depreciation for year	(472)	(8,985)	(3,711)	(10,519)	(23,687)
Foreign exchange difference	(3)	(25)	(6)	(3)	(37)
As at 31 December 2020	**1,249**	**81,391**	**6,257**	**5,389**	**94,286**
At 31 December 2021					
Cost	2,740	107,522	18,031	39,573	167,866
Accumulated depreciation/impairment	(1,491)	(26,131)	(11,774)	(34,184)	(73,580)
Net book value	**1,249**	**81,391**	**6,257**	**5,389**	**94,286**
Year ended 31 December 2020					
As at 1 January 2020	-	102,140	13,684	25,817	141,641
Remeasurement	-	4,043	2	10	4,055
Additions	3,307	14,547	-	-	17,854
Depreciation for year	(1,019)	(10,154)	(3,707)	(10,558)	(25,438)
Foreign exchange difference	4	(4)	(5)	(20)	(25)
Closing net book value	**2,292**	**110,572**	**9,974**	**15,250**	**138,087**
At 31 December 2020					
Cost	3,311	127,718	18,037	38,914	187,980
Accumulated depreciation/impairment	(1,019)	(17,146)	(8,063)	(23,665)	(49,893)
Net book value	**2,292**	**110,572**	**9,974**	**15,249**	**138,087**

8. Leases (continued)

(b) Lease liability amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to lease liability:

Lease liabilities

	2021 $'000	2020 $'000
Analysed as:		
Current	17,736	30,283
Non-current	72,145	112,137
	89,881	**142,420**

Maturity analysis:

	2021 $'000	2020 $'000
Year 1	17,736	30,283
Year 2	10,070	9,602
Year 3	2,122	3,018
Year 4	2,006	2,056
More than 4 years	57,947	97,461
	89,881	**142,420**

(c) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 $'000	2020 $'000
Amortisation charge of right of use assets	23,687	25,437
Interest expense on lease liabilities	9,718	10,096
Short term lease rental expense	537	625

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8. Leases (continued)

The Group as a lessor

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

Net investment in leased assets

	2021 $'000	2020 $'000
Finance lease - gross investment	228,072	257,161
Less: unearned finance charges	(37,452)	(67,242)
	190,620	**189,919**
Gross investment in leased assets has the following maturity profile:		
Within 1 year	58,341	35,056
1 to 5 years	153,136	205,513
Over 5 years	16,595	16,592
	228,072	**257,161**
Net investment in leased assets has the following maturity profile:		
Within 1 year	25,755	17,799
1 to 5 years	148,574	155,959
Over 5 years	16,291	16,161
	190,620	**189,919**
Current	25,755	17,799
Non-current	164,865	172,120
	190,620	**189,919**

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9. Goodwill

	2021 $'000	2020 $'000
Balance at beginning of the year	2,420,520	2,413,786
Effects of movement in foreign exchange rates	(6,698)	6,734
Balance at end of the year	**2,413,822**	**2,420,520**

The goodwill arose upon the step acquisition of the additional interest in Phoenix Park Gas Processors Limited ('PPGPL').

The goodwill was tested for impairment as at 31 December 2021.

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

- Discount rate of 10.11% (2020: 10.15%)
- Long range price and production projections for propane, butane and natural gasoline
- NGL Content in natural gas stream.

Based on review conducted, there was no impairment of the goodwill recorded on the investment in Phoenix Park Gas Processors Limited ('PPGPL') as the recoverable amount exceeded the carrying value of the investment.

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

10. Investment in associates

NGC through NGC Petrochemicals Limited (NPL) holds a 20% equity interest in Caribbean Gas Chemical Limited ('CGCL') whose core business is the production and sale of Methanol and Dimethyl Ether (DME).

During 2021, the Group acquired a 19.5% equity interest Point Fortin LNG Export Limited ('PFLE') whose main trading activity is the marketing of liquefied natural gas (LNG) on which an operating margin is earned on the sale of each LNG cargo.

	2021			2020
	$'000	$'000	$'000	$'000
	CGCL - 20%	**PFLE - 19.5%**	**Total**	**CGCL - 20%**
Balance as at 1 January	324,052	-	324,052	339,293
Purchase of shares – equity cash call	-	-	-	24,020
Share of profit/(loss) from associate	25,463	23,452	48,915	(39,185)
Distribution receivable from associate	(20,000)	-	(20,000)	
Effects of movement in foreign exchange rates	84	18	102	(76)
Balance at end of the year	**329,599**	**23,470**	**353,069**	**324,052**

11. **Loans receivable**

	2021 $'000	2020 $'000
Trinidad and Tobago Electricity Commission (T&TEC) (a)	3,659,413	3,710,145
Atlantic LNG 4 Company of Trinidad and Tobago Limited (b)	-	84,983
Caribbean Gas Chemical Limited (c)	62,551	46,245
	3,721,964	3,841,373
Less: expected credit loss (Note 48 (a (i))	(18,297)	(19,205)
	3,703,667	3,822,168
Current portion	(54,965)	(136,264)
Long-term portion	**3,648,702**	**3,685,904**

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

On 31 December 2018, the Group converted trade receivables of TT$3.5 billion (US$524 million) for unpaid gas sales to a ten (10) year loan facility issued in two (2) tranches at 6% per annum.

Tranche A - Principal amount of TT$1,776.5 million (US$262 million) at interest rate of 6 percent with a one (1) year moratorium on the repayment of principal and interest, with semi-annual interest capitalised over the first (1st) year and thereafter, eighteen (18) equal semi-annual instalments of principal and interest from June 2020 to December 2028. Principal repayment during 2021 amounted to TT$51.4 million (US$7.6 million), 2020 TT$48.5 million (US$7.1 million).

Tranche B - Principal amount of TT$1,776.5 million (US$262 million) at an interest rate of 6 percent with a five (5) year moratorium on the repayment of principal and interest, with semi-annual interest capitalised over the five (5) years and thereafter, ten (10) equal semi-annual payments of principal and interest payments commencing from June 2024 until December 2028.

b) **Atlantic LNG 4 Company of Trinidad and Tobago Limited (ALNG Train 4)**

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.

Trinidad and Tobago LNG Limited (TTLNG) loaned the sum of US$112.0 million to ALNG Train 4 with interest payable quarterly at a rate of LIBOR plus a margin which ranges from 1.1% to 2.1% per annum with a maturity date of 15 December 2020. The effective interest rate at the reporting date was 2.5090% (2020: 2.6211%). The loan was fully repaid in 2021.

c) **Caribbean Gas Chemical Limited**

In accordance with shareholders agreements, NGC Petrochemicals Limited granted members loans to Caribbean Gas Chemicals amounting to TT$61.3 million (US$9.1 million) of which TT$15.3 million (US$2.3 million) was granted in 2021.

This loan is unsecured with a repayment date no later than March 2032. Interest is calculated on the principal amount outstanding and payable semi-annually on March and September of each year at a rate of LIBOR plus a margin of 2.0% per annum. The effective interest rate at the reporting date was 2.1525%.

12. Other financial assets

		2021 $'000	2020 $'000
	Financial assets at fair value through other comprehensive income (FVTOCI):		
(i)	**Equity instruments designated at fair value through OCI:**		
	Listed equity investments		
	Local shares	401,484	352,652
	Foreign shares	555,277	549,297
	Non-listed equity investment		
	Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	1,049,692	912,398
	Local shares	967	967
	Equity instruments at FVTOCI	2,007,420	1,815,314
(ii)	**Debt instruments at fair value through OCI:**		
	Quoted debt instruments		
	Foreign bonds	97,484	136,203
	Unquoted debt instruments		
	Local bonds	213,628	213,587
	Debt instrument at FVTOCI	311,112	349,790
(iii)	**Financial assets at fair value through profit or loss**		
	Local bonds	6,365	6,365
	Credit linked notes	852,075	858,672
	Alternative investments/ mutual funds	723,517	607,993
	Financial assets at FVTPL	1,581,957	1,473,030
	Total other financial assets	**3,900,489**	**3,638,134**

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

(i) Equity instruments designated at fair value through OCI

Listed equity investments

The Group sold some of its investments in equity shares during 2021. The consideration received for the sale of these shares was TT$269.8 million (US$40.0 million). An accumulated gain of TT$70.0 million from the sale of these shares was transferred to retained earnings.

Non - Listed equity investments

The Group holds equity investments in the following companies which has been fully impaired.

	2021 $'000	**2020 $'000**
National Helicopter Services Limited	6,661	6,660
Trinidad and Tobago Marine Petroleum Company (Trintomar)	150,628	150,599
	157,289	157,259
Less*:* Impairment	(157,289)	(157,259)
Balance as at 31 December	-	-

The Group has classified its equity investment in Atlantic LNG Company of Trinidad and Tobago and Atlantic LNG 4 Company of Trinidad and Tobago Unlimited as FVTOCI as the Group intends to hold them for the long term for strategic purposes. The investment in Atlantic LNG Company of Trinidad and Tobago is fully impaired.

	2021 $'000	**2020 $'000**
Atlantic LNG Company of Trinidad and Tobago Limited		
Balance at at 1 January	-	59,492
Movement in fair value assessment - OCI	-	(59,481)
Effect of changes in foreign exchange rate	-	(11)
Balance as at 31 December	**-**	**-**
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited		
Balance at at 1 January	912,398	1,057,068
Movement in fair value assessment	137,119	(144,636)
Effect of changes in foreign exchange rate	175	(34)
Balance as at 31 December	**1,049,692**	**912,398**

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

(ii) Debt instruments at fair value through OCI

This includes investments in quoted and unquoted government and corporate bonds. Fair values of the quoted debt instruments were determined by reference to published price quotations. The fair value of the unquoted bond was determined using the present value of the future cashflows, discounted by the yield that corresponds to the tenor on the relevant yield curve plus the relevant credit risk spread and illiquidity premium. The expected credit loss of TT$0.7 million was recorded for 2021 (2020: TT$1.7 million) in other reserves within equity.

(iii) Financial assets at fair value through profit or loss

a) Investment in Credit Linked Notes.

In 2008 the Group issued two (2) single tranche Credit Linked Notes at a cost of TT$240.1 million (US$35.5 million) to meet 50% of the Group's bond liability that matures in 2036. The fair value of the Credit Linked Notes was determined using a valuation technique. The notes have a maturity value of TT$1,352.5 million (US$200 million) and is subject to the credit risk of the issuer.

(b) Alternative investments

This includes investments in international mutual and hedge funds. The fair value was determined using bid prices for listed securities and proprietary models for bond valuations.

13. **Deferred tax**

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

	2021 $'000	2020 $'000
Deferred tax asset:		
Asset retirement obligation	590,498	258,284
Post-retirement medical and group life and pension obligation	54,154	80,634
Tax losses	62,113	238,963
Accrued interest expense	26,414	26,627
Expected credit losses	256,866	215,626
Provision for economic loss	1,087,524	1,566,653
Other	24,693	27,871
	2,102,262	**2,414,658**
Deferred tax liability:		
Property, plant and equipment	**3,133,771**	**2,817,814**

14. Contract assets

	2021 $'000	2020 $'000
Prepaid software subscription	5,139	7,332
Other	2,462	4,103
	7,601	**11,435**
Current	6,117	9,475
Non-current	1,484	1,960
	7,601	**11,435**

15. Cash

	2021 $'000	2020 $'000
Cash at banks	**5,218,147**	**3,407,459**

Cash at banks earns interest based on daily deposit rates.

16. Short-term investments

	2021 $'000	2020 $'000
Gross short-term investments	1,185,268	2,552,569
Less: Expected credit losses	(536,634)	(536,532)
Short-term investments	**648,634**	**2,016,037**

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

b) The Group has an outstanding balance of TT$536.6 million as at 31 December 2021 from the insolvency of a financial institution which has been fully impaired in the consolidated financial statements.

17. Accounts receivable

	2021 $'000	2020 $'000
Gross Accounts receivable	7,157,217	3,647,482
Less: Expected credit losses	(726,397)	(593,422)
Net Accounts receivable	**6,430,820**	**3,054,060**

Included in account receivable is trade receivable which are non-interest bearing and are generally on a 30-60 day terms.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

	Current $'000	> 30 days $'000	> 60 days $'000	> 90 days $'000	> 180 days $'000	> 365 days $'000	Total $'000
As at 31 December 2021							
Trade receivables individually assessed							
Expected loss rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Gross receivables	3	-	-	-	-	442,786	442,789
Loss allowance	(3)	-	-	-	-	(442,786)	(442,789)
	-	**-**	**-**	**-**	**-**	**-**	**-**
Trade receivables individually assessed - Power							
Expected loss rate	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	
Gross receivables	175,447	189,067	85,620	170,513	473,130	1,857,256	2,951,033
Loss allowance	(14,458)	(15,580)	(7,056)	(14,051)	(38,989)	(153,049)	(243,183)
	160,989	**173,487**	**78,564**	**156,462**	**434,141**	**1,704,207**	**2,707,850**
Trade receivables collectively assessed *							
Gross receivables	3,473,328	73,071	51,465	90,492	45,764	29,275	3,763,395
Loss allowance	(31,099)	(737)	(1,001)	(2,196)	(1,425)	(3,967)	(40,425)
	3,442,229	**72,334**	**50,464**	**88,296**	**44,339**	**25,308**	**3,722,970**
Net carrying amount	**3,603,218**	**245,821**	**129,028**	**244,758**	**478,480**	**1,729,515**	**6,430,820**

* The expected loss rate on the Group's trade receivables collectively assessed for 2021 is 1.07% (2020: 1.08%).

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17. **Accounts receivable (continued)**

	Current $'000	> 30 days $'000	> 60 days $'000	> 90 days $'000	> 180 days $'000	> 365 days $'000	Total $'000
As at 31 December 2020							
Trade receivables individually assessed							
Expected loss rate	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Gross receivables	3	1	1	4	11,565	436,835	448,409
Loss allowance	(3)	(1)	(1)	(4)	(11,565)	(436,835)	(448,409)
	-	-	-	-	-	-	-
Trade receivables individually assessed - Power							
Expected loss rate	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%	
Gross receivables	165,798	86,720	84,678	243,140	532,880	825,132	1,938,348
Loss allowance	(11,238)	(5,878)	(5,740)	(16,480)	(36,119)	(55,929)	(131,384)
	154,560	**80,842**	**78,938**	**226,660**	**496,761**	**769,203**	**1,806,964**
Trade receivables collectively assessed *							
Gross receivables	1,072,372	71,671	34,888	7,173	37,330	37,291	1,260,725
Loss allowance	(11,363)	(598)	(198)	(166)	(188)	(1,116)	(13,629)
	1,061,009	**71,073**	**34,690**	**7,007**	**37,142**	**36,175**	**1,247,096**
Net carrying amount	**1,215,569**	**151,915**	**113,628**	**233,667**	**533,903**	**805,378**	**3,054,060**

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17. **Accounts receivable (continued)**

The closing loss allowances for trade receivables as at 31 December 2021 reconcile to the opening loss allowances as follows:

	2021			2020		
	Individually Assessed	Collectively Assessed	Total	Individually	Collectively	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Opening Balance as at 1 January	579,793	13,629	593,422	573,508	21,695	595,203
Increase/(decrease) in expected credit loss recognised in profit and loss during the year (Other)	(435)	21,583	21,148	6,285	(8,080)	(1,795)
Increase/(decrease) in expected credit loss recognised in profit and loss during the year (Power)	111,799	-	111,799	-	-	-
Amounts recovered	-	-	-	-	(17)	(17)
Foreign exchange adjustment	24	4	28	-	31	31
Closing balance as at 31 December	**691,181**	**35,216**	**726,397**	**579,793**	**13,629**	**593,422**

The expected credit loss on trade receivables are presented within impairment losses, subsequent recoveries of amounts previously written off are credited against the same line item.

18. **Sundry debtors and prepayments**

	2021 $'000	**2020 $'000**
Sundry debtors and prepayments comprise the following:		
Due from the Ministry of Energy and Energy Industries	494,088	482,472
Impairment charge (a)	(494,088)	(482,472)
	-	-
Prepayments (b)	170,192	184,270
Staff related balances	2,292	1,688
Value Added Tax	335,642	281,116
Interest receivable	24,320	28,241
Sundry receivables	96,334	359,569
Accrued income	33,886	16,777
Other	46,443	24,958
	709,109	**896,619**

a) **Impairment charge**

The Group invested funds in excess of the approved Public Sector Investment Programme (PSIP) allocation. This additional investment remains outstanding from the Ministry of Energy and Energy Industries and due to uncertainty of repayment a full provision was made for the outstanding balance.

b) **Prepayments**

Included in prepayments is an amount of TT$75.1 million (US$11.1 million) representing a 60% balance receivable on tax objections settled (100% - US$18.5 million) with Board of Inland Revenue (BIR) during 2021.

19. Inventories

	2021 $'000	2020 $'000
Liquefied natural gas	149,607	46,925
Consumable spares	206,448	215,749
Natural gas liquids	205,452	78,754
Stock of crude oil	2,617	-
Other	5,566	5,097
Allowance for slow moving and obsolete stock	(26,769)	(26,762)
	542,921	**319,763**

20. Share capital

Authorised
An unlimited number of ordinary shares of no par value

Issued and fully paid

	2021 $'000	2020 $'000
1,855,266,340 ordinary shares of no par value	**1,855,266**	**1,855,266**

21. Reserve fund

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

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

22. Other reserves

	2021 $'000	2020 $'000
Other reserves comprise the following:		
Revaluation surplus for plant and equipment and pipelines, net of deferred tax	1,682,700	1,983,024
Unrealised gain on financial assets at fair value through other comprehensive income	953,567	747,002
Foreign currency translation	1,495,840	1,512,755
	4,132,107	**4,242,781**

23. Borrowings

	2021 $'000	2020 $'000
US $400M 30-year bond (a)	2,327,706	2,327,259
First Citizens Bank Limited (b)	-	45,469
	2,327,706	2,372,728
Current portion	(63,699)	(109,156)
Non-current portion	**2,264,007**	**2,263,572**

a) This loan relates to a US$400 million bond issued on 20 January 2006 to finance the construction/ acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund 11.11% of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited. Following the repurchase of bond amounting to TT$407.7 million (US$60.3 million), as at 31 December 2021 (2020: TT$407.7 million (US$60.3 million)). The net amount outstanding is TT$2.3 billion (US$339.7 million).

The bond will be redeemed via a bullet payment on 15 January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05% which commenced in 2006. The fair value of the bond was $2,355.6 million (US$348.3 million) as at 31 December 2021 (2020: TT$2,468.1 million (US$355.6 million)) based on the quoted bid price as at 31 December 2021.

b) The Group has a long-term loan that matured in March 2021 with First Citizens Bank Limited which was issued on 26 March 2016 at a fixed interest rate of 2.04%. Semi-annual payments of principal and interest for the loan commenced in September 2016. The loan facility was unsecured and used to repay the outstanding balances on two long-term senior bonds due April 2018 and April 2020 as well as finance the early repayment premium on the two facilities. This loan was fully repaid as at March 2021.

	2021 $'000	2020 $'000
Maturity profile of borrowings		
In one year or less	63,699	109,156
In more than five years	2,264,007	2,263,572
	2,327,706	**2,372,728**

24. Contract liabilities

	2021 $'000	2020 $'000
Non-refundable capital contribution (a)	2,337	2,455
Capital grant (b)	72,068	75,185
Transportation tariff (c)	14,469	14,555
Pier user charges (d)	16,106	21,463
Other	56,628	43,519
	161,608	**157,177**
Current	79,106	65,391
Non-current	82,502	91,786
	161,608	**157,177**

Notes

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

b) 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.

c) This amount comprises shippers reserve capacity, which is billed one month in advance.

d) This amount comprises pier user and berth charges, which are billed in advance.

25. Provisions

	2021 $'000	2020 $'000
Asset retirement obligation: (Note (a))		
Balance as at 1 January	1,384,581	1,178,100
Increase in provision	745,761	206,594
Derecognition of provision due to disposal of Block 1A	(41,551)	
Foreign currency translation	357	(113)
Balance as at 31 December	**2,089,148**	**1,384,581**
Claims / Land purchase: (Note (b))		
Balance as at 1 January	1,569,711	1,053,009
(Decrease)/increase in provision	(663,189)	516,055
Foreign currency translation	(219)	647
Balance as at 31 December	**906,303**	**1,569,711**
Provision for economic loss: (Note (c))		
Balance as at 1 January	4,476,138	2,689,417
(Decrease)/increase in provision	(627,879)	2,054,338
Unwinding of provision	(583,733)	(270,990)
Change in discount rate	(157,105)	-
Foreign currency translation	(213)	3,373
Balance as at 31 December	**3,107,208**	**4,476,138**
Total provision as at 31 December	**6,102,659**	**7,430,430**
Current	212,977	617,771
Non-current	5,889,682	6,812,659
Total	**6,102,659**	**7,430,430**

(a) Asset retirement obligation

The Group has joint interests in Teak, Samaan and Poui, Atlantic LNG Company of Trinidad and Tobago, Block 2C, Block 3A, Block 22 and NCMA-4 and Block 9 and NCMA 1 Unitization Oil and Gas Production assets with an obligation to return to original condition after assets are retired. As such a provision has been made for the expected cost for the decommissioning of the assets. The provision has been estimated using existing technology, at current prices adjusted for risk, and discounted. The discount rate is determined by reference to the interest rate on government bonds with a similar maturity date as the estimated decommissioning date for the various assets.

(b) Claims / Land purchase

The Group has recorded a provision for a claim made by a Downstream customer and the anticipated cost to purchase of right of way lands.

(c) Provision for economic loss

The Group has contracts under which the unavoidable costs of meeting these obligations exceed the economic benefits expected to be received. The Group has recorded a provision for the net unavoidable costs expected to be incurred during the respective contract periods.

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

Funding

The Parent provides both medical and life benefits to its retirees. These benefits are determined using actuarial valuations which involves making assumptions about discount rates, future salary increases and medical cost inflation. Due to the long-term nature of these plans such estimates are subject to significant uncertainty. The Plan has no assets. The Parent expects to pay $0.50 million and $3.20 million in Post retirement life and medical respectively in 2022.

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

	2021	**2020**
	%	**%**
Medical cost inflation	5.75	5.75
Discount rate	6.00	5.50
General 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 2021 and 2020 are as follows:

	2021	2020
Life expectancy at age 60 for current pensioner in years:		
Male	21.8	21.8
Female	26.1	26.0
Life expectancy at age 60 for current members aged 40 - in years:		
Male	22.7	22.7
Female	27.0	27.0

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

	2021	**2020**
	$'000	**$'000**
Current service cost	9,841	11,219
Net interest on net defined benefit liability	10,768	10,351
Net benefit cost	**20,609**	**21,570**
Re-measurement recognised in other comprehensive income		
Experience gains	60,365	10,895
Total amount recognised in other comprehensive income	**60,365**	**10,895**

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26. **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:

	2021 $'000	2020 $'000
Net defined benefit liability	**154,725**	**197,658**

Reconciliation of opening and closing statement of financial position:

	2021	2020
Opening defined benefit liability	197,658	189,999
Net post-retirement medical and group life obligation	20,609	21,570
Re-measurements:		
Experience adjustments	(9,682)	(10,895)
Re-measurement due to change in attribution method	(29,349)	-
Actuarial gains from changes in financial assumptions	(12,445)	-
Actuarial gains from changes in demographic	(8,889)	-
Group's premiums paid	(3,177)	(3,016)
Defined benefit obligation at end of year	**154,725**	**197,658**

27. **Pension asset/obligation**

The Parent and its subsidiaries' employees excluding PPGPL are members of NGC's Defined Benefit Pension Plan. The final salary defined benefit plan was wound up effective 31 December 2018 to a Career Average Defined Plan from 1 January 2019. The plan's financial funding position is assessed by means of triennial actuarial valuations and carried out by an independent actuary.

The employees of PPGPL, are under a defined contribution plan which came in effect from 1 January 2003. This plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay future amounts covering all full-time employees and is funded by payments from employees and employer taking into account the recommendations of independent qualified actuaries.

Funding

The Group meets the balance of the cost of funding the pension plan. It must pay contributions at least equal to twice the fixed amount paid by members. The funding requirements are based on regular (at least every 3 years) actuarial valuations of the plan and the assumptions used to determine the funding required may differ from those set out above. The Group expects to pay $34.0 million to pensions during 2022.

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

	2021 %	2020 %
Discount rate	6.0	5.5
General salary increases	4.0	4.0
Salary increases due to age, merit and promotion	2.0	2.0

Life expectancy at age 60 for current pensioner in years:

	2021	2020
Male	21.8	21.8
Female	26.1	26.0

27. **Pension asset/obligation (continued)**

Life expectancy at age 60 for current members aged 40 in years:

Male	22.7	22.7
Female	27.0	27.0

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

	2021 $'000	**2020 $'000**
Current service cost	(25,748)	(14,262)
Net interest on net defined benefit liability	(572)	(3,295)
Administration expenses	(1,047)	(1,097)
Net benefit cost	**(27,367)**	**(18,654)**

Re-measurement recognised in other comprehensive income:

Experience gains	114,709	22,634
Total amount recognised in other comprehensive income	**114,709**	**22,634**

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:

	2021 $'000	**2020 $'000**
Present value of defined benefit obligation	(1,058,377)	(1,084,202)
Fair value of plan assets	1,146,741	1,051,482
Net defined benefit asset/(liability)	**88,364**	**(32,720)**

Reconciliation of opening and closing statement of financial position entries:

Opening defined benefit liability	(32,720)	(106,637)
Net pension cost	(27,367)	(18,654)
Re-measurement recognised in other comprehensive income	114,709	22,634
Group contributions paid	33,742	69,937
Closing defined benefit asset/(obligation)	**88,364**	**(32,720)**

Movement in present value of defined benefit obligation:

Defined benefit obligation at start of year	1,084,202	1,038,731
Current service cost	25,748	14,262
Interest cost	58,160	55,762
Members contribution	12,562	25,863
Re-measurements:		
Experience adjustments	(864)	-
Actuarial (gain) / losses from changes in assumptions	(67,209)	-
Benefits paid	(54,222)	(50,416)
Defined benefit obligation at end of year	**1,058,377**	**1,084,202**

27. **Pension asset/obligation (continued)**

Movement in fair value of plan assets/asset allocation:

	2021 $'000	2020 $'000
Fair value of plan assets at start of year	1,051,482	932,094
Interest income	57,588	52,467
Return on plan assets excluding interest income	46,636	22,634
Group contributions	33,742	69,937
Members' contributions	12,562	25,863
Benefits paid	(54,222)	(50,416)
Expenses	(1,047)	(1,097)
Fair value of plan assets at end of year	**1,146,741**	**1,051,482**

	2021 $'000	2020 $'000
Asset allocation:		
Locally listed equities	317,127	245,210
Overseas equities	244,705	195,167
Government issued bonds	390,561	344,475
Corporate bonds	102,812	119,714
Mutual funds	31,252	25,214
Cash	57,714	118,638
Annuities	2,570	3,064
Fair value of plan assets at end of year	**1,146,741**	**1,051,482**

Re-measurement recognised in Other Comprehensive Income:
Experience gains

Pension	114,709	22,634
Post retirement medical (see note 26)	54,942	10,040
Post retirement group life (see note 26)	5,423	855
Fair value of plan assets at end of year	**175,074**	**33,529**

28. **Trade payables**

	2021 $'000	2020 $'000
Trade payables are settled on 30 day terms	**4,532,229**	**1,978,713**

Trade payables are non-interest bearing and are generally settled within 30 days.

29. **Sundry payables and accruals**

	2021 $'000	2020 $'000
Accrued interest	14,048	15,154
Material/service amounts	175,167	661,312
Contract provisions	173,400	173,841
Employee related	105,389	64,333
	468,004	**914,640**

30. **Sales and Cost of Sales**

	2021 $'000	2020 $'000
Sales		
Natural gas	16,811,226	7,831,395
Natural gasoline	1,170,198	775,913
Natural gas liquids	2,448,573	1,220,320
Condensate	-	(4,540)
Transportation tariffs	207,286	167,713
Crude oil	1,071,592	537,256
Rental	29,919	18,503
Liquefied natural gas	1,258,196	543,030
Methanol	250,057	-
Marine facilities and services	361,500	324,311
	23,608,547	**11,413,901**
Cost of sales		
Gas purchases	15,121,802	7,777,294
Feedstock purchases	1,713,426	1,029,121
Methanol	168,836	-
Processing charges	249,779	390,904
Depreciation	877,227	933,281
Production taxes/Supplemental petroleum taxes	99,974	3,705
Maintenance cost	52,259	48,385
Staff cost	88,619	74,457
Royalties	38,712	18,610
Royalty tax	98,605	(436,113)
Exploration and production costs	251,988	161,857
Other operating cost	165,958	76,918
	18,927,185	**10,078,419**

31. Other income

	2021 $'000	2020 $'000
Lease income	21,120	43,776
Operating and maintenance fees	4,282	3,219
Management fees	-	227
Amortisation of non-refundable capital contribution	315	1,057
Liquefied natural gas production payments	116,446	128,908
Other income	38,108	4,684
	180,271	**181,871**

32. Interest and investment income

	2021 $'000	2020 $'000
Interest and investment income	16,783	51,208
Interest income on T&TEC loan	221,717	224,439
Fair value (loss)/gain on financial assets	(34,445)	225,022
Gain on disposal of investments	734	5,080
Dividend income	57,500	17,936
	262,289	**523,685**

33. Gain on disposal of interest in asset

The Group sold its 20% interest in Block 1A to DeNovo effective 1 January 2021. The sale resulted in a gain on disposal of net assets TT$10.99 million (US$1.63 million)

34. Administrative, maintenance and general expenses

	2021 $'000	2020 $'000
Staff costs	371,007	365,405
Pension and post-retirement medical and group life	58,494	54,964
Depreciation, depletion and amortisation	59,377	61,500
Material, service and contract labor	21,758	26,087
Consulting and professional fees	83,882	49,871
Legal claims	(291,326)	516,055
Non-operating maintenance and decommissioning charges	55,407	267,986
Other	332,994	371,647
	691,593	**1,713,515**

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35. Change in provision for economic losses

	2021 $'000	2020 $'000
Onerous contracts	(784,984)	2,055,302
Unwinding of provision for onerous contracts	(583,733)	(270,990)
	(1,368,717)	**1,784,312**

36. Impairment

	2021 $'000	2020 $'000
Pipeline revaluation loss (Note 5(a))	-	1,618,285
Property, plant and equipment – other assets (Note 5)	654,115	(66,502)
Trade receivable	148,874	7,369
Investment properties (Note 6)	(507)	2,571
Loan receivable	(1,587)	(1,384)
Other	-	(28,151)
	800,895	**1,532,188**

37. Finance costs

	2021 $'000	2020 $'000
Interest on loans and bonds	161,865	170,248
Royalty tax interest	-	(28,402)
Decommissioning obligation	29,549	9,801
Leases	9,718	10,096
	201,132	**161,743**

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38. Share of profit/(loss) from associate

Name of Group	Place of incorporation and operation	Proportion of ownership interest and voting powers held by the Group 2021	2020
Caribbean Gas Chemical Limited (CGCL)	Trinidad and Tobago	20%	20%
Point Fortin LNG Export Limited (PFLE)	Trinidad and Tobago	19.5%	-

CGCL and PFLE are limited liability companies in which the Parent owns a 20% and 19.5% ownership interest through NGC Petrochemicals Limited and NGC E&P Investments Limited respectively.

	2021 $'000	2020 $'000
Share of profit/(loss) from associate:		
- CGCL	25,463	(39,185)
- PFLE	23,452	-
	48,915	**(39,185)**

39. Taxation

	2021 $'000	2020 $'000
Corporation tax	886,254	210,334
Petroleum profit tax	698,399	289,502
Business levy	917	55,861
Green fund levy	71,138	39,513
Current tax expense	1,656,708	595,210
Deferred tax expense/(credit)	633,592	(1,650,512)
	2,290,300	**(1,055,302)**

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

	2021	2020
Profit/(loss) for the year before taxation	4,858,931	(3,189,905)
Tax at the rate of 35%	1,700,626	(1,116,467)
Tax exempt income	(61,314)	(372,486)
Non-deductible expenses/permanent differences	256,554	574,082
Prior years' tax	38,372	(214)
Business levy	917	55,861
Green fund	71,138	39,190
Tax effect of subsidiaries at different rate	224,830	27,986
Tax losses un-utilized/utilized	68,853	(34,653)
Deferred tax written off	-	(150,704)
Foreign exchange translation	43,112	(54,706)
Other differences	(52,788)	(23,191)
Taxation expense/(credit)	**2,290,300**	**(1,055,302)**

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40. Cash generated from operations

	2021 $'000	2020 $'000
Profit/(loss) for the year before taxation	4,858,931	(3,189,905)
Adjustments to reconcile profit/(loss) for the year before taxation with net cash from operating activities:		
Depreciation	793,581	994,781
Impairment charge of property, plant and equipment and investment properties	650,825	1,526,201
Impairment charge of other receivables	150,070	5,986
(Decrease)/increase in decommissioning provision	(8,030)	61,087
(Decrease)/increase in onerous contract provision	(1,368,717)	1,784,312
(Decrease)/increase in claim and abandonment provisions	(680,315)	617,310
(Gain)/loss on disposal of property, plant and equipment	(10,099)	1,901
Share of (gain)/loss in associates	(48,915)	39,185
Re-measurement of right-of-use assets	-	(6,261)
Post-retirement costs	47,978	40,224
Dividend income	(57,500)	(17,936)
Amortisation of deferred income	16,624	(3,118)
Provision for annual vacation leave	-	1,527
Finance costs	201,132	161,743
Interest income on finance lease	(16,027)	(31,112)
Interest and investment income	(203,834)	(499,015)
Operating profit before working capital changes	4,325,704	1,486,910
Working capital changes:		
Increase in accounts receivable and sundry debtors	(3,304,681)	(763,118)
Decrease/(increase) in contract assets	3,822	(4,802)
(Increase)/decrease in inventories	(222,921)	81,978
Decrease in contract liabilities	(11,825)	(12,376)
Increase/(decrease) in trade creditors, sundry creditors and accruals	2,024,099	(357,977)
Cash flows from operating activities	**2,814,198**	**430,615**

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41. Subsidiaries

a) The subsidiaries are as follows:

Entities	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held 2021	2020
Subsidiaries				
Downstream Petrochemicals Research and Development Limited	Management of DME and Downstream Promotion Fund	Trinidad and Tobago	100%	100%
National Energy Corporation of Trinidad and Tobago Limited	Management of marine infrastructural facilities and Industrial Estate	Trinidad and Tobago	100%	100%
NGC Caribbean Investments Limited	20.13% equity in exploration, development and production of oil and gas of Block 3A	Trinidad and Tobago	100%	100%
NGC CNG Company Limited	Construct, operate and maintain compressed Natural Gas Service Stations	Trinidad and Tobago	100%	100%
NGC E&P (Barbados) Limited	0.01% membership in NGC E&P Netherlands Coöperatief U.A. which holds a 30% interest in Block 2C and 11.41% interest in Block 3A	Barbados	100%	100%
NGC E&P Investments (Barbados) Limited	99.99% membership in NGC E&P Netherlands Coöperatief U.A. which holds a 30% interest in Block 2C and 11.41% interest in Block 3A	Barbados	100%	100%
NGC E&P Investments Limited	20% equity interest in exploration, development and production of gas of Block 1A was sold on 1 January 2021. The Company holds 10% and 20% working interest respectively in Block 22 and NCMA-4 in the North Coast Marine Area, 19.5% working interest in Block 9 and NCMA 1 Unitization and 19.5% of issued share capital of Point Fortin LNG Export Limited.	Trinidad and Tobago	100%	100%

41. **Subsidiaries (continued)**

a) The subsidiaries are as follows (continued):

Entities	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held 2021	2020
Subsidiaries				
NGC Group Captive Insurance (Barbados) Limited	Insurer of various risk of its Parent (NGC) and subsidiaries assets	Barbados	100%	100%
NGC Petrochemicals Limited	20% equity interest in Caribbean Gas Chemical Limited which produces, markets and sells DME and Methanol	Trinidad and Tobago	100%	100%
NGC Pipeline Company Limited	Own, operate and maintain a 56 inch cross island pipeline ('CIP')	Trinidad and Tobago	100%	100%
Trinidad and Tobago LNG Limited	11.11% ownership at Atlantic Train 4 which sells liquified natural gas ('LNG') and natural gas liquids ('NGLs')	Trinidad and Tobago	100%	100%
La Brea Industrial Development Company Limited	Management of industrial estate and marine infrastructure facilities	Trinidad and Tobago	91.55%	91.55%
NGC NGL Company Limited	51% equity interest in Phoenix Park Gas Processors Limited which processes natural gas, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	80%	80%
NGC Trinidad and Tobago LNG Limited	10% ownership in Atlantic Train 1 which sells liquified natural gas ('LNG') and natural gas liquids ('NGLs')	Trinidad and Tobago	62.16%	62.16%
Trinidad and Tobago NGL Limited	39% equity interest in Phoenix Park Gas Processors Limited which processes natural gas, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	25%	25%

41. **Subsidiaries (continued)**

a) The subsidiaries are as follows (continued):

Entities	Principal activity	Place of incorporation and operation	Proportion of shareholding and voting power held 2021	2020
Sub-Subsidiaries				
Phoenix Park Gas Processors Limited	Natural gas processing, the aggregation, fractionation and marketing of natural gas liquids	Trinidad and Tobago	50.55%	50.55%
NGC E&P Netherlands Coöperatief U.A	100% equity interest in NGC E&P Investments (Netherlands) B.V. which holds a 30% interest in Block 2C and NGC E&P (Netherlands) B.V. which holds a 11.41% interest in Block 3A	Incorporation – Netherlands Operation - Trinidad and Tobago	100%	100%
NGC E&P (Netherlands) B.V.	11.41% equity in exploration, development and production of oil and gas of Block 3A	Incorporation – Netherlands Operation - Trinidad and Tobago	100%	100%
NGC E&P Investments (Netherlands) B.V.	30% equity interest in the exploration, development and production of oil and gas of Block 2C	Incorporation – Netherlands Operation - Trinidad and Tobago	100%	100%

41. **Subsidiaries (continued)**

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

Entities	**Place of incorporation and operation**	**Proportion of shareholding and voting rights held by non-controlling interest**		**Profit allocated to non-controlling interests**		**Accumulated non-controlling interest**	
		2021	**2020**	**2021 $'000**	**2020 $'000**	**2021 $'000**	**2020 $'000**
Phoenix Park Gas Processors Limited	Trinidad and Tobago	10%*	10%*	54,523	11,683	203,896	167,970
Fair value adjustment to non-controlling interest in PPGPL				(65,515)	(65,503)	(5,832)	59,683
Trinidad and Tobago NGL Limited	Trinidad and Tobago	75%*	75%*	159,480	34,174	2,080,240	1,955,192
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	37.84%	37.84%	(776)	(35,957)	42,919	43,688
NGC NGL Company Limited	Trinidad and Tobago	20%	20%	55,174	12,029	302,864	247,600
La Brea Industrial Development Company Limited	Trinidad and Tobago	8.45%	8.45%	192	(2,777)	30,774	30,583
Total						**2,654,861**	**2,504,716**

41. **Subsidiaries (continued)**

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

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

Phoenix Park Gas Processors Limited ('PPGPL')	**2021 $'000**	**2020 $'000**
Summary statement of financial position		
Current assets	1,670,581	1,044,261
Non-current assets	1,466,205	1,609,673
Current liabilities	(521,781)	(318,175)
Non-current liabilities	(343,407)	(424,117)
Equity attributable to owners of the PPGPL	2,067,702	1,743,672
Non-controlling interest of PPGPL	203,896	167,970
Summary statement of profit or loss and other comprehensive income		
Revenue	3,704,128	2,082,785
Expenses	(3,158,896)	(1,965,951)
Profit for the year	**545,232**	**116,834**
Profit attributable to owners of PPGPL	490,709	105,151
Profit attributable to the non-controlling interest	54,523	11,683
Profit for the year	**545,232**	**116,834**
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	490,709	105,151
Total comprehensive income attributable to the non-controlling interest	54,523	11,683
Total comprehensive income for the year	**545,232**	**116,834**
Dividends paid to non-controlling interest	**18,597**	**-**
Summary statement of cash flows		
Net cash generated from operating activities	743,826	297,128
Net cash used in investing activities	(22,231)	(125,610)
Net cash used in financing activities	(248,361)	(104,501)
Net cash inflow	**473,234**	**67,017**

41. **Subsidiaries (continued)**

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

Trinidad and Tobago NGL Limited ('TTNGL')	**2021**	**2020**
	$'000	**$'000**
Summary statement of financial position		
Current assets	132,602	107,616
Non-current assets	3,584,648	3,141,459
Current liabilities	(1,615)	(828)
Equity attributable to owners of TTNGL	1,635,395	1,293,055
Non-controlling interest	2,080,240	1,955,192
Summary statement of profit or loss and other comprehensive income		
Revenue	212,838	45,913
Other expenses	299,972	(39,513)
Profit for the year	**512,810**	**6,400**
Profit/(loss) attributable to owners of TTNGL	353,330	(27,774)
Profit attributable to the non-controlling interest	159,480	34,174
Profit for the year	**512,810**	**6,400**
Other comprehensive income/(loss) attributable to owners of TTNGL	255	(148)
Other comprehensive income/(loss) attributable to the non-controlling interest	764	(445)
Other comprehensive income/(loss) for the year	**1,018**	**(593)**
Total comprehensive income/(loss) attributable to owners of TTNGL	353,584	(27,922)
Total comprehensive income attributable to the non-controlling interest	160,244	33,729
Total comprehensive income for the year	**513,828**	**5,807**
Dividends paid to non-controlling interest	**34,830**	**29,025**
Summary statement of cash flows		
Net cash generated from/(used in) operating activities	71,144	(1,224)
Net cash generated from investing activities	100	237
Net cash used in financing activities	(46,440)	(38,700)
Net cash inflow/(outflow)	**24,804**	**(39,687)**

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41. **Subsidiaries (continued)**

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

NGC NGL Company Limited ('NGC NGL')	**2021 $'000**	**2020 $'000**
Summary statement of financial position		
Current assets	345,903	252,489
Non-current assets	1,158,517	974,937
Current liabilities	(739)	(64)
Equity attributable to owners of NGC NGL	1,200,817	979,762
Non-controlling interest	302,864	247,600
Summary statement of profit or loss and other comprehensive income		
Revenue	278,151	62,045
Other expenses	(2,281)	(1,901)
Profit for the year	**275,870**	**60,144**
Profit attributable to owners of NGC NGL	220,696	48,115
Profit attributable to the non-controlling interest	55,174	12,029
Profit for the year	**275,870**	**60,144**
Other comprehensive income/(loss) attributable to owners of NGC NGL	359	(398)
Other comprehensive income/(loss) attributable to the non-controlling interest	90	(100)
Other comprehensive income/(loss) for the year	**449**	**(498)**
Total comprehensive income attributable to owners of NGC NGL	221,055	47,717
Total comprehensive income attributable to the non-controlling interest	55,264	11,929
Total comprehensive income for the year	**276,319**	**59,646**
Dividends paid to non-controlling interest	**-**	**20,000**
Summary statement of cash flows		
Net cash (used in)/generated from operating activities	(2,153)	17,796
Net cash generated from investing activities	95,059	148,760
Net cash used in financing activities	-	(100,000)
Net cash inflow	**92,906**	**66,556**

41. **Subsidiaries (continued)**

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

NGC Trinidad and Tobago LNG Limited ('NGC LNG')	**2020 $'000**	**2020 $'000**
Summary statement of financial position		
Current assets	214,942	216,960
Current liabilities	(82)	(87)
Non-current liabilities	(101,438)	(101,418)
Equity attributable to owners of NGC LNG	70,503	71,767
Non-controlling interest	42,919	43,688
Summary statement of profit or loss and other comprehensive income		
Revenue	124	103,602
Expenses	(2,176)	(198,627)
Loss for the year	**(2 052)**	**(95,025)**
Loss attributable to owners of NGC LNG	(1,276)	(59,068)
Loss attributable to the non-controlling interest	(776)	(35,957)
Loss for the year	**(2,052)**	**(95,025)**
Other comprehensive income/(loss) attributable to owners of NGC LNG	12	(37,098)
Other comprehensive income/(loss) attributable to the non-controlling interest	7	(22,584)
Other comprehensive income/(loss) for the year	**19**	**(59,682)**
Total comprehensive loss attributable to owners of NGC LNG	(1,264)	(96,166)
Total comprehensive loss attributable to the non-controlling interest	(769)	(58,541)
Total comprehensive loss for the year	**(2,033)**	**(154,707)**
Dividends paid to non-controlling interest	**-**	**-**
Summary statement of cash flows		
Net cash generated from/(used in) operating activities	164,743	(173,970)
Net cash generated from investing activities	143	107,053
Net cash used in financing activities	-	-
Net cash inflow/(outflow)	**164,886**	**(66,917)**

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

Company	Place of incorporation and operation	Proportion of ownership interest and voting powers 2021	2020
Caribbean Gas Chemical Limited	Trinidad and Tobago	20%	20%
Point Fortin LNG Exports Limited	Trinidad and Tobago	19.5%	-
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	Trinidad and Tobago	20%	20%

The investment in Trintomar has been fully impaired.

43. Contingencies

a) **Taxes**

Claims made on NGC

The Board of Inland Revenue (BIR) issued additional assessments for years of income 1993 to 1994 in respect of re-translation gains and resultant additional taxes totalling TT$20.1 million. The Parent has objected to the assessments by the Board of Inland Revenue. Management is currently awaiting judgement on this matter. Management has applied IFRIC 23, however the expected value is immaterial, and no provision has been made in the financial statements for any additional tax liabilities.

b) **Customs bonds**

The Group has contingent liabilities in the form a provision of guarantee to Scotiabank Trinidad and Tobago Limited in the amount of TT$5.4 million for one-year effective 01 November 2020. This guarantee is to support the CNG initiatives.

c) **Debt tail buy down agreement**

The financing arrangements for the construction of the Trinidad Methanol and DME Project owned by Caribbean Gas Chemical Limited (“CGCL”) requires a Gas Reserves Adequacy Ratio of not less than zero. If in any year during the tenor of the long-term project debt, the Gas Reserves Adequacy Ratio is not achieved then a debt tail buy down (DTBD) is triggered. In this instance, the Parent will effectively pay the debt owed and related costs (including interest, fees, swap amount and breakage costs) to the lenders of the project. NGC will then effectively assume the role of project lender to CGCL and CGCL shall repay NGC under similar terms and conditions, with an appropriate level of security transferred to NGC.

d) **Contingent consideration**

The Group has a potential liability of TT$61.17 million (US$9.045 million) which is contingent on the production from two gas assets (NCMA 1/Block 22 and Block 9) exceeding production rate which parties have agreed to and expires in April 2023.

44. Capital commitments

	2021 $’000	2020 $’000
Approved and contracted capital expenditure	**537,857**	**302,512**

45. Commitment contracts

Take-or-pay

The Group has take-or-pay contracts with its customers, where the customer will be contractually required to take a specified volume for the contract year (the take-or-pay volume). If actual volume taken by a customer is below the take-or-pay Volume, then the customer is liable to pay a take-or-pay amount which is the product of the gas price and the difference between the take or pay volume and the actual volume taken. For 2021, the Group had no take-or-pay liability.

Sales

The Group's customers are obligated to take or if not taken pay for said natural gas at the current price, up to the contracted take-or-pay volume. The price of natural gas sold to the producers of ammonia and methanol are linked to the commodity produced by the customer. The contracts include floor prices that escalate annually, which represents the minimum prices for which natural gas can be sold to the respective customers.

One of the Group's subsidiaries is committed to sell natural gas liquids to various companies under the terms of negotiated sales contracts.

46. Related party transactions

The NGC is wholly-owned by the Government of Trinidad & Tobago (GORTT). In the ordinary course of its business, the NGC enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT.

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.

47. Compensation of key management personnel

	2021 **$'000**	**2020** **$'000**
Short-term employee benefits	75,315	84,711
Post-employment benefit	9,117	9,103
	84,432	**93,814**

48. Financial risk management

Financial risk management objectives and policies

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

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

Categories of financial instruments:

	2021 $'000	2020 $'000
Assets:		
Financial assets:		
Other financial assets (Note 12)	3,900,489	3,638,134
Loans receivable (Note 11)	3,703,666	3,822,168
Accounts receivable (Note 17)	6,430,820	3,054,060
	14,034,975	10,514,362
Other receivables:		
Cash (Note 15)	5,218,147	3,407,459
Short-term investments (Note 16)	648,634	2,016,037
Sundry debtors (Note 18)	203,275	431,234
Net investment in leased assets (Note 8)	190,620	189,919
	6,260,676	6,044,650
Total financial assets	**20,295,651**	**16,559,012**
Liabilities:		
Financial liabilities at amortized cost:		
Borrowings (Note 23)	2,327,706	2,372,728
Trade payables (Note 28)	4,532,229	1,978,713
Sundry payables and accruals (Note 29)	468,004	914,640
Total financial liabilities	**7,327,939**	**5,266,081**

Risk Management Structure

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

The 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:

a) **Credit risk**

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

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

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

a) **Credit risk (continued)**

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

(i) **Debt instruments**

The Group's loan receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses.

The closing loss allowance as at 31 December 2021 as follows:

Unquoted debt instruments

	Total $'000 TT$
Opening expected credit loss allowance as at 1 January 2021	19,205
Expected credit loss in current year	(908)
Closing expected credit loss allowance as at 31 December 2021	**18,297**

Quoted debt instruments

	Total $'000 TT$
Opening expected credit loss allowance as at 1 January 2021	3,637
Expected credit loss in current year	(709)
Foreign exchange difference	1
Closing expected credit loss allowance as at 31 December 2021	**2,929**

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

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

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

b) **Liquidity risk**

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

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

	On demand $'000	≤ 3 months $'000	3 - 12 months $'000	1 - 5 years $'000	≥ 5 years $'000	Total $'000
As at 31 December 2021						
Assets						
Other financial assets	-	-	1,152,741	210,085	852,075	2,214,901
Loans receivable	-	314	274,107	2,772,653	1,738,171	4,785,245
Net investment in leased assets	-	6,527	40,128	127,674	16,291	190,620
Cash	5,218,147	-	-	-	-	5,218,147
Short-term investments	-	289,208	358,669	757	-	648,634
Accounts receivable	-	6,430,820	-	-	-	6,430,820
Sundry debtors	-	203,275	-	-	-	203,275
	5,218,147	**6,930,144**	**1,825,645**	**3,111,169**	**2,606,537**	**19,691,642**
Liabilities						
Borrowings	-	69,435	69,435	555,484	3,616,462	4,310,816
Trade and other payables	-	4,995,727	4,506	-	-	5,000,233
	-	**5,065,162**	**73,941**	**555,484**	**3,616,462**	**9,311,049**
Net position	**5,218,147**	**1,864,982**	**1,751,704**	**2,555,685**	**(1,009,925)**	**10,380,593**

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

b) **Liquidity risk (continued)**

As at 31 December 2020	On demand $'000	≤ 3 months $'000	3-12 months $'000	1-5 years $'000	≥ 5 years $'000	Total $'000
Assets						
Other financial assets	-	-	1,052,251	210,005	858,672	2,120,928
Loans receivable	-	-	273,296	2,338,394	2,493,980	5,105,670
Net investment in leased assets	-	5,520	12,280	155,953	16,166	189,919
Cash	3,407,459	-	-	-	-	3,407,459
Short-term investments	-	1,865,101	150,204	7,160	-	2,022,465
Accounts receivable	-	3,054,060	-	-	-	3,054,060
Sundry debtors	-	898,298	-	-	-	898,298
	3,407,459	**5,822,979**	**1,488,031**	**2,711,512**	**3,368,818**	**16,798,799**
Liabilities						
Borrowings	-	69,416	114,885	555,327	3,860,540	4,600,168
Trade and other payables	-	2,765,409	4,219	1,522	-	2,771,150
	-	**2,834,825**	**119,104**	**556,849**	**3,860,540**	**7,371,318**
Net position	**3,407,459**	**2,988,154**	**1,368,927**	**2,154,663**	**(491,722)**	**9,427,481**

c) **Interest rate risk**

Interest rate risk for the Group's centers primarily on the risk relating to the Group's loan receivables which carries varying interest rates.

		Increase/ (decrease) in basis points	Effect on profit before tax $'000
Loan receivables			
	2021	+ 50	**274**
		- 50	**(274)**
	2020	+ 50	**649**
		- 50	**(649)**

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

d) **Foreign currency risk**

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

Such exposures arise from sales and purchases denominated in currencies other than the Group's functional currency. As highlighted in the table below the Group's exposure to foreign currency changes is immaterial.

	Amounts denominated in TT currency $'000	Amounts denominated in US currency $'000	Amounts denominated in Other $'000	Total $'000
As at 31 December 2021				
Assets				
Loans receivable	–	3,703,666	–	3,703,666
Other financial assets	622,444	3,278,045	–	3,900,489
Net investment in leased assets	–	190,620	–	190,620
Cash	337,064	4,880,645	438	5,218,147
Short-term investments	87,090	561,544	–	648,634
Accounts receivable	3,665	6,427,155	–	6,430,820
Sundry debtors	-	223,275	–	223,275
	1,050,263	**19,264,950**	**438**	**20,315,651**
Liabilities				
Borrowings	-	2,327,706	-	2,327,706
Trade and other payables	1,089,558	3,910,227	448	5,000,233
	1,089,558	**6,237,933**	**448**	**7,327,939**
Net position	**(39,295)**	**13,027,017**	**(10)**	**12,987,712**

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

d) **Foreign currency risk (continued)**

As at 31 December 2020	**Amounts denominated in TT currency TT$'000**	**Amounts denominated in US currency TT$'000**	**Amounts denominated in Other currency TT$'000**	**Total TT$'000**
Assets				
Loans receivable	-	3,822,168	-	3,822,168
Other financial assets	573,571	3,064,563	-	3,638,134
Net investment in leased assets	-	189,919	-	189,919
Cash	202,124	3,205,355	-	3,407,459
Short-term investments	757	2,015,280	-	2,016,037
Accounts receivable	2,655	3,051,405	-	3,054,060
Sundry debtors	129,713	188,798	-	318,511
	908,820	**15,537,468**	**-**	**16,446,288**
Liabilities				
Borrowings	-	2,372,727	-	2,372,727
Trade and other payables	770,739	2,120,211	2,403	2,893,353
	770,739	**4,492,938**	**2,403**	**5,266,080**
Net position	**138,081**	**11,044,530**	**(2,403)**	**11,180,208**

e) **Market price risk**

i) **Equity price risk**

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

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

	Increase/ (decrease) in equity price	**Effect on equity $'000**
2021	10%	**95,773**
	(10%)	**(95,773)**
2020	10%	**90,292**
	(10%)	**(90,292)**

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

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

ii) **Commodity price risk**

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

f) **Capital management**

The primary objective of the Group's capital management policy is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. It also manages its capital to ensure that the Group will be able to continue as a going concern. The Group's overall strategy remains unchanged from 2020.

The Group monitors capital using a gearing ratio which is debt divided by equity plus debt. The Group's policy is to maintain a gearing ratio no higher than 30%.

Set out below are details of the Group's capital structure:

	2021	**2020**
	$'000	**$'000**
Debt	2,327,706	2,372,727
Equity	22,052,025	19,568,857
Total Capital	24,379,731	21,941,584
Gearing ratio	**9.55%**	**10.81%**

g) **Fair values**

i) **Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial assets and liabilities recorded at fair value in the consolidated financial statements based upon the level of judgement associated with the inputs used to measure their fair value. The hierarchical levels, from lowest to highest based on the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

Level 1

Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at level 1 fair value are equity and debt securities listed in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price

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

g) **Fair values (continued)**

i) **Fair value hierarchy**

Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived principally from or corroborated by observable market data by correlation or other means at the measurement date and for the duration of the instruments' anticipated life.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Level 3

Inputs that are unobservable for the asset or liability for which there are no active markets to determine a price. These financial instruments are held at cost being the fair value of the consideration paid for the acquisition of the investments, and are regularly assessed for impairment.

Set out below are the financial instruments of the Group categorised in accordance with Level 1, Level 2 and Level 3 as set out in Note 2.15:

	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Financial Assets at FVTPL and FVTOCI				
Quoted equities	1,054,245	-	-	1,054,245
Unquoted debt	-	213,628	1,050,659	1,264,287
Credit linked notes	-	852,075	-	852,075
Alternative investments	-	723,518	-	723,518
As at 31 December 2021	**1,054,245**	**1,789,221**	**1,050,659**	**3,894,125**
Quoted equities	1,038,152	-	-	1,038,152
Unquoted debt	-	213,587	913,365	1,126,952
Credit linked notes	-	858,672	-	858,672
Alternative investments	-	607,993	-	607,993
As at 31 December 2020	**1,038,152**	**1,680,252**	**913,365**	**3,631,769**

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

g) **Fair values (continued)**

ii) **Fair value of the Group's financial assets and financial liabilities that are measured at amortised cost are as follows:**

	2021		2020	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
	$'000	**$'000**	**$'000**	**$'000**
Loans receivables				
Trinidad and Tobago Electricity Commission	3,641,116	3,641,116	3,691,595	3,691,595
Atlantic LNG 4 Company of Trinidad and Tobago Limited	-	-	84,328	84,328
Caribbean Gas Chemical Limited	62,551	62,551	46,245	46,245
	3,703,667	**3,703,667**	**3,822,168**	**3,822,168**
Borrowings				
US$400M 30 year bond	2,355,582	2,264,007	2,468,083	2,327,259
First Citizens Bank Limited	-	-	40,283	45,469
	2,355,582	**2,264,007**	**2,508,366**	**2,372,728**
Net receivable/borrowings	**1,348,085**	**1,439,660**	**1,313,802**	**1,449,440**

Fair value hierarchy

	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
As at 31 December 2021				
Loans receivable	-	-	3,703,667	3,703,667
Borrowings	(2,355,582)	-	-	(2,355,582)
	(2,355,582)	**-**	**3,703,667**	**1,348,085**
As at 31 December 2020				
Loans receivable	-	-	3,822,168	3,822,168
Borrowings	(2,508,366)	-	-	(2,508,366)
	(2,508,366)	**-**	**3,822,168**	**1,313,802**

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

g) **Fair values (continued)**

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

Short-term financial assets and liabilities

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

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

iv) **Derivative financial instruments and hedging**

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

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

49. **Dividends**

	2021 $'000	**2020 $'000**
Dividends paid	**329,552**	**109,930**

Dividend per share for 2021 was TT$0.18 (2020: TT$0.06).

50. **Events after the reporting period**

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