

# **TRINIDAD GENERATION UNLIMITED**

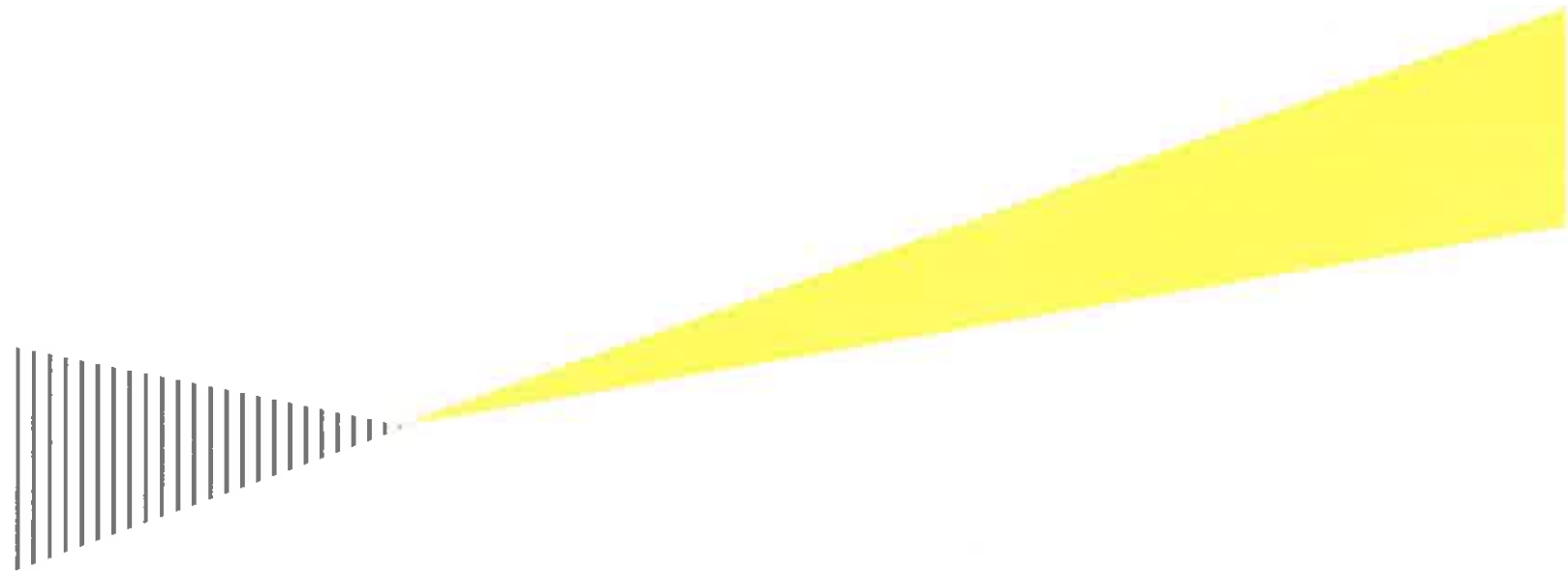
## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2017**

**(Expressed in Thousands of United States Dollars)**

Ernst & Young



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TRINIDAD GENERATION UNLIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Trinidad Generation Unlimited ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED

#### **Report on the Audit of the Financial Statements** (Continued)

#### **Key Audit Matters (continued)**

#### **How our audit addressed the Key Audit Matter**

##### **Prior year adjustment**

##### **(a) Major maintenance costs:**

The accounting treatment for major maintenance costs of the Gas Turbines at the Plant was revisited in 2017, and all related costs have been capitalized in accordance with IAS 16: 'Property, plant and equipment'. This has been applied retrospectively, and accordingly the 31 December 2016 financial statements were restated as explained in Note 5(a).

As at 31 December 2016, major maintenance costs capitalized in the statement of financial position amounted to \$4.66 million. This adjustment had a resulting impact on the depreciation charge and deferred taxation recorded in the statement of comprehensive income for the year ended 31 December 2016 amounting to \$0.7 million and \$1.2 million, respectively.

Our audit procedures included reviewing the relevant contracts and other related documentation supporting the arrangement with Service Providers, to understand the nature and scope of their engagement in respect of the major maintenance of the Gas Turbines.

We tested the appropriateness of the costs capitalized as part of the major maintenance exercise to assess whether these costs met the recognition criteria as defined by IAS 16. We also tested the costs incurred to the bank statements and other third party documentation.

We tested the reasonableness of the depreciation expense charged for the year ended 31 December 2016 and assessed that the annual depreciation charge amortized the cost of the asset over its useful economic life.

We tested the resulting impact to the deferred tax asset and deferred tax liability recorded in the statement of financial position as at 31 December 2016.

We assessed the appropriateness of the disclosure in the notes to the financial statements with reference to that prescribed by the IFRSs.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED

#### **Report on the Audit of the Financial Statements** (Continued)

#### **Key Audit Matters (continued)**

#### **How our audit addressed the Key Audit Matter**

#### **Prior year adjustment (continued)**

##### **(b) Deferred taxation adjustment:**

The tax base of unutilized tax losses and other components of deferred taxation are maintained in Trinidad and Tobago dollars. In accordance with IAS 12 'Income Taxes', the deferred tax assets and deferred tax liabilities as at 31 December 2016 have been adjusted using the year end foreign exchange rate to translate the tax base.

As detailed in Note 5(b), this resulted in a decrease to the deferred tax assets reported in the statement of financial position as at 31 December 2016 by \$6.595 million, an increase to the deferred tax liabilities reported in the statement of financial position as at 31 December 2016 by \$0.598 million and a corresponding increase to the deferred tax charge reported in the statement of comprehensive income for the year ended 31 December 2016 of \$7.193 million.

This adjustment reflects the cumulative impact as a result of the depreciation in the exchange rate for US\$:TT\$ from 1 January 2016 to 31 December 2016.

Our audit procedures included reviewing the revised computations supporting the deferred tax assets and deferred tax liabilities to test the arithmetic accuracy and the appropriateness of the foreign exchange rate used to translate the tax base for each component of deferred taxation in accordance with IAS 12.

We assessed the appropriateness of the disclosure in the notes to the financial statements with reference to that prescribed by the IFRSs.



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## **INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED**

### **Report on the Audit of the Financial Statements**

(Continued)

#### **Responsibilities of Management and the Board of Directors for the Financial Statements**

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

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED

#### **Report on the Audit of the Financial Statements** (Continued)

#### **Auditor's Responsibilities for the Audit of the Financial Statements** (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors 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 the Board of Directors 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.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner in charge of the audit resulting in this independent auditor's report is Andrew Tom.



Port of Spain  
TRINIDAD  
9 April 2018

TRINIDAD GENERATION UNLIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

ASSETS	Notes	2017 \$'000	2016* \$'000
<b>Non-current assets</b>			
Property, plant and equipment	6	55,904	35,285
Net investment in leased assets	7	719,045	724,341
Deferred tax assets	18	<u>74,318</u>	<u>81,451</u>
		<u>849,267</u>	<u>841,077</u>
<b>Current assets</b>			
Cash and short-term deposits	8	121,687	173,969
Net investment in leased assets	7	5,296	4,735
Trade and other receivables	9	38,510	20,532
Tax recoverable		81	1,001
Inventories	10	<u>13,087</u>	<u>10,746</u>
		<u>178,661</u>	<u>210,983</u>
<b>TOTAL ASSETS</b>		<u>1,027,928</u>	<u>1,052,060</u>

The accompanying notes form an integral part of these financial statements.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.



TRINIDAD GENERATION UNLIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017


(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

	Notes	2017 \$'000	2016* \$'000
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	11	189,400	189,400
Retained earnings		<u>16,092</u>	<u>9,809</u>
		<u>205,492</u>	<u>199,209</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	225,204	219,770
Long term bond	14	<u>581,864</u>	<u>580,611</u>
		<u>807,068</u>	<u>800,381</u>
<b>Current liabilities</b>			
Trade and other payables	12	15,368	12,411
Dividends payable	24	—	40,000
Due to related parties	13	<u>—</u>	<u>59</u>
		<u>15,368</u>	<u>52,470</u>
<b>Total liabilities</b>		<u>822,436</u>	<u>852,851</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,027,928</u>	<u>1,052,060</u>

The accompanying notes form an integral part of these financial statements.

These financial statements were authorized for issue by the Board of Directors of Trinidad Generation Unlimited on 9 April 2018 and signed on their behalf by:

 : Director

 : Director

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

TRINIDAD GENERATION UNLIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2017 \$'000	2016* \$'000
<b>Revenue</b>			
Finance lease income		100,554	101,059
Other revenue	15	<u>2,746</u>	<u>4,987</u>
		<u>103,300</u>	<u>106,046</u>
<b>Expenses</b>			
Administrative expenses	16 (a)	(19,371)	(16,132)
Operating expenses	16 (b)	<u>(7,337)</u>	<u>(9,832)</u>
		<u>(26,708)</u>	<u>(25,964)</u>
<b>Operating profit</b>		76,592	80,082
Finance expenses	17	(38,733)	(34,523)
Finance income	17	<u>1,685</u>	<u>6,845</u>
<b>Profit before tax</b>		39,544	52,404
Taxation	18	<u>(13,261)</u>	<u>(44,985)</u>
<b>Net profit for the year</b>		26,283	7,419
Other comprehensive income		<u>—</u>	<u>—</u>
<b>Total comprehensive income</b>		<u>26,283</u>	<u>7,419</u>

The accompanying notes form an integral part of these financial statements.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

	<b>Stated capital \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total \$'000</b>
<b>Year ended 31 December 2017</b>			
Balance at 1 January 2017*	189,400	9,809	199,209
Comprehensive income for the year	—	26,283	26,283
Dividends proposed and paid (Note 24)	—	(20,000)	(20,000)
<b>Balance at 31 December 2017</b>	<u>189,400</u>	<u>16,092</u>	<u>205,492</u>
<b>Year ended 31 December 2016*</b>			
Balance at 1 January 2016	189,400	42,390	231,790
Comprehensive income for the year*	—	7,419	7,419
Dividends proposed (Note 24)	—	(40,000)	(40,000)
<b>Balance at 31 December 2016*</b>	<u>189,400</u>	<u>9,809</u>	<u>199,209</u>

The accompanying notes form an integral part of these financial statements.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2017 \$'000	2016* \$'000
<b>Cash flows from operating activities</b>			
Profit before taxation		39,544	52,404
Adjustments for:			
Depreciation	6	6,706	3,246
Foreign exchange gains	17	(276)	(5,723)
Unamortized discount and transaction costs		—	(9,309)
Amortized discount and transaction costs	17	1,253	208
Other movements		617	535
Interest expense/(income) net		<u>36,253</u>	<u>33,193</u>
<b>Operating profit before changes in working capital</b>		84,097	74,554
Increase in trade and other receivables		(17,824)	(8,806)
Increase in inventories		(2,341)	(1,343)
Increase in trade and other payables		<u>2,898</u>	<u>625</u>
<b>Net cash generated from operations</b>		66,830	65,030
Interest received		1,349	774
Interest paid		(37,480)	(15,188)
Financing fees paid		—	(14,202)
Finance lease collections		4,735	4,533
Tax paid		<u>225</u>	<u>(688)</u>
<b>Net cash generated from operations</b>		<u>35,659</u>	<u>40,259</u>

The accompanying notes form an integral part of these financial statements.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

	Notes	2017 \$'000	2016* \$'000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	6	(27,941)	(14,050)
Maturity of/investment in short term deposits		<u>60,000</u>	<u>(12,755)</u>
<b>Net cash generated from/(used in) investing activities</b>		<u>32,059</u>	<u>(26,805)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	24	(60,000)	(4,000)
Repayment of financing contributions due to parent company		—	(238,345)
Proceeds from short term loan		—	600,000
Repayment of short term loan		—	(894,700)
Proceeds from long term bond	14	<u>—</u>	<u>589,920</u>
<b>Net cash (used in)/generated from financing activities</b>		<u>(60,000)</u>	<u>52,875</u>
<b>Net increase in cash and cash equivalents</b>		7,718	66,329
<b>Cash and cash equivalents</b>			
- at the beginning of the year		<u>98,084</u>	<u>31,755</u>
- at the end of the year	8	<u>105,802</u>	<u>98,084</u>

**Non-cash items:**

In 2017, the Company completed a non-cash transaction in respect of the acquisition and disposal of capital spares from a vendor amounting to \$1.119 million.

The accompanying notes form an integral part of these financial statements.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

#### 1. Corporate information

Trinidad Generation Unlimited ("TGU" or "the Company") was incorporated in December 2006, and resides in the Republic of Trinidad and Tobago with its registered office situated at Third Floor, Mulchan Seuchan Road, Chaguanas. The Company's principal activity is to engage in the acquisition, construction, ownership, and the operation, management and maintenance of power generation facilities.

The Company is wholly owned by Union Estate Electricity Generation Company Limited ("UEEGCL"), an entity controlled by the Government of the Republic of Trinidad and Tobago ("GORTT").

In the ordinary course of its business, the Company enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under the common control of the GORTT include National Energy Corporation of Trinidad and Tobago Limited, Trinidad and Tobago Electricity Commission ("T&TEC") and TGU's parent company UEEGCL.

TGU owns and operates a power generation plant in La Brea, Trinidad, and has entered into a 30 year Power Purchase Agreement ("PPA") with T&TEC dated 15 September 2009 for the provision of capacity and associated energy generated by the plant to T&TEC. Based on the evaluation of the terms of the PPA, TGU has accounted for the PPA as a finance lease in accordance with IAS 17: "Leases".

#### 2. Significant accounting policies

##### a. Basis of preparation

These financial statements are prepared under the historical cost convention and are presented in United States dollars which is the Company's functional currency.

##### *Statement of compliance*

The financial statements of the Company have been prepared with reference to International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### b. Accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2016, except for the standards and interpretations effective as of 1 January 2017.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

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

##### b. Accounting policies (continued)

The Company has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

##### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Company has considered the additional disclosure requirements in the financial statements for the year ended 31 December 2017.

##### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings. The amendments have no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

##### **Annual Improvements Cycle - 2014-2016 - Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12**

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The adoption of this standard has no impact on the Company as it does not have any interest in joint ventures and subsidiaries that are classified as held for sale.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

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

**c. Foreign currency translation**

The financial statements are presented in United States dollars, which is the Company's functional and presentation currency. Functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

Transactions in foreign currencies (other than United States dollars) are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the reporting date. Any resulting exchange differences are included in the statement of comprehensive income.

Non-monetary assets and liabilities that are measured at historical cost and denominated in a foreign currency are translated into the functional currency using the rates of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

**d. Property, plant and equipment**

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation is charged on a straight line basis at rates estimated to write off the assets over their estimated useful life, as follows:

	%
Computer equipment	33 <sup>1</sup> / <sub>3</sub>
Communication equipment	33 <sup>1</sup> / <sub>3</sub>
Machinery and equipment	25
Office furniture and equipment	25
Vehicles	25
Capital spares	3 <sup>1</sup> / <sub>3</sub> -11 <sup>1</sup> / <sub>9</sub>

Capital work in progress (CWIP) represents on-going capital works which were not completed at year end and therefore not depreciated.



## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

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

##### d. Property, plant and equipment (continued)

The plant has been brought into operation in three phases, Phase 1A, Phase 1B and Phase 2 in accordance with the Power Purchase Agreement (PPA). The PPA was evaluated in accordance with the provisions of IFRIC 4 'Determining whether an arrangement contains a lease' (refer to Note 2 e). This evaluation has resulted in the recognition of a leased asset related to the power plant (refer to Note 7).

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

Major Maintenance of the plant including replacement spares and labour costs, is capitalized and amortized on a straight line basis over nine (9) to sixteen (16) years (refer to Note 5).

##### e. Leases

In accordance with IFRIC 4, the determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the lessor effectively retains substantially all risks and rewards of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight line basis over the lease term.

Where substantially all the risks and rewards incidental to ownership of the asset are transferred to the lessee the lease is a finance lease. Finance leases are capitalized at the commencement of the lease at the fair value of the asset or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under a finance lease are recognized in the statement of financial position and presented as a recoverable balance at an amount equal to the net investment in the lease. Interest income and finance charges are recognized in the statement of comprehensive income.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

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

**e. Leases (continued)**

Based on the analysis of IFRIC 4, the Company concluded that the arrangement as described in the PPA contains a lease and qualifies for accounting as a finance lease in accordance with IAS 17 "Leases".

**f. Financial instruments**

*Financial assets*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets include net investment in leased asset, cash and cash equivalents and trade and other receivables.

*Financial liabilities*

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include short term loans, long term bond, trade and other payables and due to related parties.

**g. Impairment of financial assets**

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

*Assets carried at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

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

##### g. Impairment of financial assets (continued)

###### *Assets carried at amortized cost (continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are de-recognized when they are assessed as uncollectible.

##### h. Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated 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. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

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

##### **h. Impairment of non-financial assets (continued)**

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

##### **i. Cash and cash equivalents**

Cash and short-term deposits are comprised of cash held in depository bank accounts and one to two year term deposits held as at the reporting date.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash at bank and deposits in banks with an original maturity of three months or less.

##### **j. Trade and other receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount.

##### **k. Inventories**

Inventories which consist of consumable spares and minor tools and equipment are carried at the lower of cost and net realisable value. Cost is determined based on the weighted average unit cost method.

##### **l. Trade and other payables**

Liabilities for trade and other payables which are normally settled on 30-90 day terms are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

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

**m. Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes.

Interest income is recognized as it accrues unless collectability is in doubt.

*Lease revenue*

The recognition of lease income is based on a pattern reflecting a constant period rate of return on the net investment in leased asset. Contingent rents are recognised in the period in which they are earned.

**n. Taxation**

*Current tax*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

*Deferred tax*

Deferred income tax is provided, using the liability method, on all temporary differences at the year-end date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each year end date and reduced to the extent that it is no longer probable that sufficient taxable profit will allow all parts of the deferred tax asset to be utilized.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

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

##### **o. Stated capital**

Stated capital is classified within equity and is recognized at the fair value of the consideration received by the Company.

The funds provided by the shareholder (UEEGCL) was previously classified under capital contributions and classified within equity in accordance with the Shareholders' Agreement and was recognized at the fair value of the consideration received by the Company. The balance has been reduced to nil following its utilization to settle the consideration due for the issue of additional Ordinary shares to the parent.

##### **p. Long term bond**

Long term bond was initially recognized at the fair value of the consideration received less directly attributable costs. After initial recognition, the long term bond was subsequently measured at cost using the effective interest rate method. Gains and losses shall be recognized in profit or loss when the long term bond is derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance expense in the statement of comprehensive income.

##### **q. Dividends proposed**

The Company recognizes a liability to make dividend distributions to the parent in the period in which the dividends are approved by the Board of Directors.

#### **3. Significant accounting estimates, assumptions and judgments**

The preparation of the financial statements in conformity with IFRS necessitates the use of estimates, assumptions and judgments. These estimates and assumptions affect the reported amounts of assets and liabilities and contingent liabilities at year end as well as affecting the reported income and expenses for the year.

Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future years.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

**3. Significant accounting estimates, assumptions and judgments (continued)**

**Judgments**

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

*Operating lease commitments – Company as lessee*

The Company has entered into vehicle and land leases. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the asset, that it does not obtain all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

*Finance lease commitments – Company as lessor*

Leases are classified as finance leases whenever based on management's evaluation of the terms and conditions of the arrangement, the terms of the lease transfer substantially all of the risks and rewards of ownership from the lessor. All other leases are classified as operating leases.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at year end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. These assumptions and estimates are based on parameters existing and available when the financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Company.

*Property, plant & equipment*

Management exercises judgment in determining the useful lives of categories of property plant and equipment and the appropriate method of depreciation.

*Deferred tax assets*

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

#### 4. Standards and interpretations issued but not yet effective

The Standards and Interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- IFRS 15 'Revenue from Contracts with Customers' – Effective for annual periods beginning on or after 1 January 2018
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions – Effective 1 January 2018
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Effective 1 January 2018
- Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28 – Effective 1 January 2018
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration' – Effective 1 January 2018
- Amendments to IAS 40 'Transfers of Investment Property' - Effective for annual periods beginning on or after 1 January 2018.
- IFRS 16 'Leases' – Effective for annual periods beginning on or after 1 January 2019
- IFRS 9 'Financial Instruments' – Effective for annual periods beginning on or after 1 January 2018
- IFRS 17 'Insurance Contracts' - Effective for annual periods beginning on or after 1 January 2021.
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective 1 January 2019
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective on a date to be determined by the International Accounting Standards Board



## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

#### 5. Comparative information

##### a. Major maintenance cost

The Plant is equipped with six (6) Gas Turbine generators and two (2) Steam Turbine generators that can be operated in a combined-cycle mode. Each Gas Turbine is expected to undergo major maintenance upon achieving a defined number of firing hours as established by the Manufacturer. In 2016, two (2) of the six (6) Gas Turbines achieved the required firing hours and each underwent major maintenance. As at 31 December 2017, the remaining four (4) turbines underwent similar major maintenance.

In the prior year, the Company expensed in full, the costs relating to major maintenance of the Gas Turbines as described above. The accounting treatment of major maintenance costs was revisited in 2017, and all related costs have been capitalized in accordance with IAS 16 'Property, plant and equipment'. This has been applied retrospectively, and accordingly the 31 December 2016 financial statements were restated.

Major maintenance costs amounted to \$4.66 million, for the year ended 31 December 2016. This adjustment had a resulting impact on the depreciation charge and deferred taxation recorded in the statement of comprehensive income for the year ended 31 December 2016 of \$0.7 million and \$1.2 million respectively. These costs will be amortized on a straight line basis over three (3) to four (4) years, which represent the average expected life between each major maintenance cycle for the respective Gas Turbines.

##### b. Deferred taxation

The Company recognizes deferred tax assets on all temporary differences relating to unutilized tax losses, capital spares and interest payable and deferred tax liabilities on all temporary differences relating to the finance lease and property, plant and equipment. Refer to Note 18.

The Company is resident in Trinidad and Tobago and therefore subject to income taxes in Trinidad and Tobago. Under the laws of Trinidad and Tobago, the tax return filed with the Board of Inland Revenue for each year of income is prepared in Trinidad and Tobago dollars. In accordance with IAS 12 'Income Taxes', the deferred tax assets and deferred tax liabilities as at 31 December 2016 have been adjusted using the year end foreign exchange rate to translate the tax base, as this rate provides the best measure of the reporting currency amount that will be taxable or deductible in future periods. Accordingly, this resulted in a decrease to the deferred tax assets reported in the statement of financial position as at 31 December 2016 by \$6.595 million, an increase to the deferred tax liabilities reported in the statement of financial position as at 31 December 2016 by \$0.598 million, with a net increase in the deferred tax charge reported in the statement of comprehensive income for the year ended 31 December 2016 of \$7.193 million.

# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

### 5. Comparative information (continued)

#### c. Green fund levy

Green fund levy amounting to \$0.334 million included as part of taxation in the statement of comprehensive income for the year ended 31 December 2016 has been reclassified to administrative expenses in the statement of comprehensive income for that prior year. This change is to allow consistency of presentation of the green fund levy within administrative expenses in the current year and has no effect on the previously reported net profit for the year ended 31 December 2016. This change has resulted in a reduction of the previously reported taxation for 2016 by \$0.334 million and a corresponding increase in administrative expenses as a result of the reclassification. The statement of cash flows as at 31 December 2016 has also been adjusted to reflect this reclassification.

The tables below illustrate the impact of the above-mentioned adjustments for the year ended 31 December 2016 on the statement of comprehensive income:

	For the year ended 31 December 2016 – As previously reported \$'000	Impact of adjustment for major maintenance costs \$'000	Impact of adjustment to deferred taxation \$'000	Impact of reclassification of Green Fund Levy \$'000	For the year ended 31 December 2016 – revised \$'000
<b>For the year ended 31 December 2016</b>					
<b>Impact on the statement of comprehensive income</b>					
Administrative expenses	15,555	243	–	334	16,132
Operating expenses	14,034	(4,202)	–	–	9,832
Profit before tax	48,779	3,959	–	(334)	52,404
Taxation	36,938	1,188	7,193	(334)	44,985
Net profit for the year	11,841	2,771	(7,193)	–	7,419

# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

### 5. Comparative information (continued)

The tables below illustrate the impact of the above-mentioned adjustments for the year ended 31 December 2016 on the statement of changes in equity and statement of financial position:

	For the year ended 31 December 2016 – As previously reported \$'000	Impact of adjustment for major maintenance costs \$'000	Impact of adjustment to deferred taxation \$'000	Impact of reclassification of Green Fund Levy \$'000	For the year ended 31 December 2016 – revised \$'000
<b>As at 31 December 2016</b>					
<b>Impact on the statement of changes in equity</b>					
Retained earnings	14,231	2,771	(7,193)	–	9,809
<b>Impact on the statement of financial position</b>					
Property, plant and equipment	31,326	3,959	–	–	35,285
Deferred tax assets	88,172	(126)	(6,595)	–	81,451
Deferred tax liabilities	218,110	1,062	598	–	219,770

# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

### 6. Property, plant and equipment

	<b>Machinery &amp; equipment \$'000</b>	<b>Other assets \$'000</b>	<b>Capital spares \$'000</b>	<b>Capital work in progress (CWIP) \$'000</b>	<b>2017 Total \$'000</b>	<b>2016* Total \$'000</b>
<b>Cost</b>						
Balance at 1 January 2017	14,921	7,076	22,100	621	44,718	31,203
Adjustment - Major maintenance (Note 5)	—	—	—	—	—	4,655
Additions	163	8,049	19,367	1,481	29,060	9,395
Transfers from CWIP	1,840	55	—	(1,895)	—	—
Disposals and other movements	—	—	(2,858)	—	(2,858)	(535)
<b>Balance at 31 December 2017</b>	<b><u>16,924</u></b>	<b><u>15,180</u></b>	<b><u>38,609</u></b>	<b><u>207</u></b>	<b><u>70,920</u></b>	<b><u>44,718</u></b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2017	957	1,835	6,641	—	9,433	6,187
Adjustment - Major maintenance (Note 5)	—	—	—	—	—	696
Charge for the year (Note 17a)	879	3,218	2,609	—	6,706	2,550
Disposals and other movements	—	—	(1,123)	—	(1,123)	—
<b>Balance at 31 December 2017</b>	<b><u>1,836</u></b>	<b><u>5,053</u></b>	<b><u>8,127</u></b>	<b><u>—</u></b>	<b><u>15,016</u></b>	<b><u>9,433</u></b>
<b>Net book value</b>	<b><u>15,088</u></b>	<b><u>10,127</u></b>	<b><u>30,482</u></b>	<b><u>207</u></b>	<b><u>55,904</u></b>	<b><u>35,285</u></b>

Additions to property plant and equipment recorded in the statement of financial position as at 31 December 2016 amounted to \$14.050 million. Depreciation charge recorded in the statement of comprehensive income for the year ended 31 December 2016 amounted to \$3.246 million.

Additions to property, plant and equipment recorded in the statement of financial position as at 31 December 2017 includes a non-cash transaction in respect of the acquisition of capital spares of \$1.119 million.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

	2017 \$'000	2016 \$'000
<b>7. Investment in leased assets</b>		
Finance lease - gross investment	2,484,523	2,589,827
Less: Unearned finance income	<u>(1,760,182)</u>	<u>(1,860,751)</u>
Net investment in leased asset	724,341	729,076
Less amounts due within one year	<u>(5,296)</u>	<u>(4,735)</u>
	<u>719,045</u>	<u>724,341</u>

The Company entered into a Power Purchase Agreement (PPA) for the supply of capacity and associated energy generated for a term of thirty (30) years from the commencement of Phase 1A commercial operations. The power plant was brought into operation in three phases. Each phase provided incremental capacity for power generation as follows:

Phase 1A commissioned on 31 July 2011	225MW
Phase 1B commissioned on 20 December 2011	225MW
Phase 2 commissioned on 18 December 2012	270MW

The provisions of the PPA were evaluated in accordance with IFRIC 4: "Determining whether an arrangement contains a lease" and IAS 17: "Leases". Phase 1A and Phase 1B were commissioned during 2011 and Phase 2 in 2012. Their related costs were transferred from capital work in progress and an investment in these assets was recognized in the respective years.

As at 31 December the gross investment and present value of receivables relating to future minimum lease payments were distributed as follows:

	2017		2016	
	Gross investment \$'000	Present value of receivable \$'000	Gross investment \$'000	Present value of receivable \$'000
Within 1 year	105,289	5,296	105,289	4,735
1 to 5 years	421,445	28,825	526,735	34,121
Over 5 years	<u>1,957,789</u>	<u>690,220</u>	<u>1,957,803</u>	<u>690,220</u>
	<u>2,484,523</u>	<u>724,341</u>	<u>2,589,827</u>	<u>729,076</u>

# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

	2017 \$'000	2016 \$'000
<b>8. Cash and short-term deposits</b>		
Cash at bank	105,802	98,084
Short-term deposits	<u>15,885</u>	<u>75,885</u>
	<u>121,687</u>	<u>173,969</u>

Cash at bank earn interest at floating rates based on daily bank deposit rates.

Short-term deposits include US dollar and TT dollar denominated deposits with maturity dates of 1 year (2016: 1 and 2 years) with interest rates ranging from 1.4% to 1.9% per annum (2016: 0.80% per annum to 1.9% per annum).

	2017 \$'000	2016 \$'000
For the purpose of the statement of cash flows, cash and cash equivalents comprise:		
Cash at bank	<u>105,802</u>	<u>98,084</u>
<b>9. Trade and other receivables</b>		
Trade receivables – T&TEC (Note 13)	29,005	11,174
Accrued revenues – T&TEC (Note 13)	8,164	8,389
Prepayments and other receivables	<u>1,341</u>	<u>969</u>
	<u>38,510</u>	<u>20,532</u>

Trade receivables and accrued revenues of \$37,169 (2016: \$19,563) are in respect of amounts due from a related party. Included in the Other Receivables is an amount due from UEEGCL amounting to \$254. Refer to Note 13.

As at 31 December, the ageing analysis of trade receivables and accrued revenues is as follows:

	Total \$'000	Current \$'000	Past due but not impaired		
			>30 to 60 days \$'000	>60 to 90 days \$'000	> 90 days \$'000
<b>2017</b>	37,169	19,127	8,918	8,752	372
<b>2016</b>	19,563	19,563			

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

	2017 \$'000	2016 \$'000
<b>10. Inventories</b>		
Spare parts	12,876	10,636
Materials in transit	<u>211</u>	<u>110</u>
	<u>13,087</u>	<u>10,746</u>

**11. Stated capital**

*Authorized*

Unlimited number of Ordinary shares at par value

*Issued and fully paid*

189,400,000 (2016: 189,400,000) Ordinary shares at no par value 189,400 189,400

On 15 May 2015 the Company issued additional ordinary shares of no par or nominal value to its parent, Union Estate Electricity Generation Company Limited. A reconciliation of the issued and fully paid ordinary shares is summarised below:

	# of shares in thousands	\$'000
At 1 January 2016	<u>189,400</u>	<u>189,400</u>
Issued in 2016	—	—
At 31 December 2016	<u>189,400</u>	<u>189,400</u>
Issued in 2017	—	—
At 31 December 2017	<u>189,400</u>	<u>189,400</u>

**12. Trade and other payables**

Trade payables	832	852
Other payables	9,286	6,309
Interest payable	<u>5,250</u>	<u>5,250</u>
	<u>15,368</u>	<u>12,411</u>

Trade payables are non-interest bearing and are normally on 30-day terms.

# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)  
(Continued)

### 13. Related parties

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operating decisions.

In the ordinary course of its business, the Company enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under the common control of the GORTT include National Energy Corporation of Trinidad and Tobago Limited, Trinidad and Tobago Electricity Commission and Union Estate Electricity Generation Company Limited.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any amounts due to or from related parties except as stated in Note 20.

The following table provides the details of transactions with and balances due to related parties for the year:

	2017 S'000	2016 S'000
<b>Due to related parties</b>		
Government of the Republic of Trinidad and Tobago	<u>—</u>	<u>59</u>
<b>Due from related parties</b>		
Trinidad and Tobago Electricity Commission (Note 9)	37,169	19,563
Union Estate Electricity Generation Company Limited (UEEGCL) (Note 9)	<u>254</u>	<u>—</u>
	<u>37,423</u>	<u>19,563</u>
<b>Purchases from related parties</b>		
National Energy Corporation of Trinidad & Tobago - Lease rental	<u>334</u>	<u>334</u>
<b>Sales to related parties</b>		
Trinidad and Tobago Electricity Commission		
- Finance lease income	100,554	101,059
- Finance lease collections	4,735	4,533
- Other income	2,746	4,987
- Other finance income	<u>483</u>	<u>—</u>
	<u>108,518</u>	<u>110,579</u>



# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

<b>13. Related parties (continued)</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>

### **Compensation of key management personnel**

Short-term employee benefits	<u>1,097</u>	<u>1,200</u>
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Key management personnel are the persons having authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration of members of key management personnel is a component of administration expenses in the statement of comprehensive income. The amount expensed during the year is shown above.

<b>14. Long term bond</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>

Bond proceeds	589,920	589,920
Unamortised discount and transaction costs	<u>(8,056)</u>	<u>(9,309)</u>
	<u>581,864</u>	<u>580,611</u>

Trinidad Generation Unlimited issued a 5.250% 144A/REG S Senior Unsecured Notes in the amount of US \$600,000,000 dollars on 4 November 2016 with a maturity date of 4 November 2027 listed on the Singapore Stock Exchange with a minimum denomination of US \$200,000 dollars and integral multiples of US \$1,000 dollars in excess thereof. Gross proceeds of the bond amounted to US \$589,920,000 dollars with an issue price of 98.320% of the principal amount.

The proceeds from the bond were utilized to extinguish a US \$600,000,000 dollars Syndicated Loan Facility issued by Credit Suisse on 7 July 2016 maturing on 5 July 2017.

Interest payment dates will be made at six month intervals on 4 May and 4 November of each year commencing 4 May 2017. Principal repayments will be made in six equal, consecutive, semi-annual instalments commencing on 4 May 2025.

Individual ratings of BBB- for the bond was presented by both Standard and Poor's (S&P) and Fitch Ratings. For the duration of the bond U.S. Bank National Association would act as Trustee, Paying Agent, Transfer Agent and Registrar.

Under the terms of the Indenture the Company is required to comply with certain restrictions relating to the issuance of the long term bond as follows but not limited to:

- Certain limitations on sale and leaseback transactions;
- Certain limitations to the amendment of the PPA;
- The Company shall be required to repurchase its notes upon change of control.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

	2017 \$'000	2016 \$'000
<b>15. Other revenue</b>		
Capacity revenues – CPI adjustment	2,327	4,014
Energy delivered revenues	411	357
Miscellaneous	<u>8</u>	<u>616</u>
	<u>2,746</u>	<u>4,987</u>
<b>16. Expenses</b>		
<b>a. Administrative expenses</b>		
Staff costs (refer to Note 16 c)	6,508	5,897
Insurance	2,354	2,754
Depreciation(refer to Note 6)	6,706	3,246
Professional and legal fees	1,281	1,508
Events and community work	462	826
Rent	426	461
Travel and motor vehicle expenses	404	427
IT expenses	597	270
Utilities	149	279
Other	<u>484</u>	<u>464</u>
	<u>19,371</u>	<u>16,132</u>
<b>b. Operating expenses</b>		
Inspections	436	1,023
Contract labour	2,536	2,891
Contracted services	868	1,863
Parts and supplies	1,357	1,400
Safety and security	524	668
Repairs and maintenance	510	599
Training	282	228
Other	<u>824</u>	<u>1,160</u>
	<u>7,337</u>	<u>9,832</u>
<b>c. Staff costs</b>		
Salaries and wages	2,952	2,827
Allowances, subsistence and other benefits	3,290	2,848
Pension contributions	<u>266</u>	<u>222</u>
	<u>6,508</u>	<u>5,897</u>

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(Continued)

	2017	2016
	\$'000	\$'000
<b>17. Finance expenses</b>		
Financing fees	—	14,202
Withholding tax	5,559	2,647
Interest expense	31,500	17,419
Bond amortization	1,253	208
Bond monitoring fees	405	—
Bank charges	16	47
	<u>38,733</u>	<u>34,523</u>
<b>Finance income</b>		
Interest income	745	1,122
Gain on foreign exchange	276	5,723
Other	664	—
	<u>1,685</u>	<u>6,845</u>
<b>18. Taxation</b>		
Taxation charge for the year:		
Business levy	694	671
Deferred tax	<u>12,567</u>	<u>44,314</u>
	<u>13,261</u>	<u>44,985</u>

Effective 1 January 2017, the corporation tax structure change whereby profits up to and equal to TT \$1 million was taxed at 25% while all profits in excess of TT \$1 million incurred a tax charge of 30%. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

As disclosed in Note 5, the financial statements include a reclassification of 2016 comparative information in respect of the green fund levy amount of \$0.334 million. In accordance with IAS 12 – Income Taxes, the green fund levy expense of \$0.334 million for 2016 has been reclassified to administrative expenses which is consistent with the 2017 presentation. The financial statements also include an adjustment to the deferred tax charge in respect of a change in the foreign exchange rate used to translate the tax base.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

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(Continued)

**18. Taxation (continued)**

A reconciliation of the expected income tax expense determined using the statutory tax rate to the effective income tax expense is as follows:

	2017 \$'000	2016* \$'000
Profit before taxation	<u>39,544</u>	<u>52,404</u>
Income taxes thereon at the statutory rate	11,863	13,101
Tax effect of non-deductible expenses	940	3,614
Tax effect of income not taxable/allowances	(263)	(1,516)
Deferred tax impact of change in tax rate	—	23,053
Business levy	694	671
Other	<u>27</u>	<u>6,062</u>
	<u>13,261</u>	<u>44,985</u>

Included in Other is an amount of \$0.113 million (2016: \$5.840 million) which relates to the foreign exchange effect of translating the tax base of unutilized tax losses and other TTD components of deferred tax from Trinidad and Tobago dollars to United States dollars.

As explained in Note 5, the tax base of unutilized tax losses and other TTD components of deferred tax are maintained in Trinidad and Tobago dollars. During the year ended 31 December 2017, the tax base of the Company's unutilized tax losses increased by approximately \$0.282 million giving rise to deferred tax income of approximately \$0.085 million. In addition, there was a translation adjustment relating to finance lease, property, plant and equipment and capital spares which resulted in a deferred tax expense of approximately \$0.198 million. Due to the depreciation in the exchange rate for US\$:TT\$ from 1 January 2016 to 31 December 2016, the tax base of the Company's unutilized tax losses was reduced by approximately \$15 million giving rise to deferred tax expense of approximately \$4.5 million. In addition, there was a translation adjustment relating to finance lease, property, plant and equipment and capital spares which resulted in a deferred tax expense of approximately \$1.3 million.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017

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(Continued)

**18. Taxation (continued)**

Significant components of deferred tax are as follows:

	<b>2017</b>	<b>2016*</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets:</b>		
Tax losses	72,465	78,840
Capital spares	—	758
Interest payable	<u>1,853</u>	<u>1,853</u>
	<u>74,318</u>	<u>81,451</u>
<b>Deferred tax liabilities:</b>		
Finance lease and property, plant and equipment	221,161	219,770
Capital spares	<u>4,043</u>	<u>—</u>
	<u>225,204</u>	<u>219,770</u>

The Company has unutilized tax losses of \$241.6 million (2016: \$262.8 million) that are available indefinitely for offset against future taxable profits. Deferred tax assets have been recognized for the carry forward of these unused tax losses to the extent that it is possible that future tax profits will be available against which the tax losses can be utilized. There are no unrecognized deferred tax assets for the current or prior year.

\* Certain amounts shown here do not correspond to the 2016 financial statements and reflect the adjustments made as detailed in Note 5.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

#### 19. Operating lease commitments

The Company has entered into a 30 year lease agreement commencing 15 January 2009 with the National Energy Corporation of Trinidad and Tobago for the lease of 149.955 hectares of land situated in La Brea, Trinidad. The rental lease expense of \$333,900 dollars is recorded in administrative expenses for the year ended 31 December 2017 (2016: \$333,900 dollars).

The Company also holds operating leases for its motor vehicles. The motor vehicle lease expense of \$197,567 dollars is recorded in administrative expenses for the year ended 31 December 2017 (2016: \$270,614 dollars).

Future minimum rentals payable under the operating leases as at 31 December are as follows:

	2017 \$'000	2016 \$'000
Within one year	563	461
After one year but not more than five years	1,713	1,562
More than five years	<u>5,676</u>	<u>5,676</u>
	<u>7,952</u>	<u>7,699</u>

#### 20. Commitments

##### Capital commitments

As at 31 December 2017, the Company had no major capital commitments (2016: 1.374 million).

##### Contractual commitments

###### a. Power Purchase Agreement

On 15 September 2009, the Company entered into a Power Purchase Agreement for 30 years with Alutrint Limited (Alutrint) and the Trinidad and Tobago Electricity Commission (T&TEC) as buyers in which each of the buyers is jointly and separately obligated to fulfilling the terms and conditions of the agreement which provides inter alia for the sale of the maximum available output of the plant. In accordance with the power purchase agreement these obligations would commence once Phase 1A of the plant is operational. Phase 1A became operational in 31 July 2011, Phase 1B on 20 December 2011, and Phase 2 became operational on 18 December 2012.

The obligations of T&TEC under the Power Purchase Agreement are unconditionally guaranteed by the Government of Trinidad & Tobago. The total capacity of the plant is dedicated to T&TEC.

## TRINIDAD GENERATION UNLIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

#### 20. Commitments (continued)

##### Contractual commitments (continued)

###### *b. FirstCaribbean International Bank (Trinidad and Tobago) Limited agreement*

By a resolution in writing dated 10 May 2017 and on further instruction from the Government of Trinidad and Tobago enunciated by the Honorable Prime Minister in Parliament, a decision was made to divest 49% of the equity of the Company. As part of this proposed transaction, the parent company, UEEGCL, duly authorized the Company to act on its behalf and to execute and deliver an agreement with FirstCaribbean International Bank (Trinidad & Tobago) Limited (CIBC FirstCaribbean). Effective 3 July 2017, the Company engaged CIBC FirstCaribbean as the Company's exclusive financial advisor and agent. This agreement expires on 31 March 2018.

As per the agreement, if the proposed transaction does not occur and the divestment of 10% or more of UEEGCL's equity of the Company occurs during the term of the agreement or during the 12 month period following expiry or termination of the agreement, a minimum alternative transaction fee of US\$1 million is payable to CIBC FirstCaribbean. On 13 July 2017 the Company terminated the engagement with CIBC FirstCaribbean. The committed period under the CIBC FirstCaribbean arrangement will end on 13 July 2018. Any amount payable to CIBC FirstCaribbean is rechargeable to UEEGCL.

##### Financing commitment

On 30 September 2015 and on 21 December 2015, respectively, the Company entered into one (1) year loan agreements for loan facilities to the intended long term financing. On 7 July 2016, another short term loan of US\$600 million was secured and the proceeds used to repay in full, the two previous loans, and to settle the balance due to the parent company (UEEGCL) as at 7 July 2016 of US\$228 million.

In October 2016, the Board of Directors approved the initiative for the issue of a 144A/REG S Senior Unsecured Bond Offering for the purpose of repaying the US\$600 million short term loan financing facility maturing on 5 July 2017.

A strategic partnership between Credit Suisse, Scotiabank, RBC Capital Markets and TGU resulted in a successful bond offering which raised a US\$600 million 5.25% 144A REG S Unsecured Bond Offering on 4 November 2016 fully maturing on 4 November 2027. The facility was underwritten and arranged by Credit Suisse, Scotiabank, RBC Capital Markets and CIBC Capital Markets.

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## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

#### 21. Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

##### *Subsequent measurement*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance expenses in the statement of comprehensive income.

	Interest rate	Maturity	2017 \$'000	2016 \$'000
Non-current interest-bearing loans and borrowings				
5.25% unsecured bond of US 600,000,000	5.25%	3-Nov-27	<u>600,000</u>	<u>600,000</u>
Total non-current interest-bearing loans and borrowings			<u>600,000</u>	<u>600,000</u>



# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

### 22. Financial risk management objectives and policies

The Company is exposed to credit risk and liquidity risk, arising from the financial instruments that it holds. The risk management policies employed by the Company to manage these risks are discussed below.

#### (i) Credit risk

Credit risk arises when failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at year end. The maximum exposure to credit risk for the components of the statement of financial position is shown below:

	<b>Gross maximum exposure 2017 \$'000</b>	<b>Gross maximum exposure 2016 \$'000</b>
Net investment in leased assets	724,341	729,076
Cash and short-term deposits	121,687	173,969
Trade and other receivables	<u>37,660</u>	<u>19,781</u>
	<u>883,688</u>	<u>922,826</u>

The net investment in leased asset and therefore 100% of the Company's revenue is earned from one related party under a Power Purchase Agreement (Note 20), which is backed by a full Government of Trinidad and Tobago guarantee for risk of defaults. In addition, trade receivables amounting to \$37.1 million (2016: \$19.6 million) are also backed by the full Government guarantee.

Cash and short-term deposits are placed with reputable financial institutions.

The maximum exposure on these financial statements is equal to their carrying amounts at year end.

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**22. Financial risk management objectives and policies (continued)**

**(ii) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligation associated with the financial instruments. The Company has procedures with the objective of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	On demand \$'000	Less than 3 months \$'000	3 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>31 December 2017</b>						
Trade and other payables	—	5,394	5,250	—	—	10,644
Due to related parties	—	—	—	—	—	—
Long term bond	—	—	—	—	581,864	581,864
	<u>—</u>	<u>5,394</u>	<u>5,250</u>	<u>—</u>	<u>581,864</u>	<u>592,508</u>
<b>31 December 2016</b>						
Trade and other payables	—	3,035	5,250	—	—	8,285
Due to related parties	—	—	—	59	—	59
Long term bond	—	—	—	—	580,611	580,611
	<u>—</u>	<u>3,035</u>	<u>5,250</u>	<u>59</u>	<u>580,611</u>	<u>588,955</u>

**(iii) Foreign currency risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses. Risk management in this area is active to the extent that hedging strategies are available and cost effective.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

(Continued)

**22. Financial risk management objectives and policies (continued)**

**(iii) Foreign currency risk (continued)**

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates, with all other variables held constant, of net profit for the year (due to changes in the fair value of monetary assets and liabilities) and the Company's equity:

	<b>Increase/(decrease) in TT dollar rate</b>	<b>Effect on net profit \$'000</b>	<b>Effect on equity \$'000</b>
<b>2017</b>			
US dollar	+1%	67	47
US dollar	-1%	(67)	(47)
<b>2016</b>			
US dollar	+1%	(8)	(6)
US dollar	-1%	8	6

The aggregate value of financial assets and liabilities by reporting currency are as follows:

<b>2017</b>			
<b>Financial assets</b>	<b>USD \$'000</b>	<b>TTD \$'000</b>	<b>Total \$'000</b>
Net investment in leased assets	724,341	—	724,341
Cash and short term deposits	114,977	6,710	121,687
Trade and other receivables	<u>37,660</u>	<u>—</u>	<u>37,660</u>
	<u>876,978</u>	<u>6,710</u>	<u>883,688</u>
<b>Financial liabilities</b>			
Trade and other payables	10,638	6	10,644
Due to related parties	—	—	—
Long term bond	<u>581,864</u>	<u>—</u>	<u>581,864</u>
	<u>592,502</u>	<u>6</u>	<u>592,508</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)

**22. Financial risk management objectives and policies (continued)**

**(iii) Foreign currency risk (continued)**

<b>2016</b>			
<b>Financial assets</b>	<b>USD</b>	<b>TTD</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net investment in leased assets	729,076	—	729,076
Cash and short term deposits	173,125	844	173,969
Trade and other receivables	<u>19,781</u>	<u>—</u>	<u>19,781</u>
	<u>921,982</u>	<u>844</u>	<u>922,826</u>
<b>Financial liabilities</b>			
Trade and other payables	8,261	24	8,285
Due to related parties	59	—	59
Long term bond	<u>580,611</u>	<u>—</u>	<u>580,611</u>
	<u>588,931</u>	<u>24</u>	<u>588,955</u>

**(iv) Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital structure in order to support its business, maximize shareholder value and ensure adequate liquidity to support operational and debt funding. As a result of the long term bond issue during the year, the Company's strategy has been amended to include its ongoing operations, future growth initiatives and its new requirements in compliance with its long term debt restructure in 2017.

# TRINIDAD GENERATION UNLIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Expressed in Thousands of United States Dollars, except where otherwise stated)

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### 23. Fair value of financial instruments

The carrying amounts of the Company's cash and short-term deposits, trade and other receivables, trade and other payables, short term loans, and due to related parties approximate their fair value, in view of their short-term maturities of a year or less. The fair value of the financial instruments is presented below:

	Carrying amount 2017 \$'000	Fair value 2017 \$'000	Carrying amount 2016 \$'000	Fair value 2016 \$'000
<b>Financial assets:</b>				
Net investment in leased asset	724,341	1,315,643	729,076	1,196,455
Cash and short-term deposits	121,687	121,687	173,969	173,969
Trade receivables	37,660	37,660	19,781	19,781
<b>Financial liabilities:</b>				
Trade and other payables	10,644	10,644	8,285	8,285
Due to related parties	—	—	59	59
Short term loans	—	—	—	—
Long term bond	581,864	616,260	580,611	580,611

The fair value of the leased asset was estimated using relevant industry and market observable data to arrive at a proxy for fair value at year end.

24. Dividends	2017 \$'000	2016 \$'000
Proposed and paid for the year:		
Dividends on ordinary shares for:		
2016: approximately \$0.21 per share	—	40,000
2017: approximately \$0.11 per share	<u>20,000</u>	<u>—</u>
	<u>20,000</u>	<u>40,000</u>

On 29 December 2016, a final dividend of \$40 million was approved by the Board of Directors in respect of 2016. This final dividend was charged against retained earnings for the year ended 31 December 2016 and was paid on 1 February 2017.

On 20 June 2017, an interim dividend of \$20 million was approved by the Board of Directors in respect of 2017. This interim dividend was charged against retained earnings for the year ended 31 December 2017 and was paid on 27 June 2017.