TRINIDAD GENERATION UNLIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018
(Expressed in Thousands of United States Dollars)

Ernst & Young

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TRINIDAD GENERATION UNLIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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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 2018, and the statements of comprehensive income, changes in equity and 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 2018 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 year. We have determined that there are no key audit matters to communicate in our report.

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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.

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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 year 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.

EY

Port of Spain
TRINIDAD
31 January 2019

TRINIDAD GENERATION UNLIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2018	2017
ASSETS		**$'000**	**$'000**
Non-current assets			
Property, plant and equipment	5	46,847	55,904
Net investment in leased assets	6	713,117	719,045
Deferred tax assets	18	58,898	74,318
		818,862	849,267
Current assets			
Cash and short-term deposits	7	126,344	121,687
Net investment in leased assets	6	5,928	5,296
Trade and other receivables	8	77,728	38,510
Tax recoverable		81	81
Inventories	9	14,291	13,087
		224,372	178,661
TOTAL ASSETS		1,043,234	1,027,928

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018
(Expressed in Thousands of United States Dollars, except where otherwise stated)
(Continued)

	Notes	2018 $'000	2017 $'000
EQUITY AND LIABILITIES			
Equity			
Stated capital	10	189,400	189,400
Retained earnings		34,345	16,092
		223,745	205,492
Non-current liabilities			
Deferred tax liabilities	18	222,596	225,204
Long term bond	14	583,204	581,864
		805,800	807,068
Current liabilities			
Trade and other payables	11	12,944	15,368
Provision	12	745	–
		13,689	15,368
Total liabilities		819,489	822,436
TOTAL EQUITY AND LIABILITIES		1,043,234	1,027,928

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 31 January 2019 and signed on their behalf by:

Sandra P. Jones : Director

______________________ : Director

TRINIDAD GENERATION UNLIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2018 $'000	2017 $'000
Revenue			
Finance lease income		99,993	100,554
Other revenue	15	5,899	2,746
		105,892	103,300
Expenses			
Administrative expenses	16 (a)	(20,163)	(19,371)
Operating expenses	16 (b)	(9,885)	(7,337)
		(30,048)	(26,708)
Operating profit		75,844	76,592
Finance expenses	17	(38,567)	(38,733)
Finance income	17	4,455	1,685
Profit before tax		41,732	39,544
Taxation	18	(13,479)	(13,261)
Net profit for the year		28,253	26,283
Other comprehensive income		–	–
Total comprehensive income		28,253	26,283

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Stated capital $'000	Retained earnings $'000	Total $'000
Year ended 31 December 2018			
Balance at 1 January 2018	189,400	16,092	205,492
Comprehensive income for the year	–	28,253	28,253
Dividends proposed and paid (Note 24)	–	(10,000)	(10,000)
Balance at 31 December 2018	189,400	34,345	223,745
Year ended 31 December 2017			
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)
Balance at 31 December 2017	189,400	16,092	205,492

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2018	2017
Cash flows from operating activities		**$'000**	**$'000**
Profit before taxation		41,732	39,544
Adjustments for:			
Depreciation	5	8,076	6,706
Foreign exchange gains	17	(232)	(276)
Amortized discount and transaction costs	17	1,339	1,253
Other movements		2,389	617
Interest expense net		34,156	36,253
Operating profit before changes in working capital		87,460	84,097
Increase in trade and other receivables		(38,109)	(17,824)
Increase in provision		745	–
Increase in inventories		(1,204)	(2,341)
(Decrease)/increase in trade and other payables		(2,430)	2,898
Net cash generated from operations		46,462	66,830
Interest received		1,979	1,349
Interest paid		(37,052)	(37,480)
Finance lease collections		5,296	4,735
Tax paid		(667)	225
Net cash generated from operations		16,018	35,659

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Expressed in Thousands of United States Dollars, except where otherwise stated)
(Continued)

	Notes	2018 $'000	2017 $'000
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,361)	(27,941)
Maturity of short term deposits		885	60,000
Net cash (used in)/generated from investing activities		(476)	32,059
Cash flows from financing activities			
Dividends paid	24	(10,000)	(60,000)
Net cash used in financing activities		(10,000)	(60,000)
Net increase in cash and cash equivalents		5,542	7,718
Cash and cash equivalents			
- at the beginning of the year		105,802	98,084
- at the end of the year	7	111,344	105,802

Non-cash items:
During 2017, the Company completed a non-cash transaction in respect of the disposal of capital spares amounting to $1.119 million.

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

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 National Investment Fund Holding Company Limited ("NIFHL"), an entity controlled by the Government of the Republic of Trinidad and Tobago ("GORTT") as at 6 July 2018. The Company was previously owned by Union Estate Electricity Generation Company Limited ("UEEGCL"), an entity controlled by the GORTT.

In the ordinary course of its business, the Company enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under 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 NIFHL.

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 2017, except for the standards and interpretations effective as of 1 January 2018.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations

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 2018, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaces all previous revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17 Leases (or IFRS 16, once applied). Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer;

2. Identify the performance obligations in the contract;

3. Determine the transaction price;

4. Allocate the transaction price to the performance obligations in the contract; and

5. Recognise revenue when (or as) the entity satisfies a performance obligation.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations (continued)

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

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage. The adoption of this standard has no impact on the Company's financial position and performance as the Company's revenue comprises mainly lease revenue and is accounted for under IAS 17 "Leases".

IFRS 9 'Financial Instruments'

IFRS 9, 'Financial Instruments', was developed in three phases:

- Phase 1 – Classification and measurement of financial instruments

  Classification and measurement of financial assets
  Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. The Company applied the accounting and disclosure requirements of the new standard. However, their application has no effect on the Company's financial position and performance as the Company's financial assets comprise cash and cash equivalents and trade and other receivables.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' (continued)

- Phase 1 – Classification and measurement of financial instruments (continued)

  Classification and measurement of financial liabilities
  For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

  All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The Company applied the accounting and disclosure requirements of the new standard. However, their application has no effect on the Company's financial position and performance as the Company's financial liabilities comprise long term bond, trade and other payables and amounts due to related parties.

- Phase 2 - Impairment

  The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, and contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases. Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised. As the Company's main financial asset is trade and other receivables, a simplified approach was adopted to assess impairment, and there was no impact on the Company's financial position and performance following this assessment.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations (continued)

IFRS 9 'Financial Instruments' (continued)

- Phase 3 - Hedge accounting

  Hedge effectiveness testing is prospective, without the 80% to 125% bright line test in IAS 39, and, depending on the hedge complexity, will often be qualitative. A risk component of a financial or non-financial instrument may be designated as the hedged item if the risk component is separately identifiable and reliably measureable. The time value of an option, any forward element of a forward contract and any foreign currency basis spread can be excluded from the hedging instrument designation and can be accounted for as costs of hedging. More designations of groups of items as the hedged item are possible, including layer designations and some net positions. At this time, the Company is not engaged in hedging strategies and therefore this phase has no impact on the Company.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment in relation to the classification and measurement of share-based payment transactions. The amendments address three main areas:

- The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction.

  The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations (continued)

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (continued)

- The classification of a share-based payment transaction with net settlement features for withholding tax obligations.

  This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee’s behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee’s tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment (‘net share settlement feature’). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

- The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

  The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss.

These amendments have no impact on the Company as it does not have any share based payment transactions.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations (continued)

IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transaction for each payment or receipt of advance consideration. The adoption of this standard has no impact on the Company's financial position and performance.

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

Temporary exemption from IFRS 9
The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 Financial Instruments: Recognition and Measurement while they defer the application of IFRS 9 until 1 January 2021 at the latest.

Predominance must be initially assessed at the annual reporting date that immediately precedes 1 April 2016 and before IFRS 9 is implemented. Also the evaluation of predominance can only be reassessed in rare cases. Entities applying the temporary exemption will be required to make additional disclosures.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations (continued)

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (continued)

Temporary exemption from IFRS 9 (continued)
The overlay approach is an option for entities that adopt IFRS 9 and issue insurance contracts, to adjust profit or loss for eligible financial assets; effectively resulting in IAS 39 accounting for those designated financial assets. The adjustment eliminates accounting volatility that may arise from applying IFRS 9 without the new insurance contracts standard. Under this approach, an entity is permitted to reclassify amounts between profit or loss and other comprehensive income for designated financial assets. An entity must present a separate line item for the amount of the overlay adjustment in profit or loss, as well as a separate line item for the corresponding adjustment in other comprehensive income.

The Company does not have insurance contracts and therefore these amendments have no impact on the Company.

Amendments to IAS 40 'Transfers of Investment Property'

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The Company does not have investment property and therefore these amendments have no impact on the Company.

Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations (continued)

Annual improvements to IFRS standards 2014 – 2016 cycle, resulting in amendments to IFRS 1, IFRS 12 and IAS 28 (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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.

2. Significant accounting policies (continued)

c. 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	33⅓
Communication equipment	33⅓
Machinery and equipment	25
Office furniture and equipment	25
Vehicles	25
Capital spares	3⅓-11$^{1}/_{9}$

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

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 6).

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.

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.

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 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.

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.

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 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.

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.

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.

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 amortized 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. Fair value measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 23. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. Significant accounting policies (continued)

q. Fair value measurement (continued)

A fair value measurement of a non–financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

See Note 23 for further details on the valuation techniques and inputs used to determine the fair value of financial instruments disclosed.

For the purpose of fair value disclosures, the Company has determined classes of assets on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

r. 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.

s. Provisions

Provisions are required when the Company has a present obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Significant judgment is required to conclude on these estimates.

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.

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.

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

Estimates and assumptions (continued)

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.

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 16 'Leases' – Effective for annual periods beginning on or after 1 January 2019
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation – Effective for annual periods beginning on or after 1 January 2019
- Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures – Effective for annual periods beginning on or after 1 January 2019
- Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement – Effective for annual periods beginning on or after 1 January 2019
- IFRS 17 'Insurance Contracts' - Effective for annual periods beginning on or after 1 January 2021.
- IFRIC 23, 'Uncertainty over Income Tax Treatments' – Effective for annual periods beginning on or after 1 January 2019
- Annual Improvements Cycle – 2015-2017, resulting in amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 - Effective for annual periods beginning on or after 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

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

5. Property, plant and equipment

	Machinery & equipment $'000	Other assets $'000	Capital spares $'000	Capital work in progress (CWIP) $'000	Total $'000
Cost					
Balance at 1 January 2017	14,921	7,076	22,100	621	44,718
Additions	163	8,049	19,367	1,481	29,060
Transfers from CWIP	1,840	55	–	(1,895)	–
Disposals and other movements	–	–	(2,858)	–	(2,858)
Balance at 31 December 2017	16,924	15,180	38,609	207	70,920
Additions	103	9	586	663	1,361
Disposals and other movements	–	–	(5,569)	–	(5,569)
Balance at 31 December 2018	17,027	15,189	33,626	870	66,712
Accumulated depreciation					
Balance at 1 January 2017	957	1,835	6,641	–	9,433
Charge for the year (Note 16a)	879	3,218	2,609	–	6,706
Disposals and other movements	–	–	(1,123)	–	(1,123)
Balance at 31 December 2017	1,836	5,053	8,127	–	15,016
Charge for the year (Note 16a)	787	4,022	3,267	–	8,076
Disposals and other movements	–	–	(3,227)	–	(3,227)
Balance at 31 December 2018	2,623	9,075	8,167	–	19,865
Net book value					
Balance at 31 December 2018	14,404	6,114	25,459	870	46,847
Balance at 31 December 2017	15,088	10,127	30,482	207	55,904

Additions to property plant and equipment recorded in the statement of financial position as at 31 December 2018 amounted to $1.361 million (2017: $29.060 million). Depreciation charge recorded in the statement of comprehensive income for the year ended 31 December 2018 amounted to $8.076 million (2017: $6.706 million).

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

6. Investment in leased assets	2018 $'000	2017 $'000
Finance lease - gross investment	2,379,248	2,484,523
Less: Unearned finance income	(1,660,203)	(1,760,182)
Net investment in leased asset	719,045	724,341
Less amounts due within one year	(5,928)	(5,296)
	713,117	719,045

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:

	2018		2017	
	Gross investment $'000	Present value of receivable $'000	Gross investment $'000	Present value of receivable $'000
Within 1 year	105,289	5,928	105,289	5,296
1 to 5 years	527,023	43,353	421,445	28,825
Over 5 years	1,746,936	669,764	1,957,789	690,220
	2,379,248	719,045	2,484,523	724,341

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

		2018	2017
7.	**Cash and short-term deposits**	**$'000**	**$'000**
	Cash at bank	111,344	105,802
	Short-term deposits	15,000	15,885
		126,344	121,687

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

Short-term deposits include US dollar denominated deposits with maturity dates of 1 year (2017: 1 year) with interest rates of 2.75% per annum (2017: 1.4% per annum to 1.9% per annum).

For the purpose of the statement of cash flows, cash and cash equivalents comprise:	**2018 $'000**	**2017 $'000**
Cash at bank	111,344	105,802

8. Trade and other receivables

	2018	2017
Trade receivables – T&TEC (Note 13)	64,563	29,001
Accrued revenues – T&TEC (Note 13)	11,772	8,651
Prepayments and other receivables	1,393	858
	77,728	38,510

Trade receivables and accrued revenues of $76,335 (2017: $37,652) are in respect of amounts due from a related party. Included in the Other Receivables is an amount due from UEEGCL amounting to $294 (2017: $254). Refer to Note 13.

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

			Past due but not impaired		
	Total	**Current**	**>30 to 60 days**	**>60 to 90 days**	**> 90 days**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2018	76,335	21,928	9,650	–	44,757
2017	37,652	19,610	8,918	8,752	372

	2018 $'000	2017 $'000
9. Inventories		
Spare parts	14,291	12,876
Materials in transit	–	211
	14,291	13,087

10. Stated capital

Authorized
Unlimited number of Ordinary shares at par value

Issued and fully paid		
189,400,000 (2017: 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 summarized below:

	# of shares in thousands	$'000
At 1 January 2017	189,400	189,400
Issued in 2017	–	–
At 31 December 2017	189,400	189,400
Issued in 2018	–	–
At 31 December 2018	189,400	189,400

	2018 $'000	2017 $'000
11. Trade and other payables		
Trade payables	791	832
Other payables	6,903	9,286
Interest payable	5,250	5,250
	12,944	15,368

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

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

12. Provisions

In October 2018, the Water and Sewerage Authority (WASA) disclosed to the Company that the Water Improvement Rates as per the Water Sale Agreement with the Authority dated 2 October 2009 would be applied and billed for the period 2010 - 2018. Accordingly, the Company has quantified and recorded a provision of $745,119.

	Water Improvement Rate $'000	**Total $'000**
At January 2018	–	–
Arising during the year	745	745
At 31 December 2018	745	745
Current	745	745
Non-current	–	–

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.

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

13. Related parties (continued)

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

	2018 $'000	2017 $'000
Due from related parties		
Trinidad and Tobago Electricity Commission (Note 8)	76,335	37,652
Union Estate Electricity Generation Company Limited (UEEGCL) (Note 8)	294	254
	76,629	37,906
Due to related parties		
The Water and Sewerage Authority		
- Provision (Note 12)	745	–
- Trade and other payables	63	32
	808	32
Purchases from related parties		
National Energy Corporation of Trinidad & Tobago		
- Lease rental	1,010	334
The Water and Sewerage Authority		
- Provision (Note 12)	745	–
- Water utilities expense	111	148
	1,866	482
Sales to related parties		
Trinidad and Tobago Electricity Commission		
- Finance lease income	99,993	100,554
- Finance lease collections	5,296	4,735
- Other income	5,899	2,746
- Other finance income	2,632	483
	113,820	108,518

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

13. Related parties (continued)

	2018 $'000	2017 $'000
Compensation of key management personnel		
Short-term employee benefits	899	1,097

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.

14. Long term bond

	2018 $'000	2017 $'000
Bond proceeds	589,920	589,920
Unamortized discount and transaction costs	(6,716)	(8,056)
	583,204	581,864

Trinidad Generation Unlimited issued 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.

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

15. Other revenue	**2018 $'000**	**2017 $'000**
Capacity revenues – CPI adjustment	5,428	2,327
Energy delivered revenues	467	411
Miscellaneous	4	8
	5,899	2,746

16. Expenses

a. Administrative expenses

	2018 $'000	2017 $'000
Staff costs (refer to Note 16 c)	6,464	6,508
Insurance	2,454	2,354
Depreciation (refer to Note 5)	8,076	6,706
Professional and legal fees	625	1,281
Events and community work	154	462
Rent	1,100	426
Travel and motor vehicle expenses	331	404
IT expenses	419	597
Utilities	143	149
Other	397	484
	20,163	19,371

b. Operating expenses

	2018 $'000	2017 $'000
Inspections	1,252	436
Contract labour	2,593	2,536
Contracted services	709	868
Parts and supplies	2,725	1,357
Safety and security	486	524
Repairs and maintenance	374	510
Training	174	282
Other	1,572	824
	9,885	7,337

c. Staff costs

	2018 $'000	2017 $'000
Salaries and wages	3,000	2,952
Allowances, subsistence and other benefits	3,208	3,290
Pension contributions	256	266
	6,464	6,508

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

	2018	2017
17. Finance expenses	**$'000**	**$'000**
Financing fees	67	–
Withholding tax	5,559	5,559
Interest expense	31,500	31,500
Bond amortization	1,339	1,253
Bond monitoring fees	91	405
Bank charges	11	16
	38,567	38,733
Finance income		
Interest income	437	745
Gain on foreign exchange	232	276
Other	3,786	664
	4,455	1,685

18. Taxation

Taxation charge for the year:		
Business levy	667	694
Deferred tax	12,812	12,567
	13,479	13,261

Based on the Budget Presentation on 2 October 2017, the Minister of Finance of the Government of Trinidad and Tobago announced a change in corporation tax rate from 30% for Companies, on incremental chargeable income in excess of $1 million, to 30% on all taxable income. The change was enacted by the Parliament of Trinidad and Tobago and was subsequently assented to on 19 December 2017. This change in tax rate became effective from 1 January 2018.

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

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:

	2018 **$'000**	**2017** **$'000**
Profit before taxation	41,732	39,544
Income taxes thereon at the statutory rate	12,520	11,863
Tax effect of non-deductible expenses	643	940
Tax effect of income not taxable/allowances	(147)	(263)
Business levy	667	694
Other	(204)	27
	13,479	13,261

Included in Other is an amount of $0.181 million (2017: $0.113 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.

Significant components of deferred tax are as follows:

	2018 **$'000**	**2017** **$'000**
Deferred tax assets:		
Tax losses	57,043	72,465
Interest payable	1,855	1,853
	58,898	74,318
Deferred tax liabilities:		
Finance lease and property, plant and equipment	219,440	221,161
Capital spares	3,156	4,043
	222,596	225,204
Net	163,698	150,886
Deferred tax charge	12,812	12,567

The Company has unutilized tax losses of $190.1 million (2017: $241.6 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.

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

19. Operating lease commitments

The Company has entered into a 30-year lease agreement commencing 15 January 2009 with the National Energy Corporation (NEC) of Trinidad and Tobago for the lease of 149.955 hectares of land situated in La Brea, Trinidad. In December 2018, NEC informed TGU of a revision to the annual lease rent, in accordance with the tenth schedule of the lease agreement under the section "Rent Review". This revision applied to the period January 2014 to December 2018 and resulted in an increase to the rental expense of $676,138, of which $540,912 related to the period January 2014 to December 2017. The rental expense for the year ended 31 December 2018 amounting to $1,010,038 (2017: $333,900) is recorded in administrative expenses.

The Company also holds operating leases for its motor vehicles. The motor vehicle lease expense of $227,883 is recorded in administrative expenses for the year ended 31 December 2018 (2017: $197,567).

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

	2018 $'000	**2017 $'000**
Within one year	647	563
After one year but not more than five years	2,128	1,713
More than five years	7,037	5,676
	9,812	7,952

20. Commitments

Capital commitments

As at 31 December 2018, the Company had no major capital commitments (2017: Nil).

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.

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 ended on 13 July 2018. Any amount payable to CIBC FirstCaribbean would have been 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.

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

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**	**2018 $'000**	**2017 $'000**
Non-current interest-bearing loans and borrowings				
5.25% unsecured bond of US 600,000,000	5.25%	3-Nov-27	600,000	600,000
Total non-current interest-bearing loans and borrowings			600,000	600,000

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

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:

	Gross maximum exposure 2018 $'000	Gross maximum exposure 2017 $'000
Net investment in leased assets	719,045	724,341
Cash and short-term deposits	126,344	121,687
Trade and other receivables	76,662	38,196
	922,051	884,224

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 $76.3 million (2017: $37.7 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.

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

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
31 December 2018						
Trade and other payables	–	2,058	5,250	–	–	7,308
Long term bond	–	–	–	–	583,204	583,204
	–	2,058	5,250	–	583,204	590,512
31 December 2017						
Trade and other payables	–	5,394	5,250	–	–	10,644
Long term bond	–	–	–	–	581,864	581,864
	–	5,394	5,250	–	581,864	592,508

(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.

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

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:

	Increase/(decrease) in TT dollar rate	Effect on net profit $'000	Effect on equity $'000
2018			
US dollar	+1%	94	66
US dollar	-1%	(94)	(66)
2017			
US dollar	+1%	67	47
US dollar	-1%	(67)	(47)

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

2018

Financial assets	USD $'000	TTD $'000	Total $'000
Net investment in leased assets	719,045	–	719,045
Cash and short term deposits	116,915	9,429	126,344
Trade and other receivables	76,662	–	76,662
	912,622	9,429	922,051
Financial liabilities			
Trade and other payables	7,288	20	7,308
Long term bond	583,204	–	583,204
	590,492	20	590,512

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

22. Financial risk management objectives and policies (continued)

(iii) Foreign currency risk (continued)

2017

Financial assets	**USD $'000**	**TTD $'000**	**Total $'000**
Net investment in leased assets	724,341	–	724,341
Cash and short term deposits	114,977	6,710	121,687
Trade and other receivables	38,196	–	38,196
	877,514	6,710	884,224
Financial liabilities			
Trade and other payables	10,638	6	10,644
Long term bond	581,864	–	581,864
	592,502	6	592,508

(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.

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

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 2018 $'000	Fair value 2018 $'000	Carrying amount 2017 $'000	Fair value 2017 $'000
Financial assets:				
Net investment in leased asset	719,045	1,204,245	724,341	1,315,643
Cash and short-term deposits	126,344	126,344	121,687	121,687
Trade receivables	76,662	76,662	38,196	38,196
Financial liabilities:				
Trade and other payables	7,308	7,308	10,644	10,644
Long term bond	583,204	564,540	581,864	616,260

The fair value of the leased asset was estimated using Level 2 inputs. These include relevant industry and market observable data in order to arrive at a proxy for fair value at year end.

24. Dividends

	2018 $'000	2017 $'000
Proposed and paid for the year:		
Dividends on ordinary shares for:		
2018: approximately $0.05 per share	10,000	–
2017: approximately $0.11 per share	–	20,000
	10,000	20,000

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.

On 29 May 2018, an interim dividend of $10 million was approved by the Board of Directors in respect of 2018. This interim dividend was charged against retained earnings for the year ended 31 December 2018 and was paid on 11 June 2018.