Trinidad and Tobago NGL Limited

Financial statements
31 December 2018

Contents

Trinidad and Tobago NGL Limited

Statement of management's responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Trinidad and Tobago NGL Limited, ('the Company') which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Company keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of the Company's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Director

26 March 2019

Chief Financial Officer

26 March 2019

Deloitte & Touche
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Woodbrook, Port of Spain
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Independent auditor's report
To the shareholders of Trinidad and Tobago NGL Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Trinidad and Tobago NGL Limited (the 'Company'), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other 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 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, 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.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of investment in joint venture	

Investment in joint venture asset comprise 21% of the total assets of the Company. The asset has been recognised in the statement of financial position as a consequence of a series of transactions as disclosed in note 5 to the financial statements.
 	
Impairment was recognised on the investment in joint venture in 2014 and as required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of the investment in joint venture. This is performed using discounted cash flow models and resulted in a reversal of impairment of $10,586,000. As disclosed in notes 5 and 11, there are a number of key sensitive judgements made in determining the inputs into these models which include:
 	
• Revenue growth (including volume growth and price increases)
	We focused our testing of the impairment of investment in joint venture asset on the key assumptions made by management.
	
	Our audit procedures included:
	
	• Engaging our internal specialists to assist with:
	  - Critically evaluating whether the model used by management to calculate the value in use of the individual cash generating units complies with the requirements of IAS 36 Impairment of Assets.
	  - Validating the assumptions used to calculate the discount rates and recalculating these rates.
	
	• Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the Cash Generating Unit.

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Independent auditor's report (continued)
To the shareholders of Trinidad and Tobago NGL Limited

Key Audit Matter (continued)

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of investment in joint venture (continued)	
• The discount rates applied to the projected future cash flows. Accordingly, the impairment test of the asset is considered to be a key audit matter. Management have engaged a specialist to assist with the determination of the discount rate for the significant Cash Generating Unit to which the asset relate. Management's determination of the recoverable amount of the joint venture involves a complex evaluation of many objective and subjective assumptions. It also relies on the integrity of the data used in the model calculation which are derived from various sources.	• Subjecting the key assumptions to sensitivity analyses. • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of management's projections.

Information Other than the Financial Statements and Auditor's Report

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the 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. Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Independent auditor's report (continued)
To the shareholders of Trinidad and Tobago NGL Limited

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 judgement 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.
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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.

Deloitte & Touche

Deloitte & Touche
Derek Mohammed, (ICATT # 864)
Port of Spain
Trinidad

26 March 2019

Trinidad and Tobago NGL Limited

Statement of financial position
As at 31 December 2018
(Expressed in Trinidad and Tobago dollars)

Assets	Notes	2018 $'000	2017 $'000
Non-current assets			
Investment in joint venture	5(b)	3,097,751	3,040,436
Total non-current assets		3,097,751	3,040,436
Current assets			
Dividend receivable	9	16,527	19,781
Taxation recoverable		315	-
Cash and cash equivalents	7	278,886	310,913
Total current assets		295,728	330,694
Total assets		3,393,479	3,371,130
Shareholders' equity and liabilities			
Equity			
Share capital	8	2,772,120	2,772,120
Translation reserve		162,680	154,464
Retained earnings		458,417	444,072
Total shareholders' equity		3,393,217	3,370,656
Current liabilities			
Due to parent company/related party	9	237	325
Trade and other payables	6	25	149
Total liabilities		262	474
Total equity and liabilities		3,393,479	3,371,130

The accompanying notes on pages 9 to 35 form an integral part of these financial statements.

The financial statements of Trinidad and Tobago NGL Limited were authorised for issue by the Board of Directors on 26 March 2019.

Director

Director

Trinidad and Tobago NGL Limited

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018
(Amounts expressed in Trinidad & Tobago dollars)

	Notes	2018 $'000	2017 $'000
Income			
Share of profit from investment in joint venture	5 (d)	242,644	216,560
Interest Income		493	608
Foreign exchange gain		1,585	-
Total income		**244,722**	**217,168**
Expenses			
Impairment reversal	11	10,568	19,499
Legal and professional fees		(983)	(979)
Other expenses		(725)	(290)
Profit before taxation		253,582	235,398
Income tax expense	10	(607)	(1,655)
Profit after taxation for the period		**252,975**	**233,743**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Exchange translation differences, net of tax		8,216	8,459
Other comprehensive income for the period		8,216	8,459
Total comprehensive profit for the period		**261,191**	**242,202**
Earnings per share			
Basic (dollars per share)	12	**1.63**	**1.51**
Diluted (dollars per share)	12	**1.63**	**1.51**

The accompanying notes on pages 9 to 35 form an integral part of these financial statements.

Trinidad and Tobago NGL Limited

Statement of changes in equity
For the year ended 31 December 2018
(Amounts expressed in Trinidad & Tobago dollars)

	Notes	Share capital $'000	Translation reserve $'000	Retained earnings $'000	Total equity $'000
Year ended 31 December 2017					
Balance at 1 January 2017		2,772,120	146,005	442,529	3,360,654
Profit for the year		-	-	233,743	233,743
Other comprehensive income		-	8,459	-	8,459
Dividends	13	-	-	(232,200)	(232,200)
Balance at 31 December 2017		**2,772,120**	**154,464**	**444,072**	**3,370,656**
Year ended 31 December 2018					
Balance at 31 December 2017		2,772,120	154,464	442,072	3,370,656
Net impact of adopting IFRS 9 in joint venture	5.b			(6,430)	(6,430)
Balance at 01 January 2018		**2,772,120**	**154,464**	**437,642**	**3,364,226**
Profit for the year		-	-	252,975	252,975
Other comprehensive income		-	8,216	-	8,216
Dividends	13	-	-	(232,200)	(232,200)
Balance at 31 December 2018		**2,772,120**	**162,680**	**458,417**	**3,393,217**

The accompanying notes on pages 9 to 35 form an integral part of these financial statements.

Trinidad and Tobago NGL Limited

Statement of cash flows
For the year ended 31 December 2018
(Amounts expressed in Trinidad & Tobago dollars)

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit for the year before taxation		253,582	235,398
Adjustments to reconcile net profit for the year to net cash used in operating activities:			
Impairment reversal		(10,568)	(19,499)
Dividends from joint venture		200,643	181,750
Interest and other investment income		(493)	(608)
Share of income from investment in joint venture		(242,644)	(216,560)
		200,520	180,481
Decrease in amount due to related party		(88)	(3,016)
Decrease in trade and other payables		(124)	(264)
Cash flows from operating activities		200,308	177,201
Taxation paid		(921)	(1,655)
Net cash flow generated from operating activities		199,387	175,546
Cash flows from financing activities			
Dividends paid	13	(232,200)	(232,200)
Net cash used in financing activities		(232,200)	(232,200)
Cash flows from investing activities			
Interest and other investment income		493	608
Net cash generated from investment activities		493	608
Net decrease in cash and cash equivalents		(32,320)	(56,046)
Net foreign exchange differences		293	879
Cash and cash equivalents at beginning of year		310,913	366,080
Cash and cash equivalents at end of year		**278,886**	**310,913**

The accompanying notes on pages 9 to 35 form an integral part of these financial statements.

1. Corporate information

Trinidad and Tobago NGL Limited (the 'Company' or 'TTNGL') was incorporated in Trinidad and Tobago on 13 September 2013 under The Companies Act, 1995. The Company's registered office is Orinoco Drive, Point Lisas Industrial Estate, Point Lisas. The Company acts as an investment holding company following its acquisition of 39% of the share capital of Phoenix Park Gas Processors Limited ('PPGPL'), in the form of Class B shares of PPGPL. These PPGPL shares were previously held by Trinidad and Tobago Holdings LLC ('TT Holdings LLC'), the sole shareholder of which was The National Gas Company of Trinidad and Tobago Limited ('NGC' or 'parent'). NGC is owned by the Government of the Republic of Trinidad and Tobago ('GORTT').

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

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

In the current year, the Company has applied a number of amendments to IFRS and new Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

- **IFRS 9 Financial Instruments**

  IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. The application of IFRS 9 impacted the investee Company, PPGPL, accordingly the Company's share of the impact of PPGPL's IFRS 9 transition on 1 January 2018 has been recognised directly in retained earnings and other components of equity.

  IFRS 9 introduced new requirements for:

  i) The classification and measurement of financial assets and financial liabilities,
  ii) Impairment of financial assets, and
  iii) General hedge accounting.

  i) Classification and measurement of financial assets

  All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

  Specifically:

  - Debt instruments that are held within a business model whose objective is to collect the contractual cash flow, and that have contractual cash flow that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
  - Debt instruments that are held within the business model whose objective is to collect both the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
  - All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

2. **Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)**

2.1 **New IFRS and amendments to IFRS that are mandatorily effective for the current year (continued)**

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

i) Classification and measurement of financial assets (continued)

The Company has evaluated that the application did not have an impact on the Company's financial statements. Financial assets classified as receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and the cash flows consist solely of principal and interest on the principal outstanding.

ii) Impairment of financial assets

IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Company's to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. It is a function of the probability of default, loss given default and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

iii) General hedge accounting

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

The Management of the Company has evaluated that the application of these amendments did not have a significant impact on the Company's financial statements, except for the share of the impact on PPGPL's transition to IFRS 9 as at 1 January 2018.

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

IFRS 15 supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The core of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

2. **Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)**

2.1 **New IFRS and amendments to IFRS that are mandatorily effective for the current year (continued)**

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

  Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

  The Management of the Company has evaluated that the application of these amendments did not have a significant impact on the Company's financial statements.

- **Amendments to IFRS 2 *Classification and measurement of the Share-Base Payment Transactions***

  The amendments clarify the following:

  1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payment.
  2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employees tax obligation to meet the employees tax liability which is then remitted to the tax authority i.e. the share base payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
  3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows:
     1. The original liability is recognised;
     2. The equity-settled share-based payment is recognised at the modification date fair value of equity instrument granted to the extent that services have been rendered up to the modification date; and
     3. Any difference between the carrying amount of the modification date and the amount recognised in equity should be recognised in profit and loss immediately.

  The Management of the Company has evaluated that the application of these amendments did not have an impact on the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)**

2.1 **New IFRS and amendments to IFRS that are mandatorily effective for the current year (continued)**

- **Amendments to IAS 40 Transfers of Investment Property**

  The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in IAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

  Entities can apply the amendments either retrospectively (if this is possible without the use of hindsight) or prospectively. Specific transition provisions apply.

  The Management of the Company has evaluated that the application of these amendments did not have a significant impact on the Company's financial statements.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**

  IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on the initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability.

  The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

  Entities can apply the Interpretation either retrospectively or prospectively. Specific transition provisions apply to prospective application.

  The Management of the Company has evaluated that the application of these amendments did not have a significant impact on the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)**

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

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

• IFRS 16	Leases[1]
• IFRS 17	Insurance Contracts
• Amendments to IFRS 9	Prepayment Features with Negative Contribution
• Amendments to IAS 28	Long-term interests in associates and joint Ventures[1]
• Annual Improvements to IFRS Standards 2015-2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
• Amendments to IAS 19 Employee	Plan Amendment, Curtailment or Settlement Benefits
• IFRS 10 Consolidated Financial Statement and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures
• IFRIC 23	Uncertainty over income tax treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.
[2] Effective for annual periods beginning on or after 1 January 2020, with earlier application permitted.

- **IFRS 16 *Leases***

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

22. Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)

2.2 New and revised IFRS in issue but not yet effective

- **IFRS 16 *Leases (continued)***

  In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

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

- **IFRS 17 *Insurance Contracts***

  In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

  The management of the Company does not anticipate that the application of these amendments will have an impact on the Company's financial statements.

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

  The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

  The amendment should be applied retrospectively and are effective from 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

  The management of the Company does not anticipate that the application of these amendments will have an impact on the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)**

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

- **Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures***

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

The management of the Company does not anticipate that the application of these amendments will have an impact on the Company's financial statements.

- ***Annual Improvements to IFRS Standards 2015–2017 Cycle***

The Annual Improvements include amendments to the following standards:

- **IFRS 3 Business Combination** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.
- **IFRS 11 Joint Arrangements** - The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.
- **IAS 12 Income Taxes** - The amendments clarify that an entity should recognise the income tax consequences of dividends in profit and loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
- **IAS 23 Borrowing Costs** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings.

The management of the Company does not anticipate that the application of these amendments will have an impact on the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)**

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

- **Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement**

  The amendment clarifies that the past service costs (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling. Any change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is recognised in other comprehensive income.

  The amendment requires that updated assumptions be used to remeasure current service cost and net interest for the remainder of the reporting period after the change to the plan. Net interest post plan amendments is calculated by multiplying the net defined benefit liability (asset) with the discount rate used in the remeasurement.

  These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company. The management of the Company does not anticipate that the application of these amendments will have a significant impact on the Company's financial statements.

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

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

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

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

  The management of the Company does not anticipate that the application of these amendments will have an impact on the Company's financial statements.

2. **Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)**

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

- **IFRIC 23 *Uncertainty over Income Tax Treatments***

  The interpretation sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

  a) Determine whether uncertain tax positions are assessed separately or as a group; and

  b) Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

  The management of the Company does not anticipate that the application of these amendments will have an impact on the Company's financial statements.

3. **Summary of significant accounting policies**

3.1 **Statement of compliance**

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

3.2 **Basis of preparation**

These financial statements have been prepared under the historical cost basis as explained in the accounting policies below.

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

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

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

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

The principal accounting policies are set out below.

3. **Summary of significant accounting policies (continued)**

3.2 **Basis of preparation (continued)**

a) **Investment in joint venture**

The Company has a 39% investment in Phoenix Park Gas Processors Limited, which is a jointly controlled entity involved in the extraction of propane, butanes and natural gasoline from the natural gas stream. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

The Company does not exercise unilateral control over PPGPL's significant operating and financial decisions and, therefore, accounts for PPGPL under the equity method of accounting. Under the equity method, the investment in a joint venture is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the joint venture. When the Company's share of losses of a joint venture exceeds the Company's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture.

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

Impairment of the investment in the joint venture

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in the joint venture. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment and is recognised in the statement of profit or loss and other comprehensive.

Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

b) **Cash and cash equivalents**

Cash and cash equivalents are carried at cost. Cash and cash equivalents consist of cash at bank and short-term deposits readily convertible to a known amount of cash with an original maturity of three months or less.

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

c) Receivables and payables

Amounts receivable and payable are recognised and carried at cost including amounts with related parties.

d) Taxes

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Deferred tax assets arising from tax losses not yet recognised are only carried forward if it is probable that future taxable profit will be sufficient to allow the benefit of the tax losses to be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

e) Earnings per share

Earnings per share are calculated using the weighted average number of shares outstanding during the period.

3. **Summary of significant accounting policies (continued)**

3.2 **Basis of preparation (continued)**

f) **Foreign currencies**

The presentation currency of the Company's financial statements is Trinidad and Tobago dollars ('TT$'). The Company has determined that its functional currency is the United States dollar ('US$'). The US$ is the currency of the primary economic environment in which the Company's joint venture operates. See note 4.1.

Transactions in foreign currencies are initially recorded in the functional currency by applying exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date exchange rate.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the translation. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on re-translation are recognised in the statement of profit or loss and other comprehensive income.

For the purpose of presenting the financial statements, assets and liabilities are translated into TT$ using the period-end exchange rate and the operations and cash flows are translated using the average rates of exchange over the period.

Exchange differences arising from the translation into the presentation currency are recognised in other comprehensive income and recorded in the Company's translation reserve as a component of equity.

g) **Financial assets**

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

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVTOCI).

The classification is determined by both:

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

The Company determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates this designation at each financial year end.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

3. **Summary of significant accounting policies (continued)**

3.2 **Basis of preparation (continued)**

h) **Impairment of financial assets**

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised 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 recognised in the statement of profit or loss and other comprehensive income.

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

i) **Revenue recognition**

- *Interest* - Interest income is accounted for on the accruals basis.
- *Dividends* - Revenue is recognised when dividends are declared by the investee Company.

j) **Derecognition of financial assets and liabilities**

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3. **Summary of significant accounting policies (continued)**

3.2 **Basis of preparation (continued)**

j) **Derecognition of financial assets and liabilities (continued)**

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

k) **Provisions**

The Company recognises a provision when, as a result of a past event, it has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

l) **Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Functional currency of the Company

The Company is an investment holding company and is not engaged in any other activities. Management has analysed primary and secondary factors as guided by IAS 21 The Effects of Changes in Foreign Exchange Rates and has determined that the functional currency of the Company is the US$. This judgement is made on the basis that all of the Company's income is denominated in US$ which is consistent with the functional currency of PPGPL.

Classification of investment held in PPGPL as a joint venture

PPGPL is a limited liability company whose legal form confers separation between parties to the joint arrangement and the Company itself, see note 3(a) above for details of management's assessments.

4.2 Key sources of estimation uncertainty

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

- *Impairment of joint venture*

(Refer to note 5 – Investment in joint venture)

5. Investment in joint venture

a) Acquisition of TT Holdings LLC and investment in Phoenix Park (collectively, the 'Acquisition')

On 27 February 2014, the Company authorised and issued 38,700,000 Class A shares and 116,100,000 Class B shares for $25 per share in each class of shares.

The Company's Class A shares and Class B shares carry the same voting rights and are generally subject to the same rights, privileges, restrictions and conditions, except for the right to appoint directors of the Company and conversion rights. Class A shares may be converted into an equal number of Class B shares at any time.

Share for share exchange

On 27 February 2014, NGC exchanged its 100% shareholding in TT Holdings LLC with the Company in exchange for 38,700,000 Class A shares and 116,100,000 Class B shares of the Company, representing 100% of the Company's issued share capital valued at $3,870,000,000. At the close of this transaction, the Company became the 100% shareholder of TT Holdings LLC, and NGC became the holder of 100% of the Company's issued Class A and Class B shares.

Distribution of investment in specie and dissolution of TT Holdings LLC

As at 24 March 2014, TT Holdings LLC made a distribution in specie whereby all of its net assets, including shares held in Phoenix Park were transferred to the Company. Accordingly, the 39% effective ownership interest in PPGPL previously held by TT Holdings LLC was distributed in specie to the Company in the amount of $3,870,000,000 and the Company became the direct holder of the 39% effective ownership interest in PPGPL.

Additional Public Offering of Class B Shares of the Company

In June 2017, NGC offered an additional 26% of the Company to the public of 40,248,000 of NGC's Class B Shares in the Company at an offer price of $21.

5. **Investment in joint venture (continued)**

b) Details of the Company's joint venture at the end of the reporting period is as follows:

Name of joint venture	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Company
Phoenix Park Gas Processors Limited	Extraction of propane, butane and natural gasoline from the natural gas stream	Rio Grande Drive, Point Lisas Industrial Estate, Point Lisas	39%

The movement in the carrying value of the Company's 39% share of the assets, liabilities and income and expenses of Phoenix Park Gas Processors Limited as at 31 December 2018 and 31 December 2017 are included below.

Share of PPGPL's assets/liabilities:	2018 $'000	2017 $'000
Movement in investment in joint venture during the reporting period		
Investment in joint venture as at 1 January	3,040,436	2,985,162
Share of impact adopting IFRS 9 in joint venture (Note 5(e))	(6,430)	-
Restated balance	3,034,006	2,985,162
Share of profit in joint venture	242,644	216,560
Dividends received (Note 9)	(198,330)	(188,335)
Impairment reversal on investment	10,568	19,499
Exchange rate adjustment	8,863	7,550
Investment in joint venture	3,097,751	3,040,436

The above joint venture is accounted for using the equity method in the Company's financial statements.

5. **Investment in joint venture (continued)**

c) Summarised financial information in respect of the Company's joint venture is set out below.

The summarised financial information below represents amounts shown in the PPGPL's financial statements prepared in accordance with IFRSs. The information was extracted from PPGPL's audited financial statements for the year ended 31 December 2018 and 31 December 2017 which have been presented in United States dollars, PPGPL'S functional currency.

	2018 US$'000	2017 US$'000
Statement of financial position of PPGPL		
Cash and cash equivalents	79,684	104,079
Other current assets	97,882	80,920
Total current assets	177,566	184,999
Non-current assets, excluding goodwill	241,059	260,374
Total assets	418,625	445,373
Current financial liabilities	(19,700)	(20,950)
Other current liabilities	(45,074)	(67,662)
Total current liabilities	(64,774)	(88,612)
Non-current financial liabilities	(90,295)	(107,846)
Total liabilities	(155,069)	(196,458)
Net assets	263,556	248,915
Statement of profit or loss and other comprehensive income of PPGPL		
Revenue	406,391	377,736
Cost of sales	(196,639)	(181,453)
Interest income	1,164	453
Other operating expenses (net)	(43,821)	(44,826)
Depreciation and amortisation	(23,095)	(22,849)
Interest expense	(918)	(1,193)
Profit before tax	143,082	127,868
Income tax expense	(51,001)	(45,653)
Profit after tax	92,081	82,215
Other comprehensive income	-	-
Total comprehensive income	92,081	82,215
Impact of adopting IFRS 9 in retained earnings		
Impact of IFRS 9	(2,440)	-

5. **Investment in joint venture (continued)**

d) Reconciliation of the above summarised financial information to the carrying amount of the investment in the joint venture recognised in the Company's financial statements:

	2018 $'000	2017 $'000
Net assets of PPGPL denominated in US$	263,556	248,915
Exchange rate at reporting date	6.7805	6.7628
Net assets of PPGPL denominated in TT$	1,787,041	1,683,362
Proportion of the Company's ownership interest in the joint venture	39%	39%
39% of net assets of PPGPL	696,946	656,511
Excess of investment over carrying amount of PPGPL's net assets	2,390,237	2,364,426
Impairment reversal on investment in joint venture	10,568	19,499
Carrying amount of the Company's investment in the joint venture	**3,097,751**	**3,040,436**

Reconciliation of the above summarised financial information to the share of profit in the joint venture recognised in the Company's financial statements:

	2018 $'000	2017 $'000
PPGPL's total profit for the year denominated in US$	92,081	82,215
Average exchange rate for the year ended 31 December	6.7567	6.7540
PPGPL's total profit for the year denominated in TT$	622,164	555,280
Proportion of the Company's ownership investment in joint venture	39%	39%
Share of profit in the joint venture	242,644	216,560
Share of profit from the investment in joint venture	**242,644**	**216,560**

5. **Investment in joint venture (continued)**

e) **Share of adopting IFRS 9 in joint venture**

Reconciliation of the above summarised financial information to the share of adopting IFRS 9 in the joint venture recognised in the Company's financial statements:

	2018 $'000	2017 $'000
PPGPL's impact of adopting IFRS 9 denominated in US$	(2,440)	-
Average exchange rate for the year ended 31 December	6.7567	6.7540
PPGPL's impact of adopting IFRS 9 denominated in TT$	(16,486)	-
Proportion of the Company's ownership investment in joint venture	39%	39%
Share of impact of adopting IFRS 9 in the joint venture	(6,430)	-

The joint venture has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9, impairment of financial asset, have been recognised directly in retained earnings in the joint venture.

The table below show the amount of adjustment for each financial statement line item affected by the application of IFRS 9 for the prior year

Impact on asset, liabilities and equity as at 01 January 2018	Balance as at 31-Dec-2017	IFRS 9 adjustments	Balance as at 01-Jan-2018
	$'000	$'000	$'000
Investment in joint venture	3,040,436	(6,430)	3,034,006
Retained earnings	444,072	(6,430)	437,642

6. **Trade and other payables**

Trade and other payables are non-interest bearing and have an average term of three months. The following table presents the details of accounts payable and accrued liabilities:

	2018 $'000	2017 $'000
Audit fees	25	55
Sundry Payables	-	94
	25	149

7. **Cash and cash equivalents**

	2018 $'000	2017 $'000
Cash at bank and on hand	278,886	310,913

Cash at bank earns interest at a fixed rate on daily deposit rates.

8. Share capital

Authorised:
An unlimited number of ordinary 'A' shares of no par value
An unlimited number of ordinary 'B' shares of no par value

	2018 $'000	2017 $'000
Issued and fully paid:		
38,700,000 ordinary 'A' shares of no par value	693,030	693,030
116,100,000 ordinary 'B' shares of no par value	2,079,090	2,079,090
	2,772,120	**2,772,120**

9. Related party transactions

The following table provides the total amount of material transactions, which have been entered into with related parties and the balances outstanding for years ended 31 December 2018 and 31 December 2017.

	2018 $'000	2017 $'000
Amount due to related parties		
The National Gas Company of Trinidad and Tobago Limited: Reimbursement for expenses paid on behalf of the Company	(237)	(325)
Dividends receivable		
Phoenix Park Gas Processors Limited	16,527	19,781
Income/ (expenses) from related parties		
The National Gas Company of Trinidad and Tobago Limited: Dividends paid	(58,050)	(98,298)
Phoenix Park Gas Processors Limited: Dividends received (Note 5 b)	198,330	188,335
Key management compensation		
Directors' fees and allowances	(191)	(255)

10. Taxation

	2018 $'000	2017 $'000
a) The taxation charge consists of the following:		
Green fund levy	604	552
Business Levy	3	1,103
	607	1,655

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

	2018 $'000	2017 $'000
Profit before taxation	253,582	235,398
Income taxes at the rate of 30%:	76,075	70,619
Tax effect of items not allowable for tax: Income derived from dividends from investment in PPGPL and not subject to taxation at the corporate rate	(76,075)	(70,619)
Non-deductible expense:		
Green fund levy	604	552
Business levy	3	1,103
	607	1,655

11. Impairment

	2018 $'000	2017 $'000
Impairment reversal	10,568	19,499

Management engaged an independent valuation expert to conduct an impairment assessment of the Company's 39% shareholding investment in PPGPL as at the date of the statement of financial position.

For 2017, a similar impairment assessment led to the recognition of an impairment reversal of $19.5 million, which has been recognised and separately disclosed on the statement of profit or loss. As with the 2017 exercise, the primary drivers for the impairment assessment continue to be the following factors:

- Accessibility of available and more economical sources of energy (particularly North American shale resources) continue to compress both demand and prices for natural gas products. Alternate energy sources have been more economical in certain countries which have access to energy sources and processing infrastructure at closer proximity, industrial and commercial applications are able to tap energy sources at cost levels that are not inhibiting. Overall global supply remains above demand resulting in higher inventory levels and depressed energy commodity prices.
- Issues of local gas supply in the short to medium term and natural gas liquids ("NGLs") content in the gas stream over the longer term.

The impairment assessment for 2018 led to a further partial reversal of $10.6 million, of the impairment loss that was recognised in 2014. The partial reversal was due to an increase in the recoverable amount which was driven by the implementation of value creating opportunities with third party suppliers including Product Trading.

11. **Impairment (continued)**

Details of the movement in impairment:

Year	TT$'000
2014	(1,097,880)
2015	235,195
2016	17,831
2017	19,499
2018	10,568

The recoverable amount of the Company's investment in joint venture is based on a value in use calculation which uses cash flow projections which was determined from financial information approved by the Board of Directors of the Company covering a twenty-year period from 2019 to 2038, and a discount rate of 11.86% per annum which was based on a market estimate of the weighted average cost of capital. Cash flows beyond the twenty-year period have been extrapolated assuming no growth rate after year 2038. The key assumptions used in the value in use calculations are as follows:

- Discount rate of 11.86% (2017: 12.10%)
- Selling prices of NGLs moved upwards in 2018 and some volatility is expected in 2019. Selling prices of NGLs included in the cash flow projections are based on management's best estimate taking into consideration current market conditions. Prices are based on forecasted market prices which are provided by a highly reputable company.

A change in the key assumptions has been analysed and presented below.

- Discount rate

  A 1% decrease in the discount rate while holding all other variables will increase the impairment reversal to US$33.7 million while a 1% increase in the discount rate results in an impairment loss of US$27.2 million.

- Selling prices of NGLs
  - A 5% increase in the selling prices of NGLs while holding all other variables will increase the impairment reversal to US$31.3 million while a 5% decrease in the selling price results in an impairment loss of US$28.2 million.
  - A 10% increase in the selling prices of NGLs while holding all other variables will increase the impairment reversal to US$61.0 million while a 10% decrease in the selling price results in an impairment loss of US$52.1 million.

12. Earnings per share

	2018	2017
Basic earnings per share	$ 1.63	$ 1.51

The profit and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows.

	$'000	$'000
Profit used in the calculation of basic earnings per share	252,975	233,743
	Shares '000	**Shares '000**
Weighted average number of ordinary shares for the purposes of basic earnings per share	154,800	154,800

13. Dividends

		2018 $'000	2017 $'000
2016 final dividend	- **$1.00** per share	-	154,000
2017 interim dividend	- **$0.50** per share	-	77,400
2017 final dividend	- **$1.00** per share	154,800	-
2018 interim dividend	- **$0.50** per share	77,400	-
		232,200	232,200

On 11 March 2018, the Board of Directors declared a final dividend of $1.00 per share for 2017. This final dividend was paid on 12 April 2018.
On 27 July 2018, the Board of Directors declared an interim dividend of $0.50 per share for 2018. This interim dividend was paid on 5 September 2018.

14. Capital management

The Company manages its shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue and to maintain a flexible capital structure which optimises the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company may prepare expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its operations through its current operating period.

15. **Financial risk management objectives and policies**

Risk management

In the normal course of business, the Company is exposed to financial risk and manages that risk, as follows:

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is expected to be dividend income, which is used to finance working capital and to meet the Company's financial obligations associated with financial liabilities.

Credit risk

Credit risk arises from the possibility that debtors may be unable to fulfil their commitments. For a financial asset, this is typically the gross carrying amount, net of any amounts offset and any impairment losses. The Company is not currently exposed to significant credit risk.

Market risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameter, while optimising the Company's return on its assets.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company is not currently exposed to interest rate risk as it does not have any interest bearing financial liabilities and interest bearing financial assets are at fixed rates of interest.

Currency risk

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company is exposed to foreign currency risk arising from exposure with respect to the United State dollar. Management monitors its exposure to foreign currency fluctuations on a continuous basis and employs appropriate mitigation strategies.

15. Financial risk management objectives and policies (continued)

Currency risk (continued)

The following table shows balances outstanding at year end denominated in foreign currencies.

As at 31 December 2018	TT Denominated $'000	US Denominated $'000	Total $'000
Assets			
Dividends receivable	-	16,527	16,527
Taxation recoverable	315	-	315
Cash and cash equivalents	875	278,011	278,886
Total assets	1,190	294,538	295,728
Liabilities			
Due to parent company/related party	237	-	237
Trade and other payables	25	-	25
Total liabilities	262	-	262
Net position	928	294,538	295,466

As at 31 December 2017	TT Denominated $'000	US Denominated $'000	Total $'000
Assets			
Dividends receivable	-	19,781	19,781
Cash and cash equivalents	2,500	308,413	310,913
Total assets	2,500	328,194	330,694
Liabilities			
Due to parent company/related party	325	-	325
Trade and other payables	149	-	149
Total liabilities	474	-	474
Net position	2,026	328,194	330,220

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

Currency risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in the TT dollar exchange rate with all other variables held constant of the Company's profit before taxation.

	Increase/ (decrease) in exchange rate %	Effect on other comprehensive income $'000
2018	3%	7,610
	(3%)	(7,610)
2017	3%	7,062
	(3%)	(7,062)

Other price risk

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The Company's primary source of income is dividend income derived from its underlying investment in PPGPL. PPGPL is exposed to market/feedstock price movements that could adversely affect the value of its financial assets, liabilities and future cash flow.

Fair values

Financial instruments include accounts payable and accrued liabilities. The carrying values of these financial instruments are approximate to their fair value due to their short-term nature.

16. **Events after the reporting date**

No significant events occurred after the reporting date affecting the financial performance, position or changes therein for the reporting period presented in these annual financial statements.