TRINIDAD GENERATION UNLIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016
(Expressed in Thousands of United States Dollars)

Ernst & Young

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TRINIDAD GENERATION UNLIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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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 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED

Report on the Audit of the Financial Statements
(Continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for short term loans and the long term bond	
Notes 13 and 14 provides details of certain short terms loans and the long term bond which were refinanced and/or issued during the current financial year. These transactions are material to the financial statements. The accounting classification and measurement of these financial liabilities in the financial statements were accounted for in accordance with IAS 39: "Financial Instruments - Recognition and Measurement". Under this Accounting Standard certain expenses related to each financing transaction were either expensed in the statement of comprehensive income or were capitalized and presented net of the loan proceeds, as prescribed by the guidance in IAS 39.	Our audit procedures included reviewing the relevant loan agreements and related documentation which will inform the accounting treatment and disclosures to be included in the financial statements. We assessed the existence and nature of the finance and related costs incurred during the year to evaluate whether the accounting treatment was in compliance with IAS 39. Our procedures also included reviewing the accounting treatment during the year relative to the extinguishment of the short term loans and recording of the new borrowings at amortized cost as prescribed by IAS 39. We also tested/traced the loan proceeds received and financing costs incurred to bank statements and other third party documentation. We also obtained a written third party confirmation of the outstanding bond liability balance existing at year end to corroborate the existence of the liability at year end. We assessed the appropriateness of the disclosure in the notes to the financial statements with reference to that prescribed by IFRSs and based on the terms of the relevant loan arrangements.

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)

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

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

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Ernst & Young

Port of Spain
TRINIDAD
27 January 2017

TRINIDAD GENERATION UNLIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	31,326	25,016
Net investment in leased assets	6	724,341	729,091
Deferred tax assets	18	88,172	85,956
		843,839	840,063
Current assets			
Cash and short-term deposits	7	173,969	94,885
Net investment in leased assets	6	4,735	4,518
Trade and other receivables	8	20,532	11,383
Tax recoverable		1,001	1,001
Inventories	9	10,746	9,403
		210,983	121,190
TOTAL ASSETS		1,054,822	961,253
EQUITY AND LIABILITIES			
Equity			
Stated capital	10	189,400	189,400
Retained earnings		14,231	42,390
		203,631	231,790
Non-current liabilities			
Deferred tax liabilities	18	218,110	179,945
Long term bond	14	580,611	–
		798,721	179,945
Current liabilities			
Trade and other payables	11	12,411	6,861
Dividends payable	24	40,000	4,000
Due to related parties	12	59	238,404
Short term loans	13	–	300,237
Tax payable		–	16
		52,470	549,518
Total liabilities		851,191	729,463
TOTAL EQUITY AND LIABILITIES		1,054,822	961,253

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 27 January 2017 and signed on their behalf by:

_____________: Director

_____________:Director

TRINIDAD GENERATION UNLIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2016 $'000	2015 $'000
Revenue			
Finance lease income		101,059	101,534
Other revenue	15	4,987	3,887
		106,046	105,421
Expenses			
Administrative expenses	16 (a)	(15,555)	(13,943)
Operating expenses	16 (b)	(14,034)	(10,193)
		(29,589)	(24,136)
Operating profit		76,457	81,285
Finance expenses	17	(34,523)	(4,731)
Finance income	17	6,845	6,848
Profit before tax		48,779	83,402
Taxation	18	(36,938)	(22,036)
Net profit for the year		11,841	61,366
Other comprehensive income		–	–
Total comprehensive income		11,841	61,366

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 2016
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Stated capital $'000	Capital contributions $'000	Retained earnings $'000	Total $'000
Year ended 31 December 2016				
Balance at 1 January 2016	189,400	–	42,390	231,790
Comprehensive income for the year	–	–	11,841	11,841
Dividends proposed (Note 24)	–	–	(40,000)	(40,000)
Balance at 31 December 2016	189,400	–	14,231	203,631
Balance at 1 January 2015	1	189,399	203,024	392,424
Comprehensive income for the year	–	–	61,366	61,366
Issue of new ordinary shares (Note 10)	189,399	(189,399)	–	–
Dividends proposed (Note 24)	–	–	(222,000)	(222,000)
Balance at 31 December 2015	189,400	–	42,390	231,790

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in Thousands of United States Dollars, except where otherwise stated)

	Notes	2016	2015
Cash flows from operating activities		**$'000**	**$'000**
Profit before taxation		48,779	83,402
Adjustments for:			
Depreciation	5	2,550	1,941
Foreign exchange gains	17	(5,723)	–
Unamortized discount and transaction costs	14	(9,309)	
Other movements	5	535	900
Interest expense/(income) net		33,401	(2,175)
Operating profit before changes in working capital		70,233	84,068
(Increase)/decrease in trade and other receivables		(8,806)	166,444
Increase in inventories		(1,343)	(679)
Increase in trade and other payables		625	1,403
Net cash generated from operations		60,709	251,236
Interest received		774	15,154
Interest paid		(15,188)	–
Financing fees paid		(14,202)	(3,450)
Finance lease collections		4,533	3,754
Tax paid		(1,022)	(1,037)
Net cash generated from operations		35,604	265,657
Cash flows from investing activities			
Purchase of property, plant & equipment	5	(9,395)	(10,591)
Investment in short term deposits		(12,755)	(3,130)
Net cash used in investing activities		(22,150)	(13,721)
Cash flows from financing activities			
Dividends paid	24	(4,000)	(222,000)
Repayment of financing contributions due to parent company		(238,345)	(330,000)
Proceeds from short term loan	13	600,000	300,237
Repayment of short term loan		(894,700)	–
Proceeds from long term bond	14	589,920	–
Net cash generated from/(used in) financing activities		52,875	(251,763)
Net increase in cash and cash equivalents		66,329	173
Cash and cash equivalents			
- at the beginning of the year		31,755	31,582
- at the end of the year	7	98,084	31,755

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

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

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

2. Significant accounting policies

a. Basis of preparation

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

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

2. Significant accounting policies (continued)

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 2015, except for the standards and interpretations effective as of 1 January 2016.

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 2016, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts
IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests - The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company as there has been no interest acquired in a joint operation during the period.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation - The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Company, given that the Company has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 27 - Equity Method in Separate Financial Statements -The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively. These amendments do not have any impact on the Company's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* - Assets (or disposal Companies) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

Annual Improvements to IFRSs 2012-2014 Cycle (continued)

These improvements are effective for annual periods beginning on or after 1 January 2016. They include: (continued)

- *IFRS 7 Financial Instruments: Disclosures - (i) Servicing contracts* - The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. *(ii) Applicability of the amendments to IFRS 7 to interim condensed financial statements* - The amendment clarifies that the offsetting disclosure requirements do not apply to interim condensed financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

- *IAS 19 Employee Benefits* - The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

- *IAS 34 Interim Financial Reporting* - The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Company.

2. Significant accounting policies (continued)

b. Accounting policies (continued)

Amendments to IAS 1 Disclosure Initiative - The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement of comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity, associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Company as the Company does not apply the consolidation exception.

2. Significant accounting policies (continued)

c. Foreign currency translation

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

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

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

d. Property, plant and equipment

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

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

	%
Computer equipment	33 ⅓
Communication equipment	33 ⅓
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 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.

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 short term loans, long term bond, trade and other payables and due to related parties.

g. Impairment of financial assets

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

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

2. Significant accounting policies (continued)

g. Impairment of financial assets (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 or 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 a 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.

o. Stated capital

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

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

p. Capital contributions

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

q. Interest bearing loans and borrowings

Interest bearing loans and borrowings, including the long term bond, are initially recognized at the fair value of the consideration received less directly attributable costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are 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.

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.

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.

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

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

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

Estimates and assumptions

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

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

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

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

4. Standards and interpretations issued but not yet effective

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

- IFRS 15 'Revenue from Contracts with Customers' – Effective 1 January 2018
- IFRS 16 'Leases' – Effective for annual periods beginning on or after 1 January 2019
- IFRS 9 'Financial Instruments' – Effective for annual periods beginning on or after 1 January 2018

5. Property, plant and equipment

	Machinery & equipment $'000	Other assets $'000	Capital spares $'000	Capital work in progress (CWIP) $'000	2016 Total $'000	2015 Total $'000
Cost						
Balance at 1 January 2016	1,589	2,250	19,658	7,706	31,203	21,605
Additions	652	171	2,977	5,595	9,395	10,591
Transfers from CWIP	12,680	–	–	(12,680)	–	–
Disposals and other movements	–	–	(535)	–	(535)	(993)
Balance at 31 December 2016	14,921	2,421	22,100	621	40,063	31,203
Accumulated depreciation						
Balance at 1 January 2016	401	1,040	4,746	–	6,187	4,340
Charge for the year	556	99	1,895	–	2,550	1,941
Disposals and other movements	–	–	–	–	–	(94)
Balance at 31 December 2016	957	1,139	6,641	–	8,737	6,187
Net book value	13,964	1,282	15,459	621	31,326	25,016

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

	2016	2015
6. Investment in leased assets	**$'000**	**$'000**
Finance lease - gross investment	2,589,827	2,695,405
Less: Unearned finance income	(1,860,751)	(1,961,796)
Net investment in leased asset	729,076	733,609
Less amounts due within one year	(4,735)	(4,518)
	724,341	729,091

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:

	2016		2015	
	Gross investment $'000	**Present value of receivable $'000**	**Gross investment $'000**	**Present value of receivable $'000**
Within 1 year	105,289	4,735	105,577	4,518
1 to 5 years	526,735	34,121	421,445	22,929
Over 5 years	1,957,803	690,220	2,168,383	706,162
	2,589,827	729,076	2,695,405	733,609

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

7. Cash and short-term deposits	2016 $'000	2015 $'000
Cash at bank	98,084	31,755
Short-term deposits	75,885	63,130
	173,969	94,885

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

Short-term deposits include US dollar and TT dollar denominated deposits with maturity dates of 1 and 2 years (2015: 1 year) with interest rates ranging from 0.80% to 1.9% per annum (2015: 0.65% per annum to 1.65% per annum).

For the purpose of the statement of cash flows, cash and cash equivalents comprise:	2016 $'000	2015 $'000
Cash at bank	98,084	31,755

8. Trade and other receivables

Trade receivables – T&TEC	11,174	1,970
Accrued revenues – T&TEC	8,389	8,704
Prepayments and other receivables	969	709
	20,532	11,383

Trade receivables and accrued revenues of $19,563 (2015: $10,674) are in respect of amounts due from a related party (Refer to Note 12).

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
2016	19,563	19,563	–	–	–
2015	10,674	10,674	–	–	–

	2016	2015
9. Inventories	**\$'000**	**\$'000**
Spare parts	10,636	9,264
Materials in transit	110	139
	10,746	9,403

10. Stated capital

Authorized
Unlimited number of Ordinary shares at par value

Issued and fully paid		
189,400,000 (2015: 189,400,000) Ordinary shares at no par value	189,400	189,400

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

	# of shares in Thousands	\$'000
At 1 January 2015	1	1
Issued in 2015	189,399	189,399
At 31 December 2015	189,400	189,400
Issued in 2016	–	–
At 31 December 2016	189,400	189,400

11. Trade and other payables

Trade payables	852	1,371
Other payables	6,309	5,331
Interest payable	5,250	159
	12,411	6,861

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. Related parties

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

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

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

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

Due to related parties	**2016 $'000**	**2015 $'000**
Government of the Republic of Trinidad and Tobago	59	59
National Energy Corporation	–	322
Union Estate Electricity Generation Company Limited (UEEGCL)	–	238,023
	59	238,404

The amount due to UEEGCL of $238,023 was unsecured, interest free and was fully settled in September 2016.

Due from related parties	**2016 $'000**	**2015 $'000**
Trinidad and Tobago Electricity Commission (Note 8)	19,563	10,674
Purchases from related parties		
National Energy Corporation of Trinidad & Tobago - Lease rental	334	334

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

12. Related parties (continued)	**2016 $'000**	**2015 $'000**
Sales to related parties		
Trinidad and Tobago Electricity Commission	109,754	105,417
Compensation of key management personnel		
Short-term employee benefits	1,145	1,172

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.

13. Short term loans	**2016 $'000**	**2015 $'000**
TT Dollar Denominated (TTD960 million)	-	150,237
US Dollar Denominated (USD150 million)	-	150,000
	-	300,237

The TT dollar denominated loan, held with First Citizens Bank Limited in the amount of TTD960 million, was drawn on 30 September 2015 and was due to mature at the end of 12 months. Interest was based on the TTD Open Market Operations Index plus 155 basis points (effective 3.3% per annum) and is payable semi-annually. The loan was repaid on 7 July 2016 and was secured by assignment of the proceeds of the Power Purchase Agreement (PPA).

The US dollar denominated loan, held with Credit Suisse in the amount of USD150 million, was drawn on 21 December 2015 and was due to mature at the end of 12 months. Interest was based on US dollar 3-month Libor plus 287.5 basis points (effective 3.4984% per annum), and was payable quarterly. The loan was repaid on 7 July 2016 and was secured by assignment of the proceeds of the Power Purchase Agreement (PPA).

The two loans referenced above were fully repaid from the proceeds of a new short term loan of US$600 million raised on 7 July 2016. This new short-term facility was due to mature on 5 July 2017 and carried interest at 3-month Libor plus a margin that starts at 2.875% and increments by 0.125% at each quarterly interest payment date.

The short term loan facility scheduled to mature on 5 July 2017 was repaid through the issue of a US$600 million 5.250% 144A/REG S Senior Unsecured Bond Offering which was achieved on 4 November 2016 (see Note 14).

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

14. Long-term bond

	2016 $'000	2015 $'000
Bond proceeds	589,920	–
Unamortised discount and transaction costs	(9,309)	–
	580,611	–

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

The proceeds from the bond were utilized to extinguish a US $600,000,000 dollars Syndicated Bridge 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 of the notes will be repaid in six equal, consecutive, semi-annual instalments commencing on 4 May 2025.

Individual ratings of BBB and BBB- for the bond was presented by both Standard and Poor's (S&P) and Fitch Ratings respectively. 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.

15. Other revenue

	2016 $'000	2015 $'000
Capacity revenues – CPI adjustment	4,014	3,635
Energy delivered revenues	357	248
Miscellaneous	616	4
	4,987	3,887

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

16. Expenses

	2016 $'000	2015 $'000
a. Administrative expenses		
Staff costs (refer to Note 16 c)	6,336	5,309
Insurance	2,757	3,276
Depreciation	2,550	1,941
Professional and legal fees	1,508	1,139
Events and community work	826	770
Rent	494	382
Travel and motor vehicle expenses	427	517
IT expenses	281	336
Utilities	279	179
Other	97	94
	15,555	13,943
b. Operating expenses		
Inspections	4,941	873
Contract labour	2,937	1,648
Contracted services	2,428	3,533
Parts and supplies	1,672	2,489
Safety and security	668	568
Repairs and maintenance	617	372
Training	227	204
Other	544	506
	14,034	10,193
c. Staff costs		
Salaries and wages	2,827	2,713
Allowances, subsistence and other benefits	3,287	2,387
Pension contributions	222	209
	6,336	5,309

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

17. Finance expenses

	2016 $'000	2015 $'000
Financing fees	14,202	3,451
Interest expense	20,066	1,260
Bond amortization	208	-
Bank charge	47	5
Loss on foreign exchange	–	15
	34,523	4,731

Finance income

	2016 $'000	2015 $'000
Interest income	1,122	6,848
Gain on foreign exchange	5,723	–
	6,845	6,848

18. Taxation

	2016 $'000	2015 $'000
Taxation charge for the year:		
Business levy	671	230
Green fund levy	334	115
Deferred tax	35,933	21,691
	36,938	22,036

Effective 1 January 2016, the applicable rates of business levy and green fund levy increased to 0.6% (previously 0.2%) and 0.3% (previously 0.1%), respectively, of gross receipts for the period.

In addition, effective 1 January 2017, the corporation tax structure will undergo a change whereby profits up to and equal to TT $1 million will be taxed at 25% while all profits in excess of TT $1 million will incur a tax charge of 30%. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The effect of this change is an increase in the deferred tax charge for the year of $21.7 million.

(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 of 25% to the effective income tax expense is as follows:

	2016 $'000	2015 $'000
Profit before taxation	48,779	83,402
Income taxes thereon at the rate of 25%	12,195	20,851
Tax effect of non-deductible expenses	3,614	949
Tax effect of income not taxable/allowances	(1,516)	(109)
Deferred tax impact of change in tax rate	21,700	–
Business levy	671	230
Green fund levy	334	115
Other	(60)	–
	36,938	22,036

Significant components of deferred tax are as follows:

	2016	2015
Deferred tax assets:		
Tax losses	85,243	85,641
Capital spares	1,076	–
Interest payable	1,853	315
Deferred tax liabilities:	88,172	85,956
Finance lease	214,080	178,235
Property, plant and equipment	4,030	1,710
	218,110	179,945

The Company has unutilized tax losses of $284.1 million (2015: $342.6 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 of Trinidad and Tobago for the lease of 149.955 hectares of land situated in La Brea, Trinidad. The rental lease expense of $333,900 dollars is recorded in administrative expenses for the year ended 31 December 2016 (2015: $333,900 dollars).

The Company also holds operating leases for its motor vehicles. The motor vehicle lease expense of $270,614 dollars is recorded in administrative expenses for the year ended 31 December 2016 (2015: $266,923 dollars).

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

	2016 $'000	2015 $'000
Within one year	461	494
After one year but not more than five years	1,562	1,440
More than five years	5,676	6,010
	7,699	7,944

20. Commitments

Capital commitments

As at 30 December 2016, the Company had no major capital commitments (2015: $4.9 million).

Contractual commitments

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.

In 2011, the agreement to deliver output to Alutrint was discontinued, resulting in the full output of the plant being designated to T&TEC. 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.

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

20. Commitments (continued)

Financing commitment

On 30 September 2015 and on 21 December 2015, respectively, the Company entered into one (1) year loan agreements for bridge 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) of $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 bridge 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 in November 2027. The facility was underwritten and arranged by Credit Suisse, Scotiabank, RBC Capital Markets and CIBC Capital Markets.

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**	**2016 $'000**	**2015 $'000**
Non-current interest-bearing loans and borrowings				
5.25% unsecured bond of US 600,000,000	5.25%	3-Nov-27	600,000	–
Total non-current interest-bearing loans and borrowings			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 2016 $'000	**Gross maximum exposure 2015 $'000**
Net investment in leased assets	729,076	733,609
Cash and short-term deposits	173,969	94,885
Trade receivables	19,563	10,674
	922,608	839,168

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 $19.6 million (2015: $10.6 million) is 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 2016						
Trade and other payables	–	12,411	–	–	–	12,411
Due to related parties	–	–	–	59	–	59
Short term loans	–	–	–	–	–	–
Long term bond	–	–	–	–	580,611	580,611
	–	12,411	–	59	580,611	593,081
31 December 2015						
Trade and other payables	–	6,861	–	–	–	6,861
Due to related parties	238,023	381	–	–	–	238,404
Short term loans	–	–	309,613	–	–	309,613
	238,023	7,242	309,613	–	–	554,878

(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:

2016	**Increase/(decrease) in TT dollar rate**	**Effect on net profit $'000**	**Effect on equity $'000**
US dollar	+1%	34	34
US dollar	–1%	(34)	(34)
2015			
US dollar	+1%	1,481	1,481
US dollar	–1%	(1,481)	(1,481)

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

2016 **Financial assets**	**USD $'000**	**TTD $'000**	**Total $'000**
Net investment in leased assets	729,076	–	729,076
Cash and short term deposits	173,125	844	173,969
Trade receivables	19,563	–	19,563
	921,764	844	922,608
Financial liabilities			
Trade and other payables	8,199	4,212	12,411
Due to related parties	59	–	59
Long term bond	580,611	–	580,611
	588,869	4,212	593,081

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

22. Financial risk management objectives and policies (continued)

(iii) Foreign currency risk (continued)

2015

Financial assets	**USD**	**TTD**	**Total**
	\$'000	**\$'000**	**\$'000**
Net investment in leased assets	733,609	–	733,609
Cash and short term deposits	89,689	5,196	94,885
Trade receivables	10,674	–	10,674
	833,972	5,196	839,168
Financial liabilities			
Trade and other payables	1,954	4,907	6,861
Due to related parties	238,404	–	238,404
Short term loans	150,000	150,237	300,237
	390,358	155,144	545,502

(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 2016.

(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 2016 $'000	Fair value 2016 $'000	Carrying amount 2015 $'000	Fair value 2015 $'000
Financial assets:				
Net investment in leased asset	729,076	1,196,455	733,609	1,274,749
Cash and short-term deposits	173,969	173,969	94,885	94,885
Trade receivables	19,563	19,563	10,674	10,674
Financial liabilities:				
Trade and other payables	12,411	12,411	6,861	6,861
Due to related parties	59	59	238,404	238,404
Short term loans	–	–	300,237	300,237
Long term bond	580,611	580,611	–	–

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

24. Dividends

On 29 December 2016, a final dividend of $40 million (dividend per share of 21 cents) was approved by the Board of Directors in respect to 2016. This final dividend has been recorded as a liability as at 31 December 2016 and charged against retained earnings for the year then ended.

On 25 August 2015, a final dividend for 2014 of $190 million (dividend per share of $1 dollar) and an interim dividend of $32 million (dividend per share of 17 cents) for 2015 were approved by the Board of Directors. The final and interim dividends ($222 million in aggregate) were charged against retained earnings and were all paid during the year 2015 except for $4 million dollars which remained as a liability as at 31 December 2015.