

TRINIDAD GENERATION UNLIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

(Expressed in Thousands of United States Dollars)

Ernst & Young Services Limited



TRINIDAD GENERATION UNLIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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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 2021, 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 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the *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’ (“IESBA”) *International Code of Ethics for Professional Accountants* (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. We have determined that there are no key audit matters to communicate in our report.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED

Report on the Audit of the Financial Statements

(Continued)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF TRINIDAD GENERATION UNLIMITED

Report on the Audit of the Financial Statements

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

(Continued)

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

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

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

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

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



Port of Spain
TRINIDAD
27 January 2022

TRINIDAD GENERATION UNLIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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

ASSETS	Notes	2021 \$'000	2020 \$'000
Non-current assets			
Property, plant and equipment	5	54,114	50,016
Net investment in leased assets	6	690,220	698,645
Other financial assets	7	976	976
Right-of-use assets	8	7,156	7,484
Deferred tax assets	19	<u>23,626</u>	<u>32,218</u>
		<u>776,092</u>	<u>789,339</u>
Current assets			
Cash and short-term deposits	9	175,956	147,345
Net investment in leased assets	6	8,425	7,503
Trade and other receivables	10	113,885	123,865
Inventories	11	<u>21,685</u>	<u>18,027</u>
		<u>319,951</u>	<u>296,740</u>
TOTAL ASSETS		<u>1,096,043</u>	<u>1,086,079</u>

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

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

(Continued)

	Notes	2021 \$'000	2020 \$'000
EQUITY AND LIABILITIES			
Equity			
Stated capital	12	189,400	189,400
Retained earnings		<u>73,172</u>	<u>65,740</u>
		<u>262,572</u>	<u>255,140</u>
Non-current liabilities			
Deferred income	5	963	995
Deferred tax liabilities	19	220,278	220,306
Lease liabilities	8	7,493	7,864
Long term bond	15	<u>587,792</u>	<u>586,161</u>
		<u>816,526</u>	<u>815,326</u>
Current liabilities			
Deferred income	5	31	31
Lease liabilities	8	145	182
Trade and other payables	13	<u>16,769</u>	<u>15,400</u>
		<u>16,945</u>	<u>15,613</u>
Total liabilities		<u>833,471</u>	<u>830,939</u>
TOTAL EQUITY AND LIABILITIES		<u>1,096,043</u>	<u>1,086,079</u>

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

These financial statements were authorized for issue by the Board of Directors of Trinidad Generation Unlimited on 27 January 2022 and signed on their behalf by:

 : Director

 : Director

TRINIDAD GENERATION UNLIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	2021 \$'000	2020 \$'000
Revenue			
Finance lease income		97,787	98,609
Other revenue	16	<u>(3,523)</u>	<u>5,946</u>
		<u>94,264</u>	<u>104,555</u>
Expenses			
Administrative expenses	17 (a)	(21,092)	(19,732)
Operating expenses	17 (b)	<u>(12,708)</u>	<u>(12,329)</u>
		<u>(33,800)</u>	<u>(32,061)</u>
Operating profit			
		60,464	72,494
Finance expenses	18(a)	(39,474)	(39,309)
Finance income	18(b)	<u>5,876</u>	<u>7,666</u>
Profit before tax			
		26,866	40,851
Taxation	19	<u>(9,208)</u>	<u>(13,753)</u>
Net profit for the year			
		17,658	27,098
Other comprehensive income		<u>—</u>	<u>—</u>
Total comprehensive income			
		<u>17,658</u>	<u>27,098</u>

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 2021

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

	Stated capital \$'000	Retained earnings \$'000	Total \$'000
Year ended 31 December 2021			
Balance at 1 January 2021	189,400	65,740	255,140
Comprehensive income for the year	–	17,658	17,658
Dividends proposed and paid (Note 24)	<u>–</u>	<u>(10,226)</u>	<u>(10,226)</u>
Balance at 31 December 2021	<u>189,400</u>	<u>73,172</u>	<u>262,572</u>
Year ended 31 December 2020			
Balance at 1 January 2020	189,400	50,513	239,913
Comprehensive income for the year	–	27,098	27,098
Dividends proposed and paid (Note 24)	<u>–</u>	<u>(11,871)</u>	<u>(11,871)</u>
Balance at 31 December 2020	<u>189,400</u>	<u>65,740</u>	<u>255,140</u>

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Profit before taxation		26,866	40,851
Adjustments for:			
Depreciation of property, plant and equipment	5	8,606	7,273
Depreciation of right-of-use assets	8	328	370
Foreign exchange gains	18(b)	(194)	(507)
Amortized discount and transaction costs	18(a)	1,631	1,436
Deferred income	5	(32)	10
Other movements		534	944
Finance expense (net)		<u>36,260</u>	<u>30,406</u>
Operating profit before changes in working capital		73,999	80,873
Decrease in trade and other receivables		8,802	8,668
Increase in inventories		(3,659)	(1,048)
Increase in trade and other payables		<u>1,251</u>	<u>721</u>
Net cash generated from operations		80,393	89,124
Interest received		2,170	523
Interest paid		(37,027)	(37,374)
Finance lease collections		7,504	6,970
Tax paid		<u>(674)</u>	<u>(694)</u>
Net cash generated from operations		<u>52,366</u>	<u>58,549</u>

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

TRINIDAD GENERATION UNLIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

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

(Continued)

	Notes	2021 \$'000	2020 \$'000
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(13,121)	(10,854)
Investment in other financial assets	7	–	(976)
Investment in short-term deposits		(60,000)	(60,000)
Proceeds from maturity of short-term deposits		<u>60,000</u>	<u>15,000</u>
Net cash used in investing activities		<u>(13,121)</u>	<u>(56,830)</u>
Cash flows from financing activities			
Principal payments of lease liability		(408)	(89)
Dividends paid	24	<u>(10,226)</u>	<u>(11,871)</u>
Net cash used in financing activities		<u>(10,634)</u>	<u>(11,960)</u>
Net increase/(decrease) in cash and cash equivalents		28,611	(10,241)
Cash and cash equivalents			
- at the beginning of the year		<u>87,345</u>	<u>97,586</u>
- at the end of the year	9	<u>115,956</u>	<u>87,345</u>

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

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

1. Corporate information

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

The Company is wholly owned by the National Investment Fund Holding Company Limited (“NIFHCL”), 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 and provision of services 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 NIFHCL.

TGU owns, operates and maintains 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 IFRS 16: “Leases”.

2. Significant accounting policies

a. Basis of preparation

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

Statement of compliance

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

b. Accounting policies

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Company’s financial statements for the year ended 31 December 2020, except for the standards and interpretations effective as of 1 January 2021.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

b. Accounting policies (continued)

New and amended standards and interpretations

The Company applied for the first-time in 2021 certain standards and amendments which are disclosed below. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16: COVID-19-Related Rent Concessions beyond 30 June 2021

In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Lessees will apply the amendment retrospectively, recognising the cumulative effect of initially applying it as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which they first apply the amendment. In the reporting period in which a lessee first applies the 2021 amendment, the lessee will not be required to disclose the information required by paragraph 28(f) of IAS 8.

The amendment to IFRS 16 will provide relief to lessees for accounting for rent concessions from lessors specifically arising from the COVID-19 pandemic. While lessees that elect to apply the practical expedient do not need to assess whether a concession constitutes a modification, lessees still need to evaluate the appropriate accounting for each concession as the terms of the concession granted may vary.

The amendment had no impact on the financial statements of the Company, as no rent concessions were received from lessors during the period as a result of the COVID-19 pandemic.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

b. **Accounting policies** (continued)

New and amended standards and interpretations (continued)

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred.

Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognised. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss.

The practical expedient is also required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39 Financial Instruments: Recognition and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

The amendment had no impact on the financial statements of the Company.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

c. Foreign currency translation

These 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 historical cost, less accumulated depreciation and accumulated impairment losses if any.

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 ¹ / ₃
Communication equipment	33 ¹ / ₃
Machinery and equipment	25
Office furniture and equipment	25
Vehicles	25
Capital spares	3 ¹ / ₃ -11 ¹ / ₉

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

d. Property, plant and equipment (continued)

Building property received from GORTT, through Government Grant (see note 5), included within Other assets category of Property, plant and equipment is depreciated on a straight-line basis over 22 years for the building and the remaining lease life upon acquisition of the land. The initial recognition fair value amount recognized in respect of the asset is carried forward as the historical cost (net of depreciation) consistent with the accounting policy relating to property, plant and equipment.

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

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' and subsequently IFRS 16. This evaluation has resulted in the recognition of a leased asset related to the power plant (Refer to Note 6).

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

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

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

e. Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, receivables, payables, short term deposits and borrowings. The particular recognition methods adopted are disclosed in the individual policy statement associated with each item.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

e. Financial instruments (continued)

Financial instruments - initial recognition

Financial assets and liabilities, with the exception of loans, are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

e. **Financial instruments** (continued)

Financial instruments - initial recognition (continued)

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The liabilities (and assets until 1 January 2018 under IAS 39) are part of the Company's financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The liabilities (and assets until 1 January 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Company's own credit risk. Such changes in fair value are recorded in the Own credit reserve through Other comprehensive income (OCI) and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the Effective interest rate (EIR), taking into account any discount/premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVPL is recorded using the contractual interest rate. Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

e. Financial instruments (continued)

Financial instruments - initial recognition (continued)

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 derecognized when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where 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. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

f. 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. 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.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

f. Impairment of financial assets (continued)

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.

g. Impairment of non-financial assets

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

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

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

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.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

h. 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.

i. 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.

The Company has assessed the Expected Credit Loss (ECL) associated with its trade receivables and has determined that no provision is required as at the reporting date.

j. 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.

k. Trade and other payables

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

l. 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.

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 recognized in the period in which they are earned.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

m. 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 reporting 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 reporting 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.

n. Stated capital

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

o. Long term bond

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

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

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

p. Fair value measurement

Fair values of financial instruments measured at amortized cost are disclosed in Note 23. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

p. Fair value measurement (continued)

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

q. Dividends proposed

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

r. Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as Lessee

The Company has lease contracts for motor vehicles and lease property. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset has been depreciated on a straight-line basis over the remaining lease term for each lease.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

2. Significant accounting policies (continued)

r. Leases (continued)

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of office floor lease and a few of the motor vehicle leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below \$5,000). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Company as Lessor

Leases where the lessor effectively retains substantially all risks and rewards of ownership of the leased asset are classified as operating leases. 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.

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 IFRS 16 "Leases".

s. Government grants

Government grants for the acquisition of assets are recognized at their fair value when there is reasonable assurance that the grant will be received, and any conditions attached to them have been fulfilled. Grants related to the receipt of a non-monetary asset is recognized on the statement of financial position at fair value on initial recognition and the related deferred income recognized as a liability and released to the profit or loss over the periods necessary to match the related depreciation charges, or other expenses of the asset, as they are incurred.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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 the period end as well as affecting the reported income and expenses for the period.

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

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.

Lease commitments – Company as lessee

The Company has entered into short term office leases and has utilized the short term exemption under IFRS 16: "Leases" in relation to these office leases

Upon adoption of IFRS 16 the Company has applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets.

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.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Judgments (continued)

Determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

The Company included the renewal period as part of the lease term for the lease of the property that houses the power plant, due to the significance of these assets to its operations. The renewal options for leases of motor vehicles were not included as part of the lease term because the Company has a policy of leasing motor vehicles for not more than five years and hence not exercising any renewal options.

Determining the incremental borrowing rate

The present value of the lease payments of the lease property is determined using the discount rate representing the Company's incremental borrowing rate. This rate represents the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Significant judgment was applied to determine the incremental borrowing rate.

Property, plant and equipment

Management exercises judgment in determining the useful lives of categories of property plant and equipment and the appropriate method of depreciation. Management judgment is also involved in determining whether major plant costs incurred can accrue sufficient future economic benefits such that these expenditures meet the recognition criteria as a capital expense under IAS 16: "Property, plant & equipment".

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the period end that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period 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.

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 judgment 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.

Provision for impairment of Trade Receivables

Management exercises judgment in assessing credit risk relating to outstanding trade receivables balances and therefore the determination of the adequacy of provisions for trade receivables for which collections are considered doubtful. Judgment is used in the assessment of the extent of recoverability of long outstanding balances. Actual outcomes may be materially different from the provision established by Management.

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 the issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Amendments to IFRS 3 'Business Combination'- Reference to the Conceptual Framework- Effective for annual beginning on or after 1 January 2022
- Amendments to IAS 16 'Property, Plant and Equipment'- Proceeds before Intended Use- Effective for annual periods beginning on or after 1 January 2022
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'- Onerous Contracts – Costs of Fulfilling a Contract – Effective for annual periods beginning on or after 1 January 2022
- IFRS 17 'Insurance Contracts'- Effective for annual periods beginning on or after 1 January 2023

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

4. Standards and interpretations issued but not yet effective (continued)

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

- Amendments to IAS 1 'Presentation of Financial Statements'- Classification of Liabilities as Current or Non-current - Effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'- Definition of Accounting Estimates - Effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgments'- Disclosure of Accounting Policies - Effective for annual periods beginning on or after 1 January 2023
- Amendments to IAS 12 'Income Taxes' Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Effective for annual periods beginning on or after 1 January 2023
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in 'Associates and Joint Ventures' - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Annual Improvements 2018 – 2021 Cycle

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

IFRS 9 Financial Instruments

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

4. Standards and interpretations issued but not yet effective (continued)

Annual Improvements 2018 – 2021 Cycle (continued)

IAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted.

These annual improvements were considered and are not expected to have an impact on the financial statements of the Company.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

5 Property, plant and equipment

	Machinery & equipment \$'000	Other assets \$'000	Capital spares \$'000	Capital work in progress (CWIP) \$'000	Total \$'000
Cost					
Balance at 1 January 2020	17,979	17,438	37,100	60	72,577
Additions	–	4,694	4,751	1,409	10,854
Government Grant of Land and Building	–	1,036	–	–	1,036
Transfers from CWIP	260	562	–	(822)	–
Disposals and other movements	–	(7)	(708)	–	(715)
Balance at 31 December 2020	18,239	23,723	41,143	647	83,752
Additions	–	6,743	3,469	2,909	13,121
Transfers from CWIP	314	720	–	(1,034)	–
Disposals and other movements	–	–	(502)	–	(502)
Balance at 31 December 2021	<u>18,553</u>	<u>31,186</u>	<u>44,110</u>	<u>2,522</u>	<u>96,371</u>
Accumulated depreciation					
Balance at 1 January 2020	3,535	12,680	10,287	–	26,502
Charge for the year (Note 17a)	913	3,253	3,107	–	7,273
Disposals and other movements	–	(2)	(37)	–	(39)
Balance at 31 December 2020	4,448	15,931	13,357	–	33,736
Charge for the year (Note 17a)	915	4,406	3,285	–	8,606
Disposals and other movements	–	–	(85)	–	(85)
Balance at 31 December 2021	<u>5,363</u>	<u>20,337</u>	<u>16,557</u>	<u>–</u>	<u>42,257</u>
Net book value					
Balance at 31 December 2021	<u>13,190</u>	<u>10,849</u>	<u>27,553</u>	<u>2,522</u>	<u>54,114</u>
Balance at 31 December 2020	<u>13,791</u>	<u>7,792</u>	<u>27,786</u>	<u>647</u>	<u>50,016</u>

Additions to property plant and equipment recorded in the statement of financial position for the year ended 31 December 2021 amounted to \$13.121 million (2020: \$11.890 million). Depreciation charge recorded in the statement of comprehensive income for the year ended 31 December 2021 amounted to \$8.606 million (2020: \$7.273 million) and is recorded within administrative expenses.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

5. Property, plant and equipment (continued)

Government grant

In 2020, the Company received a Government Grant of land and building from GORTT. The fair value of the property is \$1.036 million (Land \$0.391 million and Building \$ 0.645 million) and accounted for in accordance with IAS 20 “Accounting for Government Grants and disclosure of Government assistance”. This amount has been disclosed in Property, plant and equipment note above under the “Other assets” class of asset. The fair valuation was established based on a professional valuation performed by an independent valuation professional as at 18 December 2020. The fair value was established based on Level 2 observable data inputs.

Government grants have been received for the purchase of land and building located at No. 21 Mulchan Seuchan Road, Endeavour, Chaguanas. There are no unfulfilled conditions or contingencies attached to this grant.

The following is the movement in deferred income in respect of the government grant for the year:

	2021	2020
	\$'000	\$'000
At 1 January	1,026	–
Received during the year	–	1,036
Less: deferred income	<u>(32)</u>	<u>(10)</u>
At 31 December	<u>994</u>	<u>1,026</u>
Non-current	963	995
Current	<u>31</u>	<u>31</u>
	<u>994</u>	<u>1,026</u>

6. Net investment in leased assets

Finance lease - gross investment	2,063,092	2,168,381
Less: Unearned finance income	<u>(1,364,447)</u>	<u>(1,462,233)</u>
Net investment in leased asset	698,645	706,148
Less amounts due within one year	<u>(8,425)</u>	<u>(7,503)</u>
	<u>690,220</u>	<u>698,645</u>

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

6. Net investment in leased assets (continued)

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 reassessed as under IFRS 16: “Leases” as at 1 January 2019. 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:

	2021		2020	
	Gross investment	Present value of receivable	Gross investment	Present value of receivable
	\$'000	\$'000	\$'000	\$'000
Within 1 year	105,289	8,425	105,289	7,503
1 to 5 years	421,445	46,135	421,445	40,946
Over 5 years	<u>1,536,358</u>	<u>644,085</u>	<u>1,641,647</u>	<u>657,699</u>
	<u>2,063,092</u>	<u>698,645</u>	<u>2,168,381</u>	<u>706,148</u>

	2021	2020
	\$'000	\$'000
7. Other financial assets		
Investment at par value	1,000	1,000
Less: Unamortized discount	<u>(24)</u>	<u>(24)</u>
	<u>976</u>	<u>976</u>

Other financial assets represent an investment in the Company’s Senior Unsecured Notes (Note 15). This investment earns interest at 5.25% per annum and matures on 4 November 2027. The investment is listed on a recognized Stock Exchange and as at 31 December 2021 was traded at \$101.5 (31 December 2020: \$100.06). Upon maturity, the par value will be received.

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

8. Right-of-use assets and lease liabilities

Set out below, are the carrying amounts of the Company's right-of-use assets and the movements during the year:

	Lease property \$ '000	Motor vehicles \$ '000	Total \$ '000
As at 1 January 2020	6,870	242	7,112
Additions	645	97	742
Depreciation expense (Note 17a)	<u>(220)</u>	<u>(150)</u>	<u>(370)</u>
As at 31 December 2020	7,295	189	7,484
Additions	—	—	—
Depreciation expense (Note 17a)	<u>(220)</u>	<u>(108)</u>	<u>(328)</u>
As at 31 December 2021	<u>7,075</u>	<u>81</u>	<u>7,156</u>

The Company recognized rent expense from short-term leases of \$80 (2020: \$372) for the year ended 31 December 2021 within administrative expenses. Also recorded in the statement of comprehensive income are depreciation expense on right-of-use assets of \$328 (2020: \$370) within administrative expenses and interest expense of \$454 (2020: \$499) on leases within finance expenses.

Set out below, are the carrying amounts of lease liabilities and the movements during the year:

	2021 \$'000	2020 \$'000
As at 1 January	8,046	7,270
Additions	—	816
Accretion of interest (Note 18a)	454	499
Payments	<u>(862)</u>	<u>(539)</u>
	<u>7,638</u>	<u>8,046</u>

The lease liability is presented on the statement of financial position as follows:

Non-current	7,493	7,864
Current	<u>145</u>	<u>182</u>
	<u>7,638</u>	<u>8,046</u>

TRINIDAD GENERATION UNLIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

9. Cash and short-term deposits	2021 \$'000	2020 \$'000
Cash at bank	115,956	87,345
Short-term deposits	<u>60,000</u>	<u>60,000</u>
	<u>175,956</u>	<u>147,345</u>

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

Short-term deposits include US dollar denominated deposits with maturity periods within one year (2020: more than one year). Interest is earned for all short-term deposits on hand at rates between 0.55% to 0.65% per annum (2020: ranging between 2.25% to 2.33% per annum).

For the purpose of the statement of cash flows, cash and cash equivalents comprise:	2021 \$'000	2020 \$'000
Cash at bank	<u>115,956</u>	<u>87,345</u>
10. Trade and other receivables		
Trade receivables – T&TEC (Note 14)	103,911	112,051
Accrued revenues – T&TEC (Note 14)	8,285	8,564
Prepayments and other receivables	1,608	3,169
Tax recoverable	<u>81</u>	<u>81</u>
	<u>113,885</u>	<u>123,865</u>

Trade receivables and accrued revenues of \$112,196 (2020: \$120,615) are in respect of amounts due from a related party. There are no expected credit losses in respect of the trade receivables.

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

	Total \$'000	Current \$'000	Past due but not impaired		
			>30 to 60 days \$'000	>60 to 90 days \$'000	> 90 days \$'000
2021	112,196	18,778	10,211	–	83,207
2020	120,615	20,517	9,604	–	90,494

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	2021	2020
	\$'000	\$'000
11. Inventories		
Spare parts	20,774	17,880
Materials in transit	<u>911</u>	<u>147</u>
	<u>21,685</u>	<u>18,027</u>
12. Stated capital		
<i>Authorized</i>		
Unlimited number of Ordinary shares at par value		
<i>Issued and fully paid</i>		
189,400,000 (2020: 189,400,000) Ordinary shares at no par value	<u>189,400</u>	<u>189,400</u>
13. Trade and other payables	2021	2020
	\$'000	\$'000
Trade payables and related accruals	6,355	4,615
Other payables	5,164	5,535
Interest payable	<u>5,250</u>	<u>5,250</u>
	<u>16,769</u>	<u>15,400</u>

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

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14. 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 WASA.

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 from related parties except as stated in Note 22(i).

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

Due to related parties	2021	2020
	\$'000	\$'000
The Water and Sewerage Authority		
- Trade and other payables	<u>31</u>	<u>75</u>
	<u>31</u>	<u>75</u>
Due from related parties		
Trinidad and Tobago Electricity Commission (Note 10)	<u>112,196</u>	<u>120,615</u>
Purchases from related parties		
National Energy Corporation of Trinidad & Tobago		
- Lease rental	596	469
National Infrastructure Development Co Ltd (NIDCO)	148	–
Water and Sewerage Authority		
- Water utilities expense	<u>291</u>	<u>202</u>
	<u>1,035</u>	<u>671</u>

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	2021	2020
14. Related parties (continued)	\$'000	\$'000
Sales to related parties		
Trinidad and Tobago Electricity Commission		
- Finance lease income	97,787	98,609
- Finance lease collections	7,504	6,970
- Other revenue (Note 16)	(3,523)	5,946
- Other finance income	<u>4,679</u>	<u>5,667</u>
	<u>106,447</u>	<u>117,192</u>
Dividends paid to parent company		
National Investment Fund Holding Company Limited		
- Dividend paid (Note 24)	<u>10,226</u>	<u>11,871</u>
Compensation of key management personnel		
Short-term employee benefits	<u>1,005</u>	<u>896</u>
<p>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.</p>		
15. Long term bond	2021	2020
	\$'000	\$'000
Face value of bond	600,000	600,000
Unamortized discount	<u>(12,208)</u>	<u>(13,839)</u>
	<u>587,792</u>	<u>586,161</u>

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

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15. Long term bond (continued)

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

Individual ratings of BB+ and BB for the bond was presented by 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.

16. Other revenue	2021	2020
	\$'000	\$'000
Capacity revenue	(5,957)	5,348
Energy delivered revenue	454	499
Miscellaneous revenue	<u>1,980</u>	<u>99</u>
	<u>(3,523)</u>	<u>5,946</u>

Capacity revenues represent the difference between the amounts recognized as lease revenue and billings to T&TEC for the year coupled with changes in the Consumer Price Index (CPI). Due to two separate unplanned outages experienced during the year the Company reported Equivalent Availability (EA) of 81.5% in relation to the contracted capacity of 93%. This resulted in total billings to T&TEC being lower than the recorded lease revenue (Note 6).

Included in the Miscellaneous revenue is an amount of \$1.946 million relating to an insurance settlement offer received and recorded during the year.

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(Continued)

17. Expenses	2021	2020
	\$'000	\$'000
a. Administrative expenses		
Depreciation of property, plant and equipment (Note 5)	8,606	7,273
Staff costs (Note 17c)	6,940	7,019
Insurance	3,240	2,580
IT expenses	700	360
Events and community work	349	846
Depreciation of right-of-use assets (Note 8)	328	370
Professional and legal fees	279	306
Travel and motor vehicle expenses	235	201
Utilities	121	177
Rent	80	372
Other	<u>214</u>	<u>228</u>
	<u>21,092</u>	<u>19,732</u>
b. Operating expenses		
Repairs and maintenance	6,216	3,480
Contract labour	1,844	2,294
Inspections	1,440	1,232
Contracted services	872	1,605
Parts and supplies	591	2,076
Safety and security	562	570
Training	77	98
Other	<u>1,106</u>	<u>974</u>
	<u>12,708</u>	<u>12,329</u>
c. Staff costs		
Salaries and wages	3,359	3,511
Allowances, subsistence and other benefits	3,311	3,243
Pension contributions	<u>270</u>	<u>265</u>
	<u>6,940</u>	<u>7,019</u>

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(Continued)

	2021	2020
	\$'000	\$'000
18. a. Finance expenses		
Interest expense	31,500	31,500
Withholding tax	5,558	5,558
Bond amortization	1,631	1,436
Interest accretion	454	499
Bond monitoring fees	314	175
Bank charges	17	19
Financing fees	<u>—</u>	<u>122</u>
	<u>39,474</u>	<u>39,309</u>
18. b. Finance income		
Investment income	993	1,493
Gain on foreign exchange	194	507
Other interest income	<u>4,689</u>	<u>5,666</u>
	<u>5,876</u>	<u>7,666</u>
19. Taxation		
Taxation charge for the year:		
Business levy	643	715
Deferred tax	<u>8,565</u>	<u>13,038</u>
	<u>9,208</u>	<u>13,753</u>

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

	2021	2020
	\$'000	\$'000
Profit before taxation	<u>26,866</u>	<u>40,851</u>
Income taxes thereon at the statutory rate	8,060	12,255
Tax effect of non-deductible expenses	761	840
Tax effect of income not taxable/allowances	(677)	(196)
Business levy	643	715
Other	<u>421</u>	<u>139</u>
	<u>9,208</u>	<u>13,753</u>

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(Continued)

19. Taxation (continued)

Included in Other is an amount of \$0.016 million (2020: \$0.071 million) which relates to the foreign exchange effect of translating the tax base of unutilized tax losses and other TTD components of deferred tax from Trinidad and Tobago dollars to United States dollars.

Significant components of deferred tax are as follows:

	2021	2020
	\$'000	\$'000
Deferred tax assets:		
Tax losses	21,628	30,206
Interest payable	1,853	1,844
Right-of-use asset and lease liabilities	<u>145</u>	<u>168</u>
	<u>23,626</u>	<u>32,218</u>
Deferred tax liabilities:		
Finance lease and property, plant and equipment (excluding capital spares)	215,580	215,722
Capital spares	<u>4,698</u>	<u>4,584</u>
	<u>220,278</u>	<u>220,306</u>
Net	<u>196,652</u>	<u>188,088</u>
Deferred tax charge	<u>8,565</u>	<u>13,038</u>

The Company has unutilized tax losses of \$72.1 million (2020: \$100.7 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.

20. Contingent liabilities and commitments

Contingent liabilities

Pursuant to the provisions of the Property Tax (Amendment) Act, 2018, which became effective on 8 June 2018, the Property Tax waiver was extended to 30 September 2017 or such later date as the Minister of Finance may by Order prescribe. This legislation also revised the date of payment of the Property Tax to 30 September in every year. In a Media Release dated 2 May 2018, the Ministry of Finance clarified that Property Tax will become applicable from the year in which payment of the tax becomes due. The Company has not accrued for Property Tax as at 31 December 2021 under the Property Tax (Amendment) Act, 2018 as there is no reliable estimate of the liability and there is no clarity to the period from which the tax liability will be implemented.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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20. Contingent liabilities and commitments (continued)

Contingent liabilities (continued)

The Company has formally objected to assessments received from the Board of Inland Revenue in respect of years of income 2011-2015. These objections are being reviewed collectively by the BIR as the issues addressed in the objections are connected. The assessments challenge the tax losses available for future set off by the Company. Based on the assessment of the technical merits of the formal objections by both the Company and its tax advisors, the Company is expected to fully defend its position and therefore no provisions or adjustments are required in these financial statements at year end.

Capital commitments

As at 31 December 2021, the Company had \$2.39 million in major capital commitments (2020: Nil).

Contractual commitments

Power Purchase Agreement

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

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

The Company owns, operates and maintains the power generation plant in La Brea, Trinidad. In accordance with the terms and conditions set forth in the PPA, the off-taker, T&TEC, has the option to purchase the facility by way of written notice, no less than twenty-four (24) months before the date on which the PPA would otherwise expire. The option to purchase should be mutually acceptable to both the Company and T&TEC. The Company controls the physical access to the plant and the manner in which the plant is operated. The maintenance program in respect of the plant, including maintenance techniques and scheduling is established and managed by the Company, based on recommendations from the Manufacturer and maintenance costs are borne by the Company.

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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	2021 \$'000	2020 \$'000
Non-current interest-bearing loans and borrowings				
5.25% unsecured bond of US 600,000,000	5.25%	3-Nov-27	<u>600,000</u>	<u>600,000</u>

22. Financial risk management objectives and policies

The Company is exposed to credit risk, liquidity risk and foreign currency 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 2021 \$'000	Gross maximum exposure 2020 \$'000
Net investment in leased assets	698,645	706,148
Other financial assets	976	976
Cash and short-term deposits	175,956	147,345
Trade and other receivables	<u>112,196</u>	<u>120,615</u>
	<u>987,773</u>	<u>975,084</u>

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(Continued)

22. Financial risk management objectives and policies (continued)

(i) Credit risk (continued)

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 \$112.2 million (2020: \$120.6 million) are also backed by the full Government guarantee.

Cash and short-term deposits are placed with reputable financial institutions. All other financial instruments introduce no new credit risk and are managed by reputable international financial institutions.

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

(ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting its obligations 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	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
31 December 2021						
Trade and other payables	–	11,535	5,250	–	–	16,785
Lease liability	–	37	105	431	7,065	7,638
Long term bond	–	<u>7,875</u>	<u>23,625</u>	<u>506,750</u>	<u>205,688</u>	<u>743,938</u>
	–	<u>19,447</u>	<u>28,980</u>	<u>507,181</u>	<u>212,753</u>	<u>768,361</u>
31 December 2020						
Trade and other payables	–	10,121	5,250	–	–	15,371
Lease liability	–	50	128	498	7,370	8,046
Long term bond	–	<u>7,875</u>	<u>23,625</u>	<u>321,625</u>	<u>422,313</u>	<u>775,438</u>
	–	<u>18,046</u>	<u>29,003</u>	<u>322,123</u>	<u>429,683</u>	<u>798,855</u>

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22. Financial risk management objectives and policies (continued)

(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.

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

	Increase/(decrease) in TT dollar rate	Effect on net profit \$'000	Effect on equity \$'000
2021		\$'000	\$'000
US dollar	+1%	4	3
US dollar	-1%	(4)	(3)
2020		\$'000	\$'000
US dollar	+1%	8	6
US dollar	-1%	(8)	(6)

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

2021	USD \$'000	TTD \$'000	Total \$'000
Financial assets			
Net investment in leased assets	698,645	–	698,645
Cash and short term deposits	172,057	3,899	175,956
Other financial asset	976	–	976
Trade and other receivables	<u>111,183</u>	<u>1,013</u>	<u>112,196</u>
	<u>982,861</u>	<u>4,912</u>	<u>987,773</u>
Financial liabilities			
Trade and other payables	11,622	5,163	16,785
Lease liability	7,504	134	7,638
Long term bond	<u>587,792</u>	–	<u>587,792</u>
	<u>606,918</u>	<u>5,297</u>	<u>612,215</u>

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(Continued)

22. Financial risk management objectives and policies (continued)

(iii) Foreign currency risk (continued)

2020

Financial assets	USD \$'000	TTD \$'000	Total \$'000
Net investment in leased assets	706,148	–	706,148
Cash and short term deposits	143,968	3,377	147,345
Other financial asset	976	–	976
Trade and other receivables	<u>118,300</u>	<u>2,315</u>	<u>120,615</u>
	<u>969,392</u>	<u>5,692</u>	<u>975,084</u>
Financial liabilities			
Trade and other payables	10,726	4,645	15,371
Lease liability	7,796	250	8,046
Long term bond	<u>586,161</u>	–	<u>586,161</u>
	<u>604,683</u>	<u>4,895</u>	<u>609,578</u>

(iv) Capital management

The primary objective of the Company's Capital Management is to ensure that it maintains a strong credit rating and healthy capital structure in order to support its business, maximize shareholder value and ensure adequate liquidity to support operational and debt funding. As a result of the long term bond issue, 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.

The Company monitors capital on the basis of the gearing ratio, which is calculated as total borrowings, less cash and short term deposits divided by shareholder's equity. The gearing ratio at 31 December 2021 is 1.57 (2020: 1.72).

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23. Fair value of financial instruments

The carrying amounts of the Company's cash and short-term deposits, trade receivables, and trade and other payables, 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 2021 \$'000	Fair value 2021 \$'000	Carrying amount 2020 \$'000	Fair value 2020 \$'000
Fixed assets:				
Net investment in leased asset	698,645	1,197,343	706,148	1,099,649
Other financial assets	976	1,015	976	1,061
Cash and short-term deposits	175,956	175,956	147,345	147,345
Trade receivables	112,196	112,196	120,615	120,615
Financial liabilities:				
Trade and other payables	16,785	16,785	15,371	15,371
Lease liability	7,638	7,638	8,046	8,046
Long term bond	587,792	612,669	586,161	639,563

The fair value of the leased asset and long-term bond was estimated using relevant industry and market observable data to arrive at a proxy for fair value at the year end. Fair value of the other financial asset is derived based on a quoted market price at year end on a traded market for the asset.

24. Dividends

	2021 \$'000	2020 \$'000
Proposed and paid for the year:		
Dividends on ordinary shares for:		
2020: approximately \$0.06 per share	—	11,871
2021: approximately \$0.05 per share	<u>10,226</u>	<u>—</u>
	<u>10,226</u>	<u>11,871</u>

On 30 June 2021, an interim dividend of \$10.2 million (\$0.05 per share) was approved by the Board of Directors in respect of 2021. This dividend was charged against retained earnings for the period ended 30 June 2021 and was subsequently paid on 15 July 2021.

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24. Dividends (continued)

On 18 June 2020, an interim dividend of \$11.1 million (\$0.06 per share) was approved by the Board of Directors in respect of 2020. This dividend was paid on 17 July 2020. Subsequently, on 8 July 2020, the Board of Directors approved an additional interim dividend of \$0.740 million (\$0.004 per share) in respect of 2020, which was paid on 17 July 2020. Total dividend paid and proposed for the year ended 31 December 2020 amounted to \$11.8 million (\$0.06 per share).

25. COVID-19 pandemic

The Company continues to be cognizant of the threat of COVID-19 in Trinidad and Tobago and around the world and has implemented precautionary measures to ensure the safety of employees and minimize operational ramifications. During the year, normal shift operations for operators resumed, with remote or rostered working arrangements for maintenance staff and all other personnel not directly involved in the operation of the facility. We continue to monitor the impact of the Pandemic on the Company's operating performance going forward.