NATIONAL ENERGY CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

Securing Energy for Tomorrow

ANNUAL ADMINISTRATIVE REPORT

2011

Executive Summary

Annual Administrative Report, 2011

National Energy Corporation of Trinidad and Tobago Limited (NEC) was incorporated in Trinidad and Tobago on September 07, 1979. The company is a wholly owned subsidiary of the National Gas Company of Trinidad and Tobago Limited (NGC) and is principally engaged in the management of marine infrastructural facilities at the Port of Point Lisas. NEC's registered office is located at the corner of Rivulet and Factory Roads, Brechin Castle, Couva. The Company's financial year is January to December.

During the period January 01, 2011 to December 31, 2011, the Board of Directors of NEC comprised of eight Directors namely, Mr Larry Howai, Ms. Haseena Ali, Mr. Carlton Gibson, Mr. Cathal Healy-Singh, Mr. Rabindra Jaggernauth, Mr. Clyde Ramkhalawan, and Mr. Carlton Gibson.

NEC consists of eight (8) departments namely; Business Development, Engineering Design & Construction (EDC), Legal & Corporate Services, Environment Health and Safety and Security (EHSS), Finance & Accounting, Administration, Towage & Harbour Operations (THO), and Marine Terminal Operations (MTO), under which falls the management of LABIDCO.

The Vice President and Managers report to the President, who then reports to the Boards of Directors. The Company also reports directly and indirectly (through the NGC) to the Ministry of Finance, Investment Division, and the Ministry of Energy and Energy Industries (MEEI).

During the reporting period, several projects have progressed in support of the company's mandate. Significant events that occurred in 2011 are as follows:

- Project development works continued on the Carisal Calcium Chloride/Caustic Soda Project.
- Revisions were made to the agreement between UTT/NEC/Unibio at UTT's request. The Natural Gas to Animal Protein Plant is operational.
- The development of a Request for Proposal (RFP) for the Wind Resource Assessment Programme (WRAP) continued with various stakeholders.
- NEC completed the Energy Efficiency Study to develop a framework for energy efficiency policy and programme on the Point Lisas Industrial Estate. The final report was submitted to the Minister of MEEI.
- Development of six (6) business profiles for melamine-based manufacturing opportunities was completed. This was officially launched at the Trade and Investment Convention (TIC) in June. Subsequently, NEC completed business plans for three (3) of these profiles.

- NEC completed the Downstream Methanol Market Study which formed the basis for the development of Request for Proposals for Methanol to Petrochemical and Methanol to Polyolefins Projects. Bids were issued, and five proposals were received. An evaluation report was completed and submitted to the MEEI.
- Project conceptualization activities commenced on the MHTL AUM II Project.
- NEC signed a Memorandum of Understanding (MOU) with the Consortium of Severstall US Holding LLC, Complejo Metalurgico Dominicano S.A. and Neal and Massy Holdings Limited to jointly undertake a feasibility study of the establishment of a vertically integrated Iron and Steel Complex in T&T.
- NEC and NGC signed a Memorandum of Corporation (MOC) with Reliance Industries Limited of India to conduct a Feasibility Study.
- NEC and NGC signed a MOU with Tanzania Petroleum Development Corporation to pursue several areas of cooperation.

During the year 2011, NEC recorded a Net Loss of $35.6M, $121.1M below budgeted profit of $89.4M. Total Revenue was recorded at $257.2M. Operating Profit for 2011 was $136.1M. The favourable operating performance was eroded by impairment of $47.37M and bad debt provisions amounting to $32.7M. Capital Expenditure amounted to $40.3M. During year the company undertook projects funded by PSIP in the amount of $90M. Total Assets for the year 2011 amounted to $1.5B.

The staff complement at NEC for the year 2011 amounted to ninety-nine (99) employees.

In 2011, NEC's Public and Community Relations continued with further engagement of stakeholders in each community to gather information about the project being undertaken in those areas and the possibility of future partnerships. Initiation of the Strategic Corporate Social Responsibility Plan continued with the collaboration with stakeholder in the company's fence-line communities of La Brea, Mayaro/Guayaguayare, and Point Lisas South and East, which focused on the pillars of Youth Development and Capacity Building.

- NEC supported the Ministry of Health's Check Yourself Know Your Numbers Campaign through its Health & Wellness Day on Saturday, October 29, 2011 in La Brea.
- NEC hosted a Job Skills Workshop entitled "Stimulating Entrepreneurial Spirit" held in September 2011.
- A two-day workshop entitled "Tendering for Contracts" was financed by NEC for ninety-six small business owners in La Brea and Guayaguayare.
- NEC and the Member of Parliament for Couva partnered to provide assistance to the Grace Children's Home in Couva.
- In its commitment to youth development, NEC sponsored an Inter-Primary School Football competition for schools in Mayaro/Guayaguayare communities.

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1. CORPORATE INFORMATION

National Energy Corporation of Trinidad & Tobago Limited (National Energy) was incorporated in Trinidad & Tobago on September 7, 1979 and continues to operate in accordance with Section 340 (i) of the Companies Act 1995. The company is a wholly owned subsidiary of The National Gas Company of Trinidad & Tobago Limited (NGC) and is principally engaged in the management of marine infrastructure facilities at the Port of Point Lisas. The company's registered office is located at the Corner of Rivulet and Factory Roads, Brechin Castle, Couva. The company's financial year is January to December.

2. VISION, MISSION, MANDATE, CORE VALUES & COMPANY'S PROFILE

VISION STATEMENT

To be a global leader in the development of sustainable energy-based industries.

MISSION STATEMENT

We leverage our expertise through:

- Ownership and operation of assets
- Innovation
- Strategic alliances
- Market intelligence

for the benefit of all citizens.

MANDATE

The Mandate of National Energy Corporation includes:

i. The conceptualization, promotion, development and facilitation of new energy-based and downstream industries in Trinidad and Tobago.
ii. Identification of new industrial estates and associated deep-water ports.
iii. Ownership and operation of marine and other infrastructural assets to facilitate all gas-based petrochemical and metal plants.
iv. Development and management of La Brea and Union Industrial Estates.
v. Towage and Harbour Operations.
vi. Sustainable Management of the environment.

CORE VALUES

- National Energy Corporation's core values are as follows:
- **Team work** – We encourage camaraderie and honest communication.
- **Flexibility** – We must maintain an adaptable and proactive approach in the timely execution of our duties.
- **Integrity** – We demonstrate technical competence, efficiency and professionalism in the execution of our duties.
- **Respect** – We value and appreciate each other's views and contributions.
- **Transparency** – We govern our operations through transparent practices and adherence to all policies and procedures.
- **Discipline** – We operate as trustees for national energy development to ensure delivery of the shareholders' expectations.
- **Safety and Environment** – We are committed to conducting our operations in a safe and environmentally sustainable manner.

- **Corporate Social Responsibility** – We create opportunities for developing better communities in which we operate, by working in harmony with all stakeholders.

- **Customer Focus** – We are committed to seeking the customers' interest by consistently delivering excellent service within the shortest possible time.

NATIONAL ENERGY CORPORATION'S PROFILE

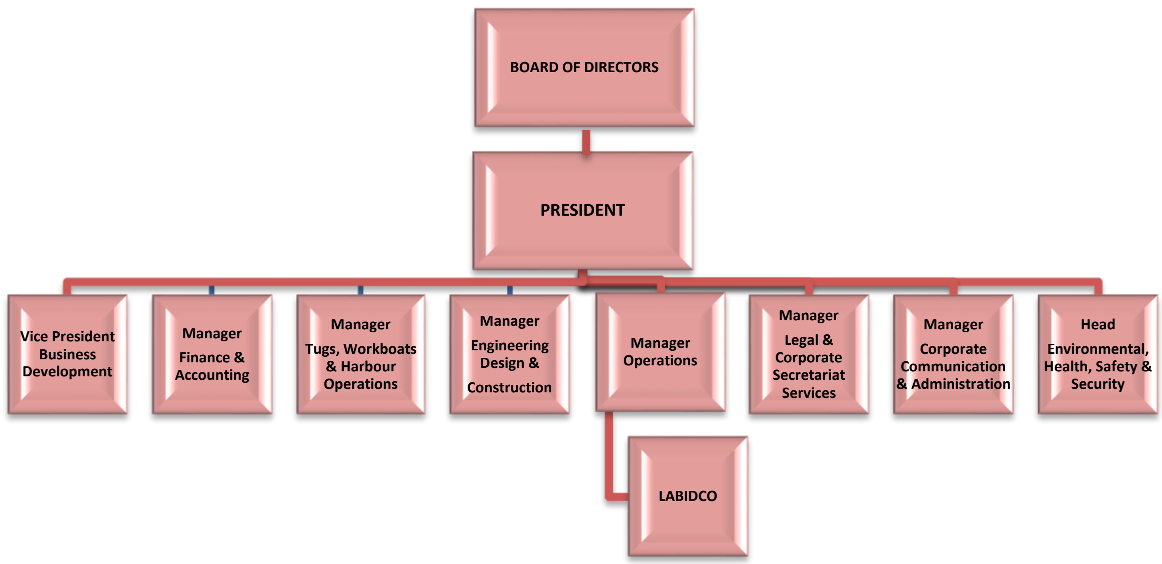
National Energy Corporation was incorporated in 1979 to continue the work first started by the Coordinating Task Force in monetizing the country's natural gas resources and developing and managing industrial and marine infrastructure. National Energy Corporation was involved in the construction and operation of the early petrochemical plants and the port and marine infrastructure, which service all plants at the Point Lisas Industrial Estate.

In 1999, National Energy Corporation, a wholly owned subsidiary of NGC, became an independent entity within the NGC Group of Companies, with a mandate "to develop and manage suitable infrastructure in order to facilitate and promote the various activities relevant and appropriate to natural gas-related operations."

3. ORGANISATION STRUCTURE

a. CORPORATE STRUCTURE

The organisation consists of eight (8) Departments as depicted in Organisation Chart below:



i. Business Development (BD) - is involved in the conceptualization, development and promotion of the gas-based energy sector. This department is responsible for the strategic interest of the company, and undertakes research, market analysis, and technical and economic feasibility surveys to support Government's initiatives for the benefit of the country. Business Development is also responsible for tracking commodity trends and keeping track of ammonia, methanol, iron and steel. This function feeds into the entire development process. Diversification of the natural gas downstream industries is also an important responsibility, as this seeks to ensure that the country gets more products for the same volume of natural gas, while maximizing the value derived from the country's natural gas potential.

ii. Engineering Design & Construction (EDC) - has a Government Mandate to build ports and industrial estates. In this regard, the EDC Department is responsible for the physical design and construction of these projects.

    This involves several functions, which require substantial acreage of land and associated utilities and marine infrastructure, including the hiring of boat contractors and consultants and supervising of the contractors to ensure compliance with the mandate.

iii. Legal & Corporate Secretariat Services (L&CSS) - provides legal and corporate secretariat services.

iv. Environmental, Health & Safety and Security (EHSS) - provides health, safety and security services.

v. Finance & Accounting (F&A) - provides finance/treasury management and financial operations services.

vi. Administration (ADMIN) - provides support services in the areas of Human Resource, Procurement, Facilities Management, Public Relations and Information Technology.

vii. Towage & Harbour Operations (THO) - National Energy Corporation owns and manages a fleet of ten (10) towage vessels that operates 24 hours a day, seven days a week and provides services to all the major ports in Trinidad & Tobago; the offshore gas and oil exploration/production platforms of the east and north coasts and the regional towage market.

viii. Marine Terminal Operations (MTO) - National Energy Corporation's Marine Terminal Operations Department is responsible for the management and operation of the four (4) Savonetta Piers and ISCOTT Dock. National Energy Corporation owns and operates the Point Lisas Channel and Turning Basin in the strategically located Port of Point Lisas, which is an important gateway between the Point Lisas Industrial Estate and the world. The port and unique marine facilities have been customized to handle the specialized needs of over twenty (20) world scale petrochemical and steel-manufacturing plants.

National Energy Corporation's emphasis on port infrastructure development and support services guarantees its capability to effectively handle exports from all existing gas-based plants.

ix. Management of LABIDCO

La Brea Industrial Development Company Limited (LABIDCO) is jointly owned by NGC and the Petroleum Company of Trinidad and Tobago Limited (Petrotrin) and is managed by National Energy Corporation.

Services at LABIDCO Estate include:

- Port Operations
- Leasing developed industrial lands
- Bioremediation
- Logistic services for off-shore operators
- Pipe import and coating
- Offshore platform construction

b. DELEGATION OF AUTHORITY

As a subsidiary of NGC, National Energy Corporation adheres to the rules and procedures of the NGC.

The Delegation of Authority Manual (DOAM) establishes financial authority limits for the procurement of goods and services and executing of payments. All procurement of goods and services, with a value that is equal to or greater than TT$3 Million must be approved by the Finance and Tenders Committee and in cases where the value is greater than TT$6 Million, approval is required by the Board of Directors.

c. LEGISLATIVE AND REGULATORY FRAMEWORK

National Energy Corporation was incorporated on September 7, 1979 and continues to operate as set out the Articles of Continuance, under section 343 of the Companies Act, of July 7, 1998. National Energy Corporation has an authorised share capital of TT$103,427,000.00. By way of certificate dated January 19, 2006 the Articles of Association were adopted as the By-Laws of National Energy.

d. REPORTING FUNCTIONS

All Managers/Heads of Department report to the President, who then reports to the Board of Directors. The Company also reports directly and indirectly (through NGC) to the Ministry of Finance, Investment Division and the Ministry of Energy and Energy Industries (MEEI).

4. PROJECT HIGHLIGHTS & DEVELOPMENT INITIATIVES

Significant projects undertaken during the course of the year were:

	Project Title:	Detail of Project	Activities Undertaken in Year	Project Status
1.	Calcium Chloride/ Caustic soda Project (Carisal)	Carisal Calcium Chloride/Caustic soda Project is proposing to construct a plant to produce: - calcium chloride - caustic soda - sodium hypochlorite - hydrochloric acid	Project development works continued	Project remained active
2.	Natural Gas to Animal Protein (Unibio)	Natural Gas Protein Manufacturing Project involves the development of a commercial single cell protein (SCP) plant in Trinidad and Tobago. The proposal is for the construction of a 3200 cubic meter (100,000 tpy) protein production plant to manufacture SCP from a fermentation process using methanol or natural gas as the substrate.	Revisions were made to the agreement between UTT/NEC/UNIBIO at UTT's request.	Plant is operational. Project remained active.
3.	Wind Resource Assessment Programme (WRAP)	NEC in collaboration with the Ministry of Energy and Energy Affairs, commenced the development of a Request for Proposal (RFP), to conduct a wind resource assessment.	The development of a RFP for the wind resource assessment continued with various stakeholders.	Project remained active.

	Project Title:	Detail of Project	Activities Undertaken in Year	Project Status
4.	Energy Efficiency Framework	Development of an Energy Efficiency Policy Framework, which included the development of an Energy Management Programme for plants on the Point Lisas Industrial Estate.	NEC completed the energy Efficiency Study to develop a framework for energy efficiency policy and programme on the Point Lisas Industrial Estate. The study included energy audits and a benchmarking exercise conducted on plants on the estate.	The final report was submitted to the Minister of MEEI.
5	Ammonia, Urea, Melamine Project (MHTL AUM I)	MHTL AUM I Project consists of the following plants in the complex: • 1850 t/d ammonia plant • 2100 t/d intermediate urea plant • 1500 t/d intermediate nitric acid plant • 1910 t/d intermediate ammonium nitrate plant • 4300 t/d Urea Ammonium Nitrate (UAN) plant • 2 x 90 t/d Melamine plants The final product outputs from this configuration are as follows: • 1.5 million tpy UAN • 60,000 tpy melamine. • Development of local downstream industries from melamine	Development of six (6) business profiles for melamine based manufacturing opportunities. This publication was officially launched at the Trade and Investment Convention (TIC) in June. Subsequently, National Energy completed business plans for three (3) of the melamine-based manufacturing business opportunities identified in the profiles document.	NEC continued to engage local and foreign investors for the development of melamine-based derivatives in Trinidad & Tobago.
6.	Downstream Industries Study	Development of a Downstream methanol market study	NEC completed the Downstream Methanol Market Study which formed the basis for the development of Request for Proposal (RFPs) for Methanol to Petrochemical and Methanol to Polyolefins Projects. Bids were issued to international companies and five proposals were received from potential investors.	An evaluation report was completed and submitted to the MEEI.

	Project Title:	Detail of Project	Activities Undertaken in Year	Project Status
7.	Ammonia, Urea, Melamine Project (MHTL AUM II)	MHTL AUM II Project consists of the following products • Granulated urea – 934,467 tpa • Melamine – 27,139 tpa • Ammonium Sulphate – 247,500 tpa • Melamine Urea Formaldehyde - 10,350 tpa	Project conceptualization activities commenced.	Project remained active.
8.	Iron and Steel (Severstall)	The project consisted of the following: • HBI (Hot Briquetted Iron) – 750,000 tpa • Cold DRI (Direct Reduced Iron) – 750,000 tpa • Steel Billets – 235,000 tpa	NEC signed a Memorandum of Understanding with the Consortium of Severstall US Holdings LLC, Complejo <etalurgico Domiicano S.A. and Neal and Massy Holdings Limited to jointly undertake a feasibility study of the establishment of a vertically integrated Iron and Steel Complex in Trinidad & Tobago.	Project development activities continued
9.	Bitumen Upgrader (Reliance Industries)	Feasibility study for developing, Bitumen Upgrader Project for the production of synthetic crude oil.	NEC and NGC signed a Memorandum of Corporation with Reliance Industries Limited of India to conduct Feasibility Study.	This project did not progress due to lack of continued interest by the investor.
10.	Consulting Technical Services (Tanzania Petroleum Development Corporation)	This forms part of the Africa Initiative which seeks to capitalise on opportunities in the African region.	NEC in conjunction with NGC signed a Memorandum of Understanding with Tanzania Petroleum Development Corporation to pursue several areas of cooperation.	Project remained active.

5. POLICIES & PROCEDURES

DEBT POLICY

The company's policy is to keep the gearing ratio between 25% - 30%.

(Gearing measures the proportion of assets invested in a business that are financed by long-term borrowing).

INVESTMENT POLICY

National Energy Corporation is guided by the Investment Policy of the parent company NGC, which focuses on capital preservation in order to maintain satisfactory liquidity levels so as to ensure that the company's commitments are met, as and when they fall due. In this regard, maximization of return on investment is not National Energy Corporation's major objective because of the relationship between risk and return. National Energy Corporation's Investments tend to be in relatively risk free assets with tenors of less than one (1) year.

National Energy Corporation seeks to further mitigate its risk exposure by diversifying its portfolio, thus, ensuring that the maximum placement limits at any financial institution does not exceed 30% of National Energy's total investment portfolio for each financial institution and 40% for a Group.

Investments are usually in short term Government Paper, including Treasury Bills and open market operations (OMOs), together with bank term deposits with investment tenors of approximately ninety (90) days. This strategy seeks to ensure the availability of funds, which may be needed, in the event that some unforeseen financial obligation arises during the financial year.

INTERNAL AUDIT FUNCTIONS

The Internal Audit Function is facilitated by the parent company, The National Gas Company of Trinidad & Tobago Limited (NGC).

It should be noted that National Energy Corporation's Financial Statements were audited by external Auditors (Ernst and Young) for the period.

6. FINANCIAL OPERATIONS

BUDGET FORMULATION

BUDGET AND FORECASTING PROCEDURES

The company's Corporate Budget Document is prepared by the Finance Department and includes input from all Departments. The Budget Document comprises three sub-budgets viz.:-

- Operating Revenue and Expenditure
- Capital Expenditure
- Cash Budget

The budget is prepared on an annual basis but also includes a three (3) year financial (Revenue and Expenditure) forecast, pro-forma balance sheets and projected cash flows.

BUDGET PREPARATION PROCESS

The budget is prepared using a Responsibility Accounting approach. Each Vice President, Divisional Manager, Assistant Manager and Departmental/Cost Centre Head is responsible for the development of inputs for the operating expenditure and capital expenditure budgetary provisions for his/her cost centre. However, certain items of expenditure (common to all cost centres) are assigned to specific Divisions e.g. Salaries and Related Benefits are assigned to the Manager, Human Resource.

BUDGET REVIEW AND APPROVAL PROCESS

Upon completion and submission of the departmental budgets, the Finance/Treasury Department reviews and recommends changes if necessary, then the first draft of the corporate budget document is compiled for review by the President.

Following the review, the Budget document is amended accordingly, for submission to the Finance and Tenders Committee and the Board of Directors.

CASH BUDGET

An annual Cash Budget is prepared on the basis of the Corporate Revenue, Operating Expenditure, Capital Expenditure Budgets, Debt Servicing and payment of Dividends and Taxes. The annual Cash Budget is analyzed over a twelve (12) month period and updated monthly on a twelve (12) month roll-over basis.

BUDGET IMPLEMENTATION

Upon approval by the Board of Directors, a copy of the Corporate Budget Document is provided to each Vice President/Divisional Manager and Assistant Manager/Superintendent/Departmental Head.

FINANCIAL STATEMENTS

During the year 2011, National Energy Corporation recorded a net loss of $35.63M, $125.1M below budgeted profit of $89.4M.

Total recorded revenue of $257.2M was 13.5% below the budgeted amount of $297.3M. The shortfall in revenues resulted mainly from deficits in income from marine operations ($12.2M) and income from demolition of site ($26.4M)

Operating profit for 2011 was $136.1M, $63.8M or 31.9%, below the budgeted amount of $199.9M.

The favourable operating performance was eroded by impairment ($47.37M) and bad debt provisions ($32.7M), resulting in a Net Loss of $35.6M, which was $125.1M below the budgeted amount of $89.4M.

Capital expenditure of $40.3M was 75.8% below budgeted amount of $166.6M. During the year the company undertook projects funded by the Public Sector Investment Programme (PSIP) in the amount of $90M.

Total assets for 2011 amounted to $1.5B when compared to that of 2010 which amounted to $1.6B. Total asset was eroded by impairment and bad debt provision of $47.37M and $32.7M respectively. Cash and short-term investment as at December 31, 2011 amounted to $419.3M.

See copies of National Energy Corporation's Audited Income Statement & Balance Sheet and Management Accounts Income Statement for 2011 attached at Appendix 1.

7. HUMAN RESOURCE DEVELOPMENT PLAN

a. ORGANISATIONAL ESTABLISHMENT

The company is governed by a Board of Directors, which is comprised of six (6) Board Members.

The key role of the President and Heads of Departments are as follows:

President

To provide effective leadership and direction to ensure that National Energy Corporation and LABIDCO achieve their strategic goals. This entails working with the Board of Directors, Senior NEC/LABIDCO personnel to develop and implement the Strategic Plan and to introduce management systems aimed at maximizing shareholder value, while developing a highly motivated, business oriented and customer driven organization.

Vice President – Business Development

To ensure the development and utilization of the assets of the company, for the realisation of optimum benefits to the country, from the gas-based industry.

Manager – Finance & Accounting

To ensure the provision of accurate, comprehensive and timely financial and accounting information to facilitate decision making at the corporate level, for the achievement of the Company's business objectives.

Manager – Engineering Design & Construction

To manage the design and construction of infrastructure and port facilities. To ensure that adequate site and port facilities are identified and made available in a timely manner for use by investors in gas based projects.

Manager – Operations

To provide effective leadership and direction to ensure that the Marine Terminal at Point Lisas, as well as the Port and Estate in La Brea achieve their strategic goals.

Manager – Towage & Harbour Operations

To implement strategies, initiatives and plans for achieving the Asset Management goals, objectives and key targets of the Operations Group.

Manager - Legal & Corporate Secretariat Services

The provision of legal advice with a view to protect the company from legal liability in its commercial/business operations, safeguard the company's assets from claims/litigations and ensure compliance with statutory and common-law requirements.

Manager - Corporate Communication and Administration

To provide leadership and effective and efficient corporate communications and functional general management services in support of the company's strategic initiatives

Head - Environment, Health, Safety and Security

To create business value by partnering with management and championing best successful practices for the control of risks, loss and sustainability of a secure environment.

b. CATEGORY OF EMPLOYMENT

In 2011, the categories of employees of National Energy Corporation were:

- Permanent Professional – Thirty-eight (38)
- Permanent Non-Professional – Forty-eight (48)
- Contract Professional – Eight (8)
- Contract Non-Professional – One (1)
- Temporary – Four (4)

The staff complement was ninety-nine (99) persons. The company recruited six (6) new employees, one (1) Team Leader, one (1) Technician, two (2) Administrative Assistant, one (1) Communication Officer, and one (1) Environmental Assistant. The position of Assistant Manager Legal & Corporate Services was upgraded to Manager, Legal Corporate and Secretariat Services and the position of Head, Administration was upgraded to Manager, Corporate Communication & Administration. In addition the position of Legal Officer was upgraded to Senior Legal Counsel and that of Legal Assistant was upgraded to Head Corporate Secretariat Services.

c. CAREER PATH SYSTEMS

The Performance Management System was used to identify the progression through which an employee moved during his/her employment with the company.

d. PERFORMANCE ASSESSMENT/MANAGEMENT STRATEGIES

In 2011, National Energy Corporation initiated a new performance assessment format referred to as the Individual Performance Assessment (IPC). This was used to support the Balanced Scorecard Performance Management System. Each employee was categorized into different levels e.g.:

L0 – President
L1 – Vice President
L2 – Managers
L3 – Assistant Managers/Section Heads

L4 - Supervisors
L5 – Individual Staff

e. PROMOTION – SELECTION PROCEDURES

The Performance Management System was used to determine the Human Resource decision to promote an employee. Other criteria used are:

- Qualifications
- Capabilities
- Experience
- Attitude
- Performance
- Work Ethics

f. EMPLOYEE SUPPORT SERVICES

The parent company, NGC, engaged the services of Families in Action (FIA) to provide services to staff in the following areas:

i. Employee Assistance –

The Employee Assistance Programme (EAP) is a completely confidential service available to all employees. It provides both preventative and curative assistance for all types of issues, including:

- Emotional/Psychological
- Financial
- Family/Marital
- Substance Abuse
- Other Personal Problems

ii. Counselling -

FIA provides individual and family counselling sessions to employees, and/or their eligible dependents. The service is not intended for long-term, on-going treatment. FIA assumes a pro-active approach, with prevention being the primary goal. It treats clients' problems before more serious ones develop. Following completion of a thorough assessment, an EAP Counsellor or Consultant, either continues to see the client for short-term problem resolution or refers the client for long-term assistance if required.

iii. Workplace Support -

FIA provides specialised services - each one designed to meet specific areas of concern within the organisation. The Workplace Support goes far beyond helping the employees resolve their personal problems; they are also focused on organisational development. FIA provides consultation on workplace policies and procedures that are instrumental in helping employers and employees maintain a safe and productive workplace. Some areas of consultation are for e.g. Critical Incident Management, Promoting Wellness, a Drug Free Workplace and Workplace Violence Prevention etc. FIA also engages in one day managerial and supervisory training aimed at developing effective skills in communication, leadership and motivation among Managers and Supervisors.

8. PROCUREMENT PROCEDURES

The procurement function is used to procure and dispose of goods and materials, as well as works and services for National Energy Corporation at the best value, in a timely manner, abiding by applicable laws while maintaining competitiveness and the highest ethical standards. As a subsidiary, National Energy Corporation adheres to the policy and procedures of the NGC.

Financial authority limits for the procurement of goods and services are as follows:

	Works & Services	Goods & Equipment
Vice Presidents	Up to $250,000	Up to $500,000
Management Tenders Committee	$250,001 - $750,000	$500,001- $1,000,000
Management Tenders Evaluation Committee	$750,001- $3,000,000	$1,000,001-$3,000,000
Board Tenders Committee	$3,000,001-$6,000,000	$3,000,001-$6,000,000
Board of Directors	>$6,000,000	>$6,000,000

Before a supplier/contractor can conduct business with National Energy Corporation he/she must be pre-qualified in accordance with National Energy Corporation's prequalification criteria, namely:

1. Relevant work experience
2. Personnel Resource
3. Financial Position
4. Equipment Resource
5. Environment & Safety

Once a Supplier/Contractor is registered as a pre-qualified contractor for Goods and Services, he/she is placed in one of four categories with the following value limits:

Mega	In excess of TT$5M
Major	From TT$500,001 to TT$5M
Medium	From TT$75,001 to TT$500,000
Minor	Up to TT$75,000

National Energy Corporation uses two Tender Boxes in its procurement procedures Tender Box “A” and Tender Box “B”.
Tender Box “A” is used for the procurement of works and services up to TT$250,000 and goods and materials up to TT$500,000. Tender Box “B” is used for the procurement of works and services greater than TT$250,000 and goods and materials up to TT$500,000.

A user department could issue a Request for Quotation (RFQ) where the works and services do not exceed TT$250,000. The RFQs are deposited in Tender Box “A” on or before a specified date and time. Tenders above TT$250,000 in the case of works and services and above TT$500,000 in the case of goods and materials are issued by the Secretary Tenders Committee (Legal Department) and Tender Box “B” is to be used for these purposes. All procurement of goods not exceeding TT$500,000 are handled by the Procurement Section.

When tenders are received they are forwarded to the user department for evaluation. Upon evaluation, the user department forwards the evaluation to the MTEC for approval, and depending on the value of the award, it is then submitted to the Finance and Tenders Committee and/or Board of Directors for approval.

9. PUBLIC & COMMUNITY RELATIONS

Corporate Social Responsibility Report 2011

In 2011, National Energy Corporation embarked on a strategic approach to Community Involvement (CI) and Corporate Social Responsibility (CSR). The company focused on reinforcing existing partnerships and establishing new collaborations with its stakeholders internally, nationally as well as locally in its fence-line communities of La Brea, Mayaro/ Guayaguayare and Pt. Lisas South and East. Starting in 2010 and continuing throughout 2011 the organization met with key stakeholders with the core objective of determining their needs and areas of particular interests. The input from these discussions was used to develop a structured CI and CSR Plan which was submitted to National Energy Corporation’s Board of Directors in April 2011. The plan focused on four main areas, Youth Development, Sport Development, Capacity Building and Culture.

Key 2011 CSR Projects: Capacity Building

Mayaro/Guayaguayare

- National Energy Corporation assisted with the refurbishment of the Guayaguayare R.C. Primary School. Work began in March 2010 and included the installation of two (2) air conditioning units; shelving; tables and chairs; one (1) television; multimedia, two (2) desktop computers and educational software.

  The company enlisted the voluntary support of the Mayaro/Guayaguayare Unemployed Organization; the Concerned Citizens Group and the Guayaguayare Environmental Management and Specialized Services Company Limited who gave of their time and effort to ensure the completion of the project.

Library at Guayaguayare R.C. Primary School

- Three persons from the Mayaro/Unemployed Organization Guayaguayare and Concerned Citizens Group were provided with Emergency Technician Training, provided by The Emergency Training Institute of Trinidad and Tobago Company Limited. National Energy Corporation facilitated the training after consultation with the group.

- National Energy Corporation partnered with the La Savanne Village Council in Mayaro, to assist in the construction of a small dwelling for an underprivileged family of five (5). Sisters, Afeesha and Narissa Khalis lived with three young children in a rented house that was without electricity. The rent had become increasingly unaffordable and the sisters were unable to access housing elsewhere. National Energy Corporation agreed to provide the funding for the building material, while the Village Council provided the labor free of charge. The Council erected a 16 x 20 feet house at the back of their Grandmother's residence.

La Brea

- National Energy Corporation supported the Ministry of Health's "Check Yourself Know Your Numbers Campaign" through its Health & Wellness Day on Saturday, October 29, 2011 at the La Brea Recreational Grounds, La Brea. The Ministry's initiative was designed to create opportunities for all citizens to be screened for Chronic Non-Communicable Diseases, including blood pressure, blood sugar and body mass index for the initiative also catered for persons to receive the necessary guidance and education to achieve the recommended target for these health indicators.

  This event served to educate persons on ways to maintain a healthy lifestyle while promoting the importance of exercise and being fit for life-mentally and physically.

  National Energy Corporation chose the La Brea community because La Brea is known as one of the lower-income communities in Trinidad and Tobago. Research has shown that persons within rural areas (especially those living below the poverty line) often practice bad nutrition; meals are usually overloaded with carbohydrates; which when over-consumed can be detrimental to cardiac health. Additionally, these persons' disposable incomes are usually very limited; many persons within the community are unable to visit medical and optical practitioners as may be needed. The presence of marijuana and other drugs in the community are also factors working against healthy lifestyles.

  The booths focused on the following areas:

  - Information on HIV/AIDS
  - Blood Pressure Testing/ Blood Sugar Testing
  - Dietary Consultation
  - Information on Pap Smear, Breast Cancer, Prostate
  - BMI Testing/ Weighing
  - Optical Testing
  - Zumba Demonstration

Participants in the Health and Wellness "Zumbathon"

National Energy Corporation hosted a Job Skills Workshop entitled "STIMULATING ENTREPRENEURIAL SPIRIT". This event was held in September 2011 under the patronage of

The Honourable Errol Mc Leod, Minister of Labour, Small and Micro Enterprise Development. The program was designed to provide basic information to persons interested in starting small or micro enterprises in the areas of:

- Catering
- Cosmetology
- Sewing
- Agriculture
- Photography

With the assistance of the members of the La Brea community National Energy Corporation created a skills bank. The objective of the bank was to determine the skills that are available in the community and what skills needed to be developed in keeping with industrial development in the area.

National Energy Corporation assisted in the construction and furnishing of a Homework Centre run by local resident Ms. Sherry Francis. Ms. Francis previously ran the Centre out of her home for approximately twenty (20) children.

La Brea/ Guayaguayare

National Energy Corporation financed a two-day "Tendering for Contracts" workshop held in June 2011. Ninety-six (96) small business owners from the areas of La Brea and Guayaguayare participated in the sessions which were facilitated by representatives of NEDCO. The workshop provided training to small entrepreneurs in an effort to assist them with developing tender proposals and overall capacity building.

Pt. Lisas South and East

In December 2011, National Energy Corporation partnered with the Member of Parliament for Couva, the Honourable Rudranath Indarsingh to provide assistance to the Grace Children's Home in Couva.

The home housed seven children (ages 10 to 21), one of whom was at the time in her second year at The University of the West Indies. The children living at the Home were either abandoned or had lost their parents to crime and were being taken care of by Mr. Peack, a single parent who had taken on the responsibility.

The company donated Thirty gallons of paint, paint brushes and other paint supplies which were used to paint six rooms in the house. On December 15, 2011, employees of National Energy Corporation, with the assistance of a CEPEP Contractor provided the manpower for the exercise.

Youth Development - Guayaguayare

As part of National Energy Corporation's commitment to youth development, the company sponsored an Inter-Primary School Football Competition for primary schools in the Mayaro/Guayaguayare communities.

Five (schools participated in the tournament. They included:

- Guayaguayare R.C. Primary School
- St Thomas R.C. Primary School
- Mayaro Government Primary School
- Mafeking Government Primary School
- Ortoire R.C. Primary School

APPENDIX I

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

Ernst & Young

ERNST & YOUNG

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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ERNST & YOUNG

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

We have audited the accompanying financial statements of National Energy Corporation of Trinidad and Tobago Limited (the "Company") which comprise the statement of financial position as at 31 December 2011, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Port of Spain,
TRINIDAD:
25 June 2012

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(Expressed in Trinidad and Tobago dollars)

	Notes	2011 $'000	2010 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	410,503	422,732
Investment properties	4	520,619	514,854
Deferred taxation	5	1,821	1,744
Deferred expenses		2,844	654
		935,787	939,984
Current assets			
Cash and short-term deposits	6	409,304	333,951
Restricted cash	6 (c)	9,956	9,960
Trade and other receivables	7	153,719	271,600
Taxation recoverable		24,197	13,791
Deferred expenses		831	209
Inventories		246	384
		598,253	629,895
Total assets		1,534,040	1,569,879

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

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(Expressed in Trinidad and Tobago dollars)
(Continued)

	Notes	2011 $'000	2010 $'000
EQUITY AND LIABILITIES			
Equity			
Stated capital	8	103,427	103,427
Capital contribution	9	119,514	101,479
Retained earnings		321,650	357,278
		544,591	562,184
Non-current liabilities			
Long-term debt	10	713,901	688,727
Deferred taxation	5	41,338	44,944
Deferred income	13	18,331	20,482
		773,570	754,153
Current liabilities			
Current portion of long-term debt	10	8,382	7,873
Creditors and accruals	11	84,557	150,191
Deferred income	13	18,292	19,584
Deferred capital grant	12	23,438	23,438
Due to parent company		81,186	52,444
Taxation payable		24	12
		215,879	253,542
Total liabilities		989,449	1,007,695
Total liabilities and equity		1,534,040	1,569,879

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

The financial statements of National Energy Corporation of Trinidad and Tobago Limited were authorized for issue by the Board of Directors on 25 June 2012.

Naseem Ali : Director   Clyde Raehlalawan : Director

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago dollars)

	Notes	2011 $'000	2010 $'000
Income			
Marine infrastructure income	14	243,874	250,027
Other operating income	15	5,057	2,157
Lease land income		3,704	17,270
Interest & other investment income		1,441	3,006
Project management fees - Government		3,228	2,278
Total income		257,304	274,738
Expenses			
Marine expenses	16	96,696	56,454
Administrative and general expenses	16	96,171	55,200
Impairment loss on investment properties	4	47,322	309,691
Other expenses	16	982	218
Finance costs	16	30,296	11,070
Loss on foreign exchange transactions		2,914	1,001
Loss on disposal of property plant and equipment		66	1,471
		274,447	435,105
Loss before taxation		(17,143)	(160,367)
Taxation	5	(18,485)	(44,098)
Loss for the period		(35,628)	(204,465)
Other comprehensive income		–	–
Total comprehensive loss		(35,628)	(204,465)

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

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago dollars)

	Stated capital $'000	Capital contribution $'000	Retained earnings $'000	Total equity $'000
Year ended 31 December 2010				
Balance at 1 January 2010	103,427	97,223	561,743	762,393
Capital contribution by parent (Note 9)	–	4,256	–	4,256
Total comprehensive loss for the year	–	–	(204,465)	(204,465)
Balance at 31 December 2010	103,427	101,479	357,278	562,184
Year ended 31 December 2011				
Balance at 1 January 2011	103,427	101,479	357,278	562,184
Capital contribution by parent (Note 9)	–	18,035	–	18,035
Total comprehensive loss for the year	–	–	(35,628)	(35,628)
Balance at 31 December 2011	103,427	119,514	321,650	544,591

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

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago dollars)

	2011 $'000	2010 $'000
Cash flows from operating activities		
Cash generated from operations (Note 17)	148,857	138,736
Taxation paid	(32,557)	(44,775)
Taxation received	–	1,757
Interest paid	(40,973)	(8,098)
Interest received	1,347	3,116
Net cash generated from operating activities	76,674	90,736
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,006)	(2,639)
Additions to investment properties	(58,395)	(319,076)
Net (increase)/decrease in short-term investments	(57,866)	28,921
Net cash used in investing activities	(126,267)	(292,794)
Cash flows from financing activities		
Increase/(decrease) in advances from parent company	38,244	(73,321)
Repayment of borrowings	(7,920)	(12,520)
Proceeds from borrowings	36,754	329,796
Net cash generated from financing activities	67,078	243,955
Net increase in cash and cash equivalents	17,485	41,897
Cash and cash equivalents at beginning of year	333,951	292,054
Cash and cash equivalents at end of year (Note 6 d))	351,436	333,951
Non-cash transactions		
Interest capitalised to investment properties	–	12,798

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

1. Corporate information

The Company was incorporated in Trinidad and Tobago on 7th September, 1979 and continued in accordance with Section 340 (1) of The Companies Act, 1995. The Company is a wholly - owned subsidiary of The National Gas Company of Trinidad and Tobago Limited (NGC) which is owned by the Government of the Republic of Trinidad and Tobago (GORTT). It is principally engaged in the management of certain marine infrastructural facilities at the Port of Point Lisas and the promotion and development of the Union Industrial Estate at La Brea. The Company's registered office is located at Corner Rivulet and Factory Roads, Brechin Castle, Couva, Trinidad and Tobago.

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and are expressed in thousands of Trinidad & Tobago Dollars.

Statement of compliance

The financials statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

1.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011.

The adoption of these standards and interpretations did not have any effect on accounting policies, financial position or performance of the Company.

IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 32 *Financial Instruments: Presentation (Amendment)*
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

1.2 Changes in accounting policy and disclosures (continued)

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements in Trinidad, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

IFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.

All other components are to be measured at their fair value at acquisition date.

The Company, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.

IFRS 7 *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)

IAS 34 *Interim Financial Statements*

1.2 Changes in accounting policy and disclosures (continued)

IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

1.3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Company's accounting policies, management has determined that there were no judgments apart from those involving estimations which have a significant effect on the amounts recognized in the financial statements.

Estimates and assumptions

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

Impairment of non-financial assets
The Company assesses whether there are indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of property, plant and equipment
The Company performs an annual review of the useful lives of its property, plant and equipment and investment properties. Based on the results of this review, adjustments are made to the relevant depreciation rates as deemed necessary.

1.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Operating lease commitments - Company as Lessor
The Company has entered into commercial property leases on its investment properties portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

Tax assessments
The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due where the final tax outcome of these matters is different from the amounts that were initially recorded. Such differences will impact the income tax and deferred tax provisions in the period in which such determinations is made.

1.4 Summary of significant accounting policies

a) Cash and cash equivalents

Cash on hand, in banks and short-term deposits that are held to maturity, are carried at cost.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand and deposits in banks and short-term deposits with an original maturity of three months or less.

b) Trade receivables

Trade accounts receivable are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. A provision is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written-off when identified. Receivables from related parties are recognized and carried at cost.

c) Inventories

Inventories are valued at the lower of weighted average cost and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion necessary to make the sale.

1.4 Summary of significant accounting policies (continued)

d) Taxes

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

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

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

Deferred tax assets are recognized only if there is a reasonable expectation of realization. Deferred tax assets arises from tax losses yet to be recognised, and are only carried forward if there is assurance beyond a reasonable doubt that future taxable income will be sufficient to allow the benefit of the tax losses to be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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.

e) Property, plant and equipment

Property, plant and equipment are stated at historical cost.

Depreciation is provided on a straight-line basis over the estimated economic useful lives of the assets at the following rates:

Marine infrastructure assets	3 - 20%
Tugs and workboats	15%
Machinery and equipment	12.5 - 20%
Other assets	10 - 50%
Administration building	2%

1.4 Summary of significant accounting policies (continued)

e) Property, plant and equipment (continued)

All costs relating to assets under construction will, upon completion, be transferred to their asset categories and be depreciated from that date.

Repairs and maintenance costs are charged to the statement of comprehensive income when expenditure is incurred.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 in the year the asset is derecognized.

f) Investment properties

Investment properties are stated at cost less accumulated depreciation less impairment. Depreciation is provided on a straight line basis over the estimated economic useful lives of the assets at the following rates:

Development cost	3.33%
Buildings	3.33%

No depreciation is provided on freehold land.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of comprehensive income in the year of retirement or disposal.

g) Long-term debt

Long-term debt is initially recognized at the fair value of the consideration received less any directly attributable transaction costs.

After initial recognition, long-term debt is subsequently measured at amortized costs using the effective interest rate method. Amortized cost is calculated by taking into account any directly attributable transaction costs.

1.4 Summary of significant accounting policies (continued)

h) Foreign currencies

The presentation and functional currency of the Company's financial statements is Trinidad and Tobago Dollars (TT$).

Transactions in foreign currencies are recorded in Trinidad and Tobago dollars at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies at the reporting date are expressed in Trinidad and Tobago dollars at exchange rates prevailing at that date. Resulting translation differences are recognized in income/expense for the year.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

j) Creditors and accruals

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to related parties are carried at cost.

k) 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, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, (in the case of investments not at fair value through profit or loss), directly attributable transaction cost. The Company determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates this designation at each reporting date.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the investments are derecognized or impaired, as well as through the amortization process.

1.4 Summary of significant accounting policies (continued)

k) Financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financials assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial investments
Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in the statement of comprehensive income.

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

Amortised cost
Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest rate method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of borrowing costs.

l) Financial liabilities

Interest bearing loans and borrowings
All loans and borrowings are initially recognized at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the amortization process.

1.4 Summary of significant accounting policies (continued)

m) 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.

As 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 recognised. 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.

n) Impairment of financial assets

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

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 derecognized when they are assessed as uncollectible.

1.4 Summary of significant accounting policies (continued)

o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Marine infrastructure income
Revenue from the use of the company's piers, docks and vessels upon performance of the services.

Lease land income
Lease rental and service charge from operating leases on investment properties are recognised as revenue in the period in which they are earned. Premiums on leases are recognised as revenue in the initial year of the lease.

Management fees
Management fees earned on government funded projects are accounted for on the accruals basis.

Interest income
Interest income is accounted for on the accruals basis.

p) Employee benefits

The Company's employees are members of the Parent Company's defined benefit plan, the assets of which are held in separate trustee administered funds. The pension plan is funded by payments from employees and by the Company taking account of the recommendations of independent qualified actuaries.

The Company's contributions are included in the employee benefit expense of these financial statements. Any assets and liabilities in relation to this defined contribution plan are recorded by the Parent Company. There is no contractual agreement or stated policy for charging the net defined benefit costs of the plan to the separate financial statements of the individual subsidiaries included in the Plan.

q) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Non-operating contributions received from the Government are accounted for as capital grants.

1.4 Summary of significant accounting policies (continued)

r) Capital grants

Capital grants represent amounts received from the government for specific capital expenditure purposes. Capital grants not yet spent are classified as deferred capital grants. Capital grants relating to non-depreciable assets are deducted against the carrying amount of the asset to which it relates when the expense is incurred. When the capital grant is expended for depreciable assets, the related amounts are transferred from deferred capital grants to deferred income.

Deferred income is amortised to the statement of comprehensive income on a systematic basis over the useful lives of the related assets.

s) Deferred income

The Company is contractually obligated to invoice its pier users quarterly in advance. This is recognised as deferred income to the value of quarterly fixed user charges for the upcoming period, which will be credited to income in the relevant period to which it relates.

t) Leases

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

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

1.4 Summary of significant accounting policies (continued)

u) Derecognition of financial assets and liabilities

Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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

v) Comparative information

The comparative figures have been reclassified to conform with changes in presentation in the current year for deferred income. An amount of $20.482 million has been reclassified from current liabilities to non current liabilities. These reclassifications had no effect on the statement of comprehensive income for the current and previous year.

2. Future changes in accounting policies

The Company has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning after 1 January 2011.

IAS 1 *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*
The amendments to IAS 1 change the classification of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and there has been no impact on the Company's financial position or performance.

The amendment becomes effective for annual periods beginning on or after 1 July 2012.

2. Future changes in accounting policies (continued)

IAS 12 *Income Taxes - Recovery of Underlying Assets*

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment has no impact on the company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 *Employee Benefits* (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment has no impact on the company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 *Separate Financial Statements* (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and it describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

2. Future changes in accounting policies (continued)

IFRS 9 ***Financial Instruments: Classification and Measurement***
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 ***Consolidated Financial Statements***
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation - Special Purpose Entities.*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The standard has no impact on the Company's financial position or performance.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 ***Joint Arrangements***
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities - Non-monetary Contributions by Venturers.* IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.

Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The standard has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 ***Disclosure of Involvement with Other Entities***
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required. The standard has no impact on the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2. Future changes in accounting policies (continued)

IFRS 13 ***Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. Property, plant and equipment

2011	Marine infrastructure assets $'000	Machinery equipment $'000	Development cost $'000	Leasehold property $'000	Other assets $'000	Capital work in progress $'000	Total $'000
Cost							
At beginning of year	634,342	6,219	2,062	19,139	5,598	635	667,995
Additions at cost	958	1,150	–	(441)	1,899	6,440	10,006
Transfer	3,271	(1,779)	–	–	–	(1,492)	–
Disposal	(1,420)	(11)	–	–	(312)	–	(1,743)
	637,151	5,579	2,062	18,698	7,185	5,583	676,258
Accumulated depreciation							
At the beginning of the year	234,532	4,420	763	1,936	3,612	–	245,263
Charge for the year	20,149	488	200	361	971	–	22,169
Transfer	2,132	(2,132)	–	–	–	–	–
Disposal	(1,385)	(11)	–	–	(281)	–	(1,677)
	255,428	2,765	963	2,297	4,302	–	265,755
Net book value	381,723	2,814	1,099	16,401	2,883	5,583	410,503

The Company's administration building, captured under leasehold property, is situated on lands owned by the former Caroni (1975) Limited. The Company does not have a lease for the lands occupied.

3. **Property, plant and equipment** (continued)

2010	**Marine infrastructure assets $'000**	**Machinery equipment $'000**	**Development cost $'000**	**Leasehold property $'000**	**Other assets $'000**	**Capital work in progress $'000**	**Total $'000**
Cost							
At beginning of year	634,100	5,452	1,759	19,118	4,927	2,150	667,506
Additions at cost	762	424	–	21	792	640	2,639
Transfer	–	699	303	–	–	(1,002)	–
Disposal	(520)	(356)	–	–	(121)	(1,153)	(2,150)
	634,342	6,219	2,062	19,139	5,598	635	667,995
Accumulated depreciation							
At beginning of year	213,908	4,350	592	1,550	3,113	–	223,513
Charge for year	20,872	406	171	386	589	–	22,424
Disposal	(248)	(336)	–	–	(90)	–	(674)
	234,532	4,420	763	1,936	3,612	–	245,263
Net book value	399,810	1,799	1,299	17,203	1,986	635	422,732

4. Investment properties

2011	Buildings $'000	Development cost $'000	Capital work in progress $'000	Total $'000
Cost				
At beginning of year	–	388,586	531,967	920,553
Additions	–	–	71,000	71,000
Transfer	571,512	–	(571,512)	–
	571,512	388,586	31,455	991,553
Accumulated depreciation/ impairment				
At beginning of year	–	40,468	365,231	405,699
Depreciation charge for year	4,011	13,902	–	17,913
Impairment charge/(reversal)	52,032	(4,710)	–	47,322
Transfer	365,231	–	(365,231)	–
	421,274	49,660	–	470,934
Net book value	150,238	338,926	31,455	520,619
2010				
Cost				
At beginning of year	–	367,077	224,872	591,949
Additions	–	–	328,604	328,604
Transfer	–	21,509	(21,509)	–
	–	388,586	531,967	920,553
Accumulated depreciation/ impairment				
At beginning of year	–	84,096	–	84,096
Depreciation charge	–	11,912	–	11,912
Impairment (reversal)/charge	–	(55,540)	365,231	309,691
	–	40,468	365,231	405,699
Net book value	–	348,118	166,736	514,854

4. **Investment properties** (continued)

Interest capitalised for the year amounted to $12.6 million (2010: $12.8 million).

	2011 $'000	**2010 $'000**
Amounts recognised in profit or loss		
Rental income from investment properties	3,704	17,270
Direct operating expenses	2,518	1,752

Investment properties comprise the lands at Union Industrial Estate (UIE) and a warehousing facility which is being constructed on the UIE.

In 2008 the company began the construction of a material and handling storage facility (the facility) for the aluminum smelter project which was to be built on the UIE. The discontinuation of the aluminum smelter project in September 2010 resulted in the design and use of the material and handling storage facility being changed to a general purpose warehousing facility. At 31 December 2011, the costs incurred on the facility was $571 million (2010: $529 million) inclusive of capitalized interest of $25.4 million.

An impairment review was performed on the UIE and the facility at 31 December 2011. The recoverable amounts were based on value-in-use. In determining the value-in-use, the pre-tax cash flows were discounted at a rate of 5.39%. Projected revenues were based on cash flows from identified tenants/specific projects for the UIE and estimated cash flows for the facility.

A net impairment charge of $47.322 million has been recorded in the statement of comprehensive income, representing a reversal of $4.7 million for the land at UIE and an impairment charge of $52.032 million for the facility.

The Company has applied for a reclamation licence in respect of the land on which the warehouse facility sits.

	2011	2010
5. Taxation	**$'000**	**$'000**

The major components of the taxation expense were as follows:

Current taxation – Corporation tax	17,263	38,238
– Green fund levy	266	270
Prior year over-provision	4,641	1,511
Deferred tax	(3,685)	4,079
	18,485	44,098

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:

Loss before tax	(17,143)	(160,367)
Tax at the rate of 25%	(4,286)	(40,092)
Non-deductible expenses	9,888	78,628
Prior year adjustment	4,641	1,511
Permanent differences	8,818	3,021
Other differences	(842)	760
Green fund levy	266	270
	18,485	44,098

Significant components of the deferred tax assets and liabilities are as follows:

Assets:		
Accrued vacation leave	400	316
Accrued interest payable	1,421	1,428
	1,821	1,744
Liabilities:		
Property, plant and equipment	41,338	44,944

6. Cash and short-term deposits	**2011 $'000**	**2010 $'000**
Cash at bank	302,811	310,736
Short-term deposits	106,493	23,215
	409,304	333,951
Investment held with Clico (Note b)	14,381	14,381
Less: Provision for impairment of short-term deposits (Note b)	(14,381)	(14,381)
	–	–
	409,304	333,951

a) Cash at bank earns interest at fixed rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is $441.192 million (2010: $333.951 million).

b) The Company holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of $14.381 million.

CIB experienced financial and liquidity issues. On 31 January 2009 the Central Bank of Trinidad and Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79.02 assumed control of CIB. The Central Bank of Trinidad and Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates in CIB were impaired at 31 December 2008 as there was no basis to determine the timing and quantum, if any, of recovery.

(c) The Company has an Escrow account with First Citizens Bank Limited (FCB) and is required to maintain a balance on the account equivalent to two (2) loan instalments with the bank at all times. (See Note 10 a)).

6. Cash and short-term deposits (continued)

(d) For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December.

	2011 $'000	2010 $'000
Cash at banks and on hand	302,811	310,736
Short-term deposits (with an original maturity date of less than three months)	48,625	23,215
	351,436	333,951

7. Trade and other receivables

	2011 $'000	2010 $'000
Trade receivables - related parties	35,716	57,867
Trade receivables - third parties	74,874	52,700
	110,590	110,567
Provision for doubtful debts	(27,699)	(26,916)
	82,891	83,651
Other receivables:		
Interest receivable	127	34
Prepaid expenses	962	2,638
Due from Government of Trinidad & Tobago - billed	54,002	88,623
Due from Government of Trinidad & Tobago - unbilled	9,862	60,524
Value Added Tax recoverable	4,382	35,649
Other	1,493	481
	153,719	271,600

Notes:

(a) Trade receivables are non interest bearing and are generally on 15 - 30 days terms.

7. **Trade and other receivables** (continued)

(b) As at 31 December 2011, trade receivables at a value of $27.699 million (2010: $26.916 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2011 $'000	2010 $'000
As at 1 January	26,916	23,140
Charge for year	817	3,915
Provision reversed	(34)	(139)
At 31 December	27,699	26,916

The provision for doubtful debts includes a provision of $22.361 million for a related party, Alutrint Limited in relation to an amount under dispute (2010: $22.419 million).

As at 31 December the ageing analysis of trade receivables are as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	31-60 days	61-90 days	91-120 days	>120 days
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2011	82,891	54,174	23,373	2,500	973	380	1,491
2010	83,651	69,558	8,577	2,847	603	56	2,010

8. **Stated capital**

	2011 $'000	2010 $'000
Authorized		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
1,034,270 ordinary shares of no par value	103,427	103,427

9. Capital contribution	2011 $'000	2010 $'000
1,034,270 ordinary shares of no par value	119,514	101,479

The Parent Company, NGC provided the Company with a loan at an interest rate below market rate effective 31 December 2008. This resulted in the Company recognising a capital contribution of $97.223 million when the loan was recorded at fair value at 31 December 2008. (See Note 10 b)). As at 31 December 2010 an additional fair value adjustment of $4.256 million was recorded on the loan from the parent due to a deferral of the commencement of loan installments to 1 January 2012.

As at 31 December 2011 another fair value adjustment was recorded on the loan from the parent due to a deferral of the commencement of loan instalments to 1 January 2015. This has resulted in the Company recognising an additional capital contribution of $18.035 million at 31 December 2011. (See Note 10b))

10. Long-term debt

	Long-term portion $'000	Current portion $'000	2011 $'000	2010 $'000
First Citizens Bank (Note a)	18,424	8,382	26,806	34,679
NGC - UIE loan (Note b)	273,620	–	273,620	278,837
NGC advance (Note c)	421,857	–	421,857	383,084
	713,901	8,382	722,283	696,600

a) The Company in pursuit of its capital expansion program obtained a loan from First Citizens Bank (FCB) on the 17 May 2004 in the value of $67.9 million. The loan provides for two equal semi-annual payments of interest only, followed by 18 semi-annual payments of principal and interest. Interest rate is fixed at 6.20% per annum. The loan is secured by the following:

i) Collateral Chattel Mortgage over two (2) tugboats - NEC Empress & NEC Majestic with carrying amounts totalling $41.576 million (2010: $43.434 million).

ii) Marine Hull, Machinery Risk and Protection & Indemnity Insurance over the two (2) tugboats.

iii) Deed of Assignment and Notice of Assignment of the proceeds of a Pier Usage contract.

iv) Deed of Charge over Deposit Account in the name of NEC to service loan facility.

10. Long-term debt (continued)

b) On 12 April 2009, the Company was mandated by the Government of the Republic of Trinidad and Tobago (GORTT) to reimburse the parent company, NGC for the cost of the development of Union Industrial Estate, La Brea. The purchase consideration of US$58.518 million (TT$367.078 million) was set up as a loan with an effective date of 31 December 2008. The principal is to be paid in equal semi-annual instalments originally commencing 1 July 2009 with interest at a rate of 3.0% per annum. Interest for 2011 and 2010 has been capitalized with the loan. Interest payments will commence in 2012.

As the parent company had provided a loan at an interest rate below market rate, the Company recorded a capital contribution of $97.223 million when the loan was recorded at fair value at 31 December 2008. (Note 9)

At 31 December 2011, the commencement of the repayment on the loan has been deferred to 1 January 2015. This has resulted in an additional fair value adjustment of $18.035 million which has been recorded as a capital contribution by the parent. (Note 9)

c) As a result of the discontinuance of the aluminum smelter during 2010, the scope of works regarding the construction of the material, handling and storage facility was changed. This change resulted in a reduction in the amount of financing required from NGC to US$66.0 million. The loan agreement which was executed on 23 June 2010 provides for the Company to repay the principal over a period of not more than 15 years in equal semi-annual instalments with a rate thereon at a maximum of 7%. The first principal instalment is due within two (2) years of the date of execution of the loan agreement. At 31 December 2011 the loan repayments have been rescheduled to commence in June 2014.

Interest on the loan shall be paid semi-annually, with effect from the effective date of the loan.

At 31 December 2011, the Company had drawn down US$65.819 million (2010: US$60.076 million) of the funds.

Fair values	**Carrying amount**		**Fair value**	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
At 31 December	722,283	696,600	722,525	681,215

10. **Long-term debt** (continued)

Fair values (continued)

The fair value of the Company's long-term borrowings is estimated by discounting future cash flows using rates prevailing at the year-end date for debt on similar terms, credit risk and remaining maturities, with the exception of the loan with NGC for the construction of the Material, Handling and Storage Facility which approximates its carrying value.

Maturity profile of long-term debt	**2011 $'000**	**2010 $'000**
In one year or less	8,382	7,873
In more than one year but not more than two years	8,922	44,584
In more than two years but not more than three years	41,950	45,432
In more than three years but not more than four years	37,645	46,332
In more than four years but not more than five years	37,961	37,176
In more than five years	587,423	515,203
	722,283	696,600

11. **Creditors and accruals**

Trade creditors	34,240	9,959
Sundry creditors and accruals	50,317	140,232
	84,557	150,191

Terms and conditions of significant financial liabilities above:

a) Trade payables are non-interest bearing and are normally settled on 30-day terms.
b) Interest payable is normally settled in accordance with the terms and conditions of the respective loans - See Note 10.
c) Accrued materials/service amounts and retentions are non-interest bearing.
d) Employee related accruals are normally settled monthly throughout the year.

12. **Deferred capital grant**

	2011 $'000	**2010 $'000**
Balance at the start of the year	23,438	36,754
Utilised during the year	–	(11,981)
Grant utilised for VAT	–	(1,335)
Balance at the end of the year	23,438	23,438

12. **Deferred capital grant** (continued)	**2011 $'000**	**2010 $'000**
Non-current	–	–
Current	23,438	23,438
	23,438	23,438

Deferred capital grant relates to un-utilised grants received from the GORTT for the Union Industrial Estate.

13. **Deferred income**	**2011 $'000**	**2010 $'000**
Billings in advance (Note a)	15,821	15,230
Deferred income - Union Industrial Estate (Note b)	20,481	24,066
Deferred income - Other	321	770
	36,623	40,066
Non-current	18,331	20,482
Current	18,292	19,584
	36,623	40,066

Notes

a) This amount relates to pier user charges billed in advance.

b) Deferred income - Union Industrial Estate:	**2011 $'000**	**2010 $'000**
Balance at 1 January	24,066	12,802
Capital expenditure incurred on depreciable property	–	11,981
Amount released to income	(3,585)	(717)
Balance at 31 December	20,481	24,066

14. Marine infrastructure income

The marine assets principally consist of the ISCOTT dock, the Savonetta piers, the Point Lisas harbour and the tugs and workboats. Income earned is as follows:

	2011 $'000	2010 $'000
ISCOTT dock	5,687	5,687
Savonetta piers	131,534	132,977
Point Lisas harbour	35,002	36,076
Tugs and workboats	70,052	75,287
Dock fees – Berth 3	1,599	–
	243,874	250,027

15. Other operating income

	2011 $'000	2010 $'000
Management fees - Labidco	673	582
Miscellaneous (note)	4,384	1,575
	5,057	2,157

Note:
Included in other miscellaneous income is an amount totalling $3.585 million (2010: $716,893) relating to the amortisation of deferred income (See Note 13 b)).

16. Expenses

	2011 $'000	2010 $'000
Marine expenses:		
Depreciation and amortisation	20,916	20,860
Maintenance - marine facilities	39,086	16,189
Salaries and related benefits	14,931	12,590
Management fees - tugs & workboats	19,582	4,282
Insurance	2,062	2,414
Sea bed lease rent	119	119
	96,696	56,454

16. **Expenses** (continued)	**2011 $'000**	**2010 $'000**
Administrative and general expenses:		
Salaries and related benefits	29,882	27,779
Impairment of Alutech loan	–	2,075
Depreciation and amortisation	19,165	13,474
Management fees - NGC - current year	1,000	1,000
- prior years	–	(5,787)
Insurance	1,534	1,859
Insurance refund - prior years	–	(4,578)
Motor vehicle expense	2,034	1,759
Provision for bad debts	783	8,190
Provision for fraudulent wire transfers (Note 23)	31,888	–
Security	1,743	1,395
Advertising and communications	1,959	1,235
Legal and professional fees	5,437	1,218
Other	746	5,581
	96,171	55,200
Other expenses:		
Donation - other	982	218
Finance costs:		
Interest on debt and borrowings - related parties	28,266	8,559
- third parties	2,030	2,511
	30,296	11,070
Staff costs:		
Included under marine expenses	14,931	12,590
Included under administrative and general expenses	29,883	27,779
	44,812	40,369

17. Cash flows from operations

	2011 $'000	2010 $'000
Net loss for the year before taxation	(17,143)	(160,367)
Adjustments for:		
Depreciation	40,082	34,336
Impairment of investment properties	47,322	309,691
Amortisation of deferred expenses	301	181
Interest expense	30,296	11,070
Interest income	(1,441)	(3,006)
Loss on disposal of property, plant and equipment	65	1,471
Amortisation of deferred income	(3,584)	(716)
Increase in parent company loan due to foreign currency translation	3,401	2,004
Operating profit before working capital changes	99,299	194,664
Decrease /(increase) in trade debtors and prepayments	117,975	(41,952)
Decrease/(increase) in inventories	138	(129)
Increase in deferred income and deferred capital grant	140	1,425
Increase in deferred expense	(3,113)	(1,044)
Increase in trade creditors and accruals	(65,582)	(14,228)
Cash generated from operations	148,857	138,736

18. Related party transactions

The Company is a wholly owned subsidiary of The National Gas Company of Trinidad and Tobago, which is owned by the Government of Trinidad and Tobago. 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 common control include Alutrint Limited, Alutech Limited, Trinidad Generation Unlimited (TGU), Petrotrin and First Citizens Bank Limited.

18. Related party transactions (continued)

The sales to and purchases from related parties are at arm's length, with the exception of the interest rate on the UIE loan from the parent company (See Note 10 b)). Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables with the exception of that relating to Alutech Limited. At 31 December 2011, the Company has recorded a provision for doubtful debts relating to amounts owed by related parties of $22.419 million (2010: $22.419 million) and $20.309 million (2010: $20.309 million) due by Alutrint Limited and Alutech Limited respectively. An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The following table provides the total amount of material transaction, which have been entered into with related parties as at or for the period ended 31 December 2011 and 31 December 2010.

		Income from related parties $'000	Purchase from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
The National Gas Company of Trinidad and Tobago	2011	–	–	–	81,186
	2010	–	–	–	63,254
Lease land	2011	758	–	–	–
	2010	1,500	–	–	–
Management fees	2011		1,000	–	–
	2010		(4,787)	–	–
Loans	2011	–	28,266	–	695,477
	2010	–	16,085	–	661,921
La Brea Industrial Company Limited	2011	673	–	9,435	–
	2010	582	–	33,755	–
Government of Trinidad & Tobago	2011	3,228	–	63,864	–
	2010	2,277	–	149,147	–
Alutrint Limited	2011	–	–	23,844	–
Lease land	2010	12,713	–	22,074	–

18. Related party transactions (continued)

		Income from related parties $'000	Purchase from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Alutech Limited	2011	–	–	20,309	–
	2010	–	–	20,309	–
First Citizens Bank Limited	2011	–	2,030	–	26,806
	2010	–	2,511	–	34,679
Trinidad Generation Unlimited	2011	2,129	–	2,038	–
	2010	2,123	–	2,038	–

	2011 $'000	2010 $'000
Compensation of key management personnel		
Short-term employee benefits	8,900	5,485

19. Commitments and contingencies

a) Operating lease commitments

The Company has entered into commercial land leases on its investment properties portfolio, consisting of land and infrastructure. These leases have remaining terms of between one (1) year and thirty (30) years.

Future minimum rentals receivable under operating leases as at 31 December 2011 are as follows:

	2011 $'000	2010 $'000
Within one year	2,466	3,212
After one year but not more than five years	9,864	9,814
More than five years	54,475	56,650
	66,805	69,676

	2011	2010
19. Commitments and contingencies (continued)	**$'000**	**$'000**
b) Capital commitments		
Approved and contracted capital expenditure	328,196	437,133

These commitments include contractual commitments of $324.5 million (2010: $375.6 million) entered into by the Company on behalf of the GORTT.

c) Litigation matters

The Company has been named as a defendant in a litigation matter for which the outcome cannot be reasonably ascertained as at the year-end. No provision has been made in the financial statements as it is management's opinion that there is no obligation on the part of the Company. The information usually required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these matters.

The Company has a legal matter relating to one of the projects managed for the Government. The Company is in negotiations with a view to arriving at an amicable settlement which will be fully reimbursed by the Government.

20. Financial risk management objectives and policies

The Company has various financial assets such as trade receivables and cash and short-term deposits which arise directly from its operations. The Company's financial liabilities comprise long-term bank and related party loans, trade and sundry payables. The main purpose of these financial liabilities is to raise finance for the Company's operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and foreign currency risk. Management reviews and agrees policies for managing each of these risks which are summarized below.

Credit risk

The Company trades only with recognized credit worthy third parties. In addition, receivable balances are monitored on an ongoing basis. With respect to credit risk arising from other financial assets of the Company, such as cash and short-term deposits, the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Company.

The Company has $14.381 million in investment note certificates with Clico Investment Bank Limited. As stated in Note 6 b), a provision was first established in 2008 for this balance as the recoverability of this balance was doubtful.

20. Financial risk management objectives and policies (continued)

Liquidity risk

The Company monitors its risks to a shortage of funds by considering the maturity of both its financial investments and financial assets (e.g. accounts receivables) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of advances from the parent and bank loans.

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

As at 31 December 2011	**On demand $**	**Less than 3 months $**	**3 to 12 months $**	**1 to 5 years $**	**Over 5 years $**	**Total $**
Interest bearing debt	–	–	51,757	296,878	961,507	1,310,142
Trade creditors and accruals	–	65,475	7,842	–	–	73,317
Other liabilities	–	–	3,867	–	–	3,867
	–	65,475	63,466	296,878	961,507	1,387,326

As at 31 December 2010	**On demand $**	**Less than 3 months $**	**3 to 12 months $**	**1 to 5 years $**	**Over 5 years $**	**Total $**
Interest bearing debt	–	–	47,560	334,615	794,127	1,176,302
Trade creditors and accruals	–	110,170	36,601	–	–	146,771
Other liabilities	–	–	971	–	–	971
	–	110,170	85,132	334,615	794,127	1,324,044

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenues or expenses are denominated in a different currency from the Company's functional currency).

20. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in the TT dollars exchange rate with all other variables held constant of the Company's profit before tax. There is minimal impact on the Company's equity.

	Increase/ decrease in exchange rate (cents)	Effect on profit before tax $'000
2011	0.01	(1,550)
	(0.01)	1,550
2010	0.01	(803)
	(0.01)	803

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Company's overall strategy remains unchanged from 2010.

The capital structure of the Company consists of share capital and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or process for managing capital during the years ended 31 December 2011 and 31 December 2010.

21. Financial instruments

Fair values

Short-term financial assets and liabilities

The carrying value of short-term financial assets and liabilities comprises cash and short-term deposits, sundry debtors and current liabilities are on reasonable estimate of fair values because of the short-term nature of these instruments.

21. Financial instruments (continued)

Fair values (continued)

Long-term financial assets and liabilities

The fair value of the Company's long-term borrowings is estimated by discounting future cash flows using rates prevailing at the reporting date for debt on similar terms, credit risk and remaining maturities, with the exception of the loan from NGC for the construction of the Material, Handling and Storage Facility which approximates its carrying value (Note 10 c)).

22. Transfer of assets and liabilities of La Brea Industrial Development Company Limited

In 2007, the Board of Directors of La Brea Industrial Development Company Limited (LABIDCO) agreed to wind up LABIDCO and transfer the assets and liabilities of the Company to National Energy Corporation of Trinidad and Tobago Limited (NEC), subject to the approval of the shareholders of LABIDCO. This decision has not yet been effected.

23. Fraudulent wire transfers

During 2011 certain wire transfers were fraudulently withdrawn from one of the Company's bank accounts.

At the reporting date the unauthorised wire transfer sent to a bank in Dubai in the sum of $23.875 million (US$3.725 million) has been frozen by the bank in Dubai and the fraud is currently under investigation. The Company's attorneys in Dubai are of the opinion that the Company is virtually certain to recover these funds upon completion of the investigation by the Dubai's public prosecutor, subject to the possibility of court action depending on further developments in the case. Whilst management is confident that the outcome of the investigation will be favourable to the Company, management cannot provide objective evidence that the return of the funds is virtually certain and that the funds should be recorded as a contingent asset. As a consequence, a full provision has been made for these funds.

The funds for a second wire transfer to the United States in the sum of $8.013 million (US$1.25 million), are currently held by a Trustee Bank subject to the Order of the Court, pending further instructions/Order of the Court and subject to legal proceedings. The outcome of these legal proceedings is uncertain at this time and, as a result, a full provision has been made for these funds.

At 31 December 2011 a provision of $31.888 million has been recorded within operating expenses in respect of these two wire transfers that were fraudulently withdrawn and not recovered.