

# **NATIONAL ENERGY CORPORATION OF TRINIDAD & TOBAGO LIMITED**

## **ANNUAL ADMINISTRATIVE REPORT**

**2014**



## Executive Summary

### Annual Administrative Report, 2014

National Energy Corporation of Trinidad and Tobago Limited (National Energy) 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. National Energy'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, 2014 to December 31, 2014, the Board of Directors of National Energy comprised of four (4) members namely Mr. Roop Chan Chadeesingh, Ms. Haseena Ali, Mr. Gordon Ramjattan and Mr. Clyde Ramkhalawan

National Energy is comprised of four (4) key groups namely, Energy Industry Development (EID), Finance and Administration, Operations, and Legal and Corporate Secretariat Services.

The Vice Presidents and the Manager of Legal and Corporate Secretariat Services 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 Affairs (MEEI).

During the reporting period, several projects have progressed in support of the company's mandate. Significant events that occurred in 2014 are as follows:

- Testing and lab trial activities continued on the Natural Gas to Animal Protein (Unibio). Discussions ongoing re: commissioning plan for the pilot plant.
- UWI submitted a proposal to the Green Fund for funding for the Wind Resources Assessment Programme (WRAP).
- Site License Agreement for site access was signed between Chemtech and National Energy in December 2014. A draft Commercial Feasibility Report was received in November.
- Finalisation of Essential Contracts with Mitsubishi. CEC and Outline Planning Approval was granted.
- Contract was issued for Inorganic Chemicals Investor Meeting facilitation to target potential investors from the Americas and Asia.
- A project monitoring agreement was signed in 2012 between National Energy and Methanol Holdings (Trinidad) Limited (MHTL) for MHTL's AUM II Complex.

- Negotiations on the PDA among Gasfin, MEEA, and National Energy commenced and culminated in a draft PDA being sent to the Attorney General's office for vetting.
- National Energy installed solar stills and stand-alone photo-voltaic systems in 21 schools in Trinidad. The installation at four community centres in the North-West region was also completed after funding was received.
- National Energy signed both a MOU and a Confidentiality Agreement with Solaria for the conduct of a joint pre-feasibility study on the technical and commercial aspects of a Photo-voltaic (PV) manufacturing plant.
- National Energy completed a review of a feasibility study by SiTek, on behalf of InvesTT.
- National Energy, via recommendation by MEEA, procured services for the construction of a Solar House.
- National Energy entered into a MOU with Reunion Gold to explore the feasibility of a manganese processing facility in Trinidad.
- National Energy entered into a MOU with Mitsubishi Corp., PPGPL, and Asahi Kasei Chemicals Corporation to explore the feasibility of an acrylonitrile facility in Trinidad.

During the year 2014, National Energy recorded a Net Profit of \$63.42M, \$4.07M above budgeted profit. Total Revenue was recorded at \$301.19M. Total Expenditure amounted to \$132.90M. Operating Profit for 2014 was \$119.94M. Capital Expenditure for the year was \$96.96M. Total Assets for 2014 amounted to \$1.45B. Cash and short-term investment as at December 31, 2014 amounted to \$349.28M.

The staff complement at National Energy for the year 2014 was One Hundred and Twenty-seven (127) employees.

In 2014, National Energy continued its CSR programmes in its fence-line communities through youth development and capacity building activities.

- National Energy partnered with several educators and community groups to introduce its first Annual Reading Competition.
- National Energy facilitated a training session held by the Sea-food Industry Development Company on Money Management geared for the Fishermen and self-employed persons in the La Brea Community
- A one-day football camp was held for the youths in the community of Mayaro/Guayaguayare and La Brea.
- Computers were donated to the Southern Anglican Primary School in Cedros.

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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 engaged in the Management of Marine Infrastructure Facilities at the Port of Point Lisas. National Energy's registered office is located at the Corner of Rivulet and Factory Roads, Brechin Castle, Couva. The company's financial year is from 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 Business activities of National Energy for 2014 include:

- 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 infrastructure 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'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'S CORPORATE PROFILE**

National Energy is a wholly-owned subsidiary of The National Gas Company of Trinidad and Tobago Limited (NGC) and for more than thirty (30) years has been committed to the development of infrastructure to support the energy industry, while providing quality service in the area of natural gas-based development.

The company's core business is "The conceptualization, promotion, development and facilitation of new energy-based and downstream industries in Trinidad and Tobago." In keeping with its mandate, National Energy provides energy services which include but are not limited to:

- Project Development
- Project appraisal and evaluation
- Facilitation of negotiations and discussions between Investors and State Agencies
- Facilitation of discussion for gas requirements
- Feasibility Studies
- Provision of Site and related Infrastructure
- Provision of Marine Services

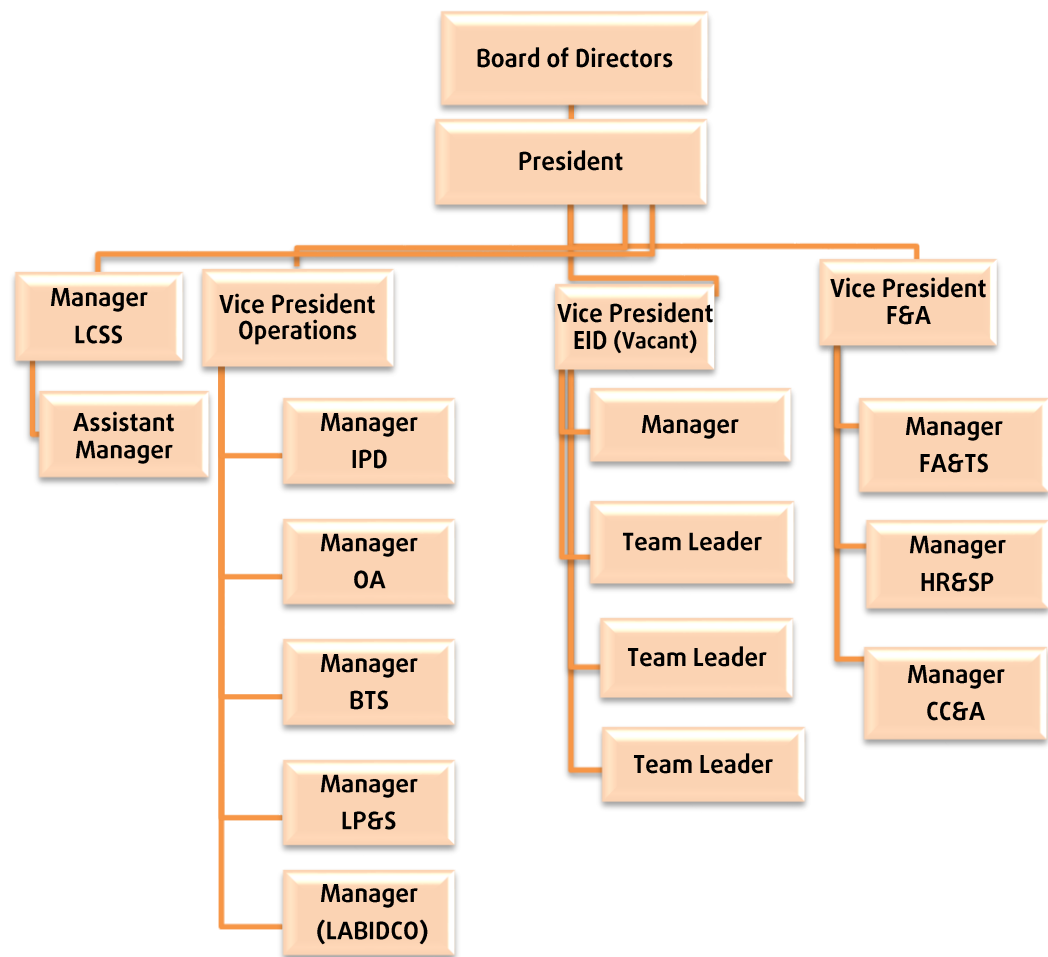
### 3. ORGANISATION STRUCTURE

#### a. CORPORATE STRUCTURE

The organisation is comprised of four (4) key groups as depicted in the Organisation Chart below:

The Executive Staff is comprised of:

- One (1) President
- Three (3) Vice Presidents
- Nine (9) Managers/Heads of Departments



- i. Energy Industry Development (EID) - is involved in the conceptualization, development and promotion of the gas-based energy sector. This department undertakes research, market analysis, and technical and economic feasibility surveys to support Government's initiatives for the benefit of the country. EID is also responsible for tracking commodity trends and keeping track of natural gas, LNG, Urea, UAN, 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. Infrastructure Planning & Development (IPD) - is responsible for the implementation of strategies, initiatives and plans for achieving the Infrastructure Planning and Development goals, objectives and key targets of the Operations Group.
- iii. Business & Technical Support (BTS) - Provides strategic, technical and business advice to the Vice President - Operations Team. This Division leads in the delivery of Project Controls and Contract Administration activities in accordance with Industry Standards and Company Policy and Procedure.
- iv. Legal & Corporate Secretariat Services (L&CSS) - provides legal and corporate secretariat services.
- v. Loss Prevention & Sustainability (LP&S) - provides health, safety and security services.
- vi. Finance, Accounting & Treasury Services (FA&TS) - provides finance/treasury management and financial operations services.
- vii. Corporate Communication & Administration (CC&A) - provides support services in the areas of Corporate Communication, Procurement, Facilities Management, and Information Communication Technology.

viii. Operating Assets (OA) - has responsibility for the implementation of strategies, Initiatives and plans for achieving the Asset Management goals, objectives and key targets of the Operations Group.

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.

Services at LABIDCO Estate include:

- Port Operations
- Leasing of 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 the NGC, National Energy is guided by the policies and procedures of the NGC.

The Delegation of Authority Manual establishes financial authority limits for the procurement of goods and services and the execution 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 was incorporated on September 7, 1979 and continues to operate, as set out in the Articles of Continuance, under section 34 of the Companies Act, of July 7, 1998. National Energy 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 report to their respective Vice President, and the Vice Presidents report to the President who then reports to the Board 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 Affairs (MEEA).

**4. PROJECT HIGHLIGHTS & DEVELOPMENT INITIATIVES**

**Business Development**

National Energy continued its multi-pronged approach to business development in 2014 with emphasis on strategic focus areas for potential growth.

Accomplishments are shown in table below:

	<u>Project Title</u>	<u>Detail of Project</u>	<u>Activities Undertaken in Year</u>	<u>Status</u>
1.	Natural Gas to Animal Protein (Unibio)	Natural Gas Protein Manufacturing Project involves the development of a commercial Single Cell Protein Plant (SCP) 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.	Testing and lab trial activities continued. Discussions ongoing re: commissioning plan for pilot plant.	Project remained active.
2.	Wind Resource Assessment Programme (WRAP)	National Energy's collaboration with the Ministry of Energy and Energy Affairs, commenced the development of a Request for Proposal (RFP), to conduct a wind resource assessment.	UWI submitted a proposal to the Green Fund for funding for the WRAP project.	Project development work continued.
3.	Chemtech Limited	The project is an integrated melamine/formaldehyde cluster. It involves the use of locally produced methanol and melamine to produce resin, which would be used to create further downstream commodities such as Oriented Strand Board (OSB) and Veneer. The lumber would be sourced both locally and regionally.	Site Licence Agreement for site access was signed with National Energy on December 24, 2014. Draft Commercial Feasibility Report was received in November 2014.	Project development work continued.

	<u>Project Title</u>	<u>Detail of Project</u>	<u>Activities Undertaken in Year</u>	<u>Status</u>
4.	Methanol to Dimethyl Ether (Mitsubishi)	Establishment of a 1,000,000 metric tonnes per year (tpy) Methanol Facility and a 20,000 tpy Dimethyl Ether Plant by a consortium comprising: NGC, Mitsubishi Gas Chemical Company Inc., Mitsubishi Corporation, Massy Holdings Ltd. & Caribbean Gas Chemical Limited. Petroleum Complex to be located at Union Industrial Estate (UIE), La Brea.	Finalisation of Essential Contracts (Gas Supply, Water, Electricity, Site Lease, Berth User). CEC granted. Granted Outline Planning Approval from TCPD.	Project Development works continued. Project remained active.
5.	Inorganic Chemicals	Inorganic chemicals are being explored simultaneously along with traditional hydrocarbon-based industries.	Contract was issued for Inorganic Chemicals Investor Meeting facilitation to target potential investors from the Americas and Asia.	Project completed.
6.	Ammonia, Urea, Melamine (MHTL AUM II)	MHTL AUM II Project consists of production of the following: <ul style="list-style-type: none"> <li>• Granulated urea – 934,467 tpa</li> <li>• Melamine – 27,139 tpa</li> <li>• Ammonium Sulphate – 247,500 tpa</li> <li>• Melamine Formaldehyde – 10,350 tpa</li> </ul>	A Project Monitoring Agreement was signed in 2012 between National Energy and Methanol Holdings (Trinidad) Limited (MHTL) for MHTL's AUM II Complex.	Development works continued.
7.	Mid-Scale LNG (Gasfin)	The Gasfin project consists of 500,000 tpa LNG	Negotiations on the PDA among Gasfin, MEEA and National Energy commenced and culminated in a draft PDA being sent to the Attorney General's office for vetting.	Project development work continued.
8.	Renewable Energy Technologies (MEEA)	The provision of procurement services for renewable energy technology projects on behalf of the MEEA.	National Energy installed solar stills and stand-alone PV systems in 21 schools in Trinidad. The installation of four community centres in the North-West region was also completed after funding was received.	Projects completed.
9.	Solaria	The Project consists of an 80 MW Photovoltaic manufacturing facility.	National Energy signed both a Memorandum of Understanding (MOU) and a Confidentiality Agreement with Solaria for the conduct of a joint pre-feasibility study on the technical and commercial aspects of a PV manufacturing plant.	Project remained active.
10.	Solar Park	The project considers the establishment of an integrated Solar Park with four (4) Plants: <ul style="list-style-type: none"> <li>• Metallurgical Grade Silica Plant</li> <li>• Polysilicon Plant</li> <li>• Float Glass Plant</li> <li>• Solar PV Plant</li> </ul>	National Energy completed a review of a feasibility study by a company, SiTek on behalf of InvesTT.	Project remained active.



	<u>Project Title</u>	<u>Detail of Project</u>	<u>Activities Undertaken in Year</u>	<u>Status</u>
11.	Solar House	Establishment of a Solar House on behalf of MEEA.	National Energy, via recommendation by MEEA, procured services for the construction of a Solar House. Project Site identified as UTT's Pt. Lisas Campus.	Works to begin in Qtr. 1 2015, with estimated completion in July 2015.
12.	Reunion Gold	The establishment of a manganese processing facility using manganese ore from the Matthew Ridge mine in Guyana.	National Energy entered into a MOU with Reunion Gold to explore the feasibility of a manganese processing facility in Trinidad.	Development work suspended.
13.	Acrylonitrile	The establishment of a 200,000 tonnes per annum Acrylonitrile Plant in Trinidad & Tobago to utilise propane supplied from PPGPL.	National Energy entered into a MOU with Mitsubishi Corporation, PPGPL and Asahi Kasei Chemicals Corporation to explore the feasibility of an acrylonitrile facility in Trinidad.	Project development continued.

## 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 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's major objective because of the relationship between risk and return. National Energy's investments tend to be in relatively risk free assets with tenures of less than one (1) year.

National Energy seeks to further mitigate its risk exposure by diversifying the portfolio, thus ensuring that the maximum placement limits at any financial institution do not exceed 30%

of the company'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 tenures of approximately ninety (90) days. This strategy seeks to ensure the availability of funds, 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 NGC, when required.

It should be noted that National Energy's Financial Statements were audited by external Auditors (Deloitte & Touché) 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 other 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 Resources.

## **BUDGET REVIEW AND APPROVAL PROCESS**

Upon submission and completion of the departmental budgets, the Finance/Treasury Department reviews and recommends changes if necessary, before compiling the first draft of the corporate budget document 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, each Vice President/Divisional Manager/ Assistant Manager/Superintendent/Departmental Head is provided with a copy of the Corporate Budget Document.

## FINANCIAL STATEMENTS

During the year 2014, National Energy recorded a net profit of \$63.42M, \$4.07M above budgeted profit of \$59.35M. The favourable variance was mainly as a result of impairment reversal on Brighton Material and Storage Facilities \$2.57M and favourable movement on foreign exchange rates of \$3.23M.

Total recorded revenue of \$301.19M was 2% below the budget amount of \$306.87M. The decrease in income resulted from some budgeted income stream for Galeota Port not materialising.

Total expenditure of \$132.90M was 9% below budgeted amount of \$146.57M. This favourable variance resulted from lower maintenance costs and expenditure budgeted to achieve additional revenue stream did not materialise.

Operating profit for 2014 was \$119.94 or 11% above budgeted amount of \$108.19M.

Capital expenditure of \$96.96M was 13% above budgeted amount of \$85.93M. This resulted mainly from the acquisition of an unbudgeted item, an offshore supply vessel for \$73M. Majority of budgeted capital expenditure was deferred.

Total assets for 2014 amounted to \$1.45B compared to that of 2013 which amounted to \$1.44B. Cash and short-term investment as at December 31, 2014 amounted to \$349.28M.

*See copies of National Energy's Audited Income Statement & Balance Sheet and Management Accounts Income Statement for 2014 attached at Appendix 1.*

## **7. HUMAN RESOURCE DEVELOPMENT PLAN**

### **a. ORGANISATIONAL ESTABLISHMENT**

The Company is governed by a Board of Directors which comprises six (6) Board Members.

The key role of the President, Vice Presidents and Managers of Departments are as follows:

#### **President**

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

#### **Vice President – Energy Industry 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.

#### **Vice President – Operations**

To maximise the company's growth and profitability while leading and managing all company operational function.

#### **Vice President – Finance & Administration**

To effectively integrate and provide strategic direction over the Finance, Administration and Human Resource Division. To also deliver and drive the development of National Energy's Business Plan and Corporate Scorecard

#### **Manager – Finance, Accounting & Treasury Services**

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 – Infrastructure, Planning & Development**

The implementation of strategies, initiatives and plans for achieving the Infrastructure, Planning and Development goals, objectives and key targets of the Operations Group.

**Manager – Business & Technical Support**

To provide strategic, technical and business advice to the Vice President, Operations and the Operations Team. To lead in the delivery of Project Controls and Contract Administration activities in accordance with Industry Standards and Company Policy and Procedure.

**Manager – Operating Assets**

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

**Manager – Energy Industry Development**

To provide overall strategic support to the Vice President, EID. To lead and direct work programs and other assignments for Business Development. To lead in the development of potentially viable projects in the Petrochemical and Energy intensive sectors for increased utilization of natural gas.

**Manager – Legal & Corporate Secretariat Services**

To provide legal advice with a view to protecting the Company from legal liability in its commercial/business operations, safeguard the Company's assets from claims/litigations and ensure compliance to statutory and common-law requirements.

**Manager – Human Resources & Strategic Planning**

To provide the sourcing, retention and optimal utilization of Human Resources, while ensuring there is alignment of the Corporate and Departmental Scorecards and IPCs to achieve the company's short, medium and long-term goals.

**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.

**Manager – Loss Prevention & Sustainability**

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

**Manager – New Business**

To identify and manage the development of new projects to generate new sources of revenue from National Energy Ports, Marine and Estate Business as well as managerial oversight of LABIDCO's operations.

**b. CATEGORY OF EMPLOYMENT**

In 2014, the categories of employees of National Energy were:

- Permanent – Ninety-eight (98)
- Contract – Fifteen (15)
- Temporary – Fourteen (14)

The staff complement comprised of One Hundred and Twenty-seven (127) employees. The company recruited new permanent positions, which were: one (1) Accounting Technician, one (1) Document Management Clerk, one (1) Human Resource Assistant and Business Analyst. In addition, there were staff movements within the company as follows: two (2) Business Analysts and a Project Engineer whose employment status were changed from contract to permanent. Also, a Project Engineer from NGC was reassigned to National Energy in 2014.

**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**

The Individual Performance Contract (IPC) was used to support the Balanced Scorecard Performance Management System. Each employee was categorized into different levels e.g.:

- Lo – 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 were:

- i. Qualifications
- ii. Capabilities
- iii. Experience
- iv. Attitude
- v. Performance
- vi. Work Ethic

**f. EMPLOYEE SUPPORT SERVICES**

National Energy, 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, such as:



- 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 dependent. The service is not intended for long-term, on-going treatment. FIA assumes a pro-active approach, with prevention being the primary goal. They treat 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. They also engage in one-day managerial and supervisory training aimed at developing effective skills in communication, leadership and motivation amongst 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 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 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
Manager	Up to \$50,000	Up to \$250,000
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-\$5,000,000	\$3,000,001-\$5,000,000
Board of Directors	>\$5,000,000	>\$5,000,000

Before a supplier/contractor can conduct business with National Energy, he/she must be pre-qualified in accordance with National Energy'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 (4) 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 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 in question 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 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 sent to the Finance and Tenders Committee and/or Board of Directors for approval.

## 9. PUBLIC & COMMUNITY RELATIONS

### Reading for Enjoyment, Reading for Success



In keeping with its continued commitment to developing educational, creative community programs, National Energy partnered with several educators and community groups to introduce its first Annual Reading Competition.

The competition, which was open to children from La Brea and environs between the ages of six (6) to fourteen (14), was extremely well attended with 69 children participating in the semi-finals held on May 24, 2014, at the Brighton Sports Club. The participants competed in three age categories: 6 – 8 years; 9 – 11 years; and 12 – 14 years. Competitors were tested on their diction, clarity, sense of expression and physical presence as well as comprehension skills.

Six (6) children from each category qualified to move on to the finals held on Saturday, May 31, 2014 at the National Energy Skills Centre (NESC) in Vessigny. After a highly contested final round of competition, with all of the competitors making it extremely difficult for the judges, eight year old Terrisha Alexander, ten year old Kernique Marshall and twelve year old T'Shra Ali won first place in their respective categories.

National Energy was applauded for hosting the competition by both the parents and teachers present and the company was thanked for its efforts in promoting education in the community. National Energy intends to host this competition annually.

### **Boosting the La Brea Fishing Community**

The La Brea area is a well-known Fishing Community. As such, in an effort to build the knowledge of the community's fishermen and self-employed persons, National Energy facilitated a session held by the Sea-food Industry Development Company (SIDC). The two-part "Money Management" session consisted of an initial focus group meeting and a one-day training session to address the findings of the focus group meeting. The training is aimed at improving the economic standard of fishermen and self-employed persons, alerting them of the institutions they can visit to assist in investing in their businesses and helping them to establish financial stability. The Focus Group meeting, which was well received, took place at the La Brea Community Centre on August 14th, and received an impressive turn out of sixty-five (65) persons. Participants were grateful for the information discussed and eagerly look forward to receiving additional information and training.

### **Football Clinic held in Mayaro**

National Energy partnered with Guaya United to host a one-day Football Camp for the young people of the Mayaro/Guayaguayare community at the Mayaro Government Primary School Grounds. National Energy invited students from the five (5) primary schools between the ages of 9 and 12 to participate in the event held on Saturday, October 18, 2014.

The participants were divided into three groups based on their age and football skill level. Each group was assigned an experienced football coach who taught them different football skills and techniques.

After lunch, the participants were challenged to take the skills learned in the earlier part of the day and apply it as they faced each other in a "school play off". Following an afternoon of fun and excitement, Ortoire R.C. Primary School emerged the camp champions followed by Guayaguayare R.C. Primary School who placed 2nd and Mafeking Government Primary School placing a respectable 3rd.

The winning teams were presented with trophies and each participant was presented with a medal for participating in the event.

National Energy continues to promote youth development through sport particularly in the company's fence-line communities. The company is of the firm view that sport is integral to a child's overall development and over the years National Energy has contributed to several sporting events including a track and field clinic in La Brea, the south west cricket competition and football clinics and competitions in Mayaro/Guayaguayare. National Energy will continue to work alongside its stakeholders to support sport in Trinidad and Tobago.

### Youths Hone their Skills in Football Clinic



On Saturday, November 08, 2014, Seventy-three (73) children between the ages of 6-14 participated in a one-day football clinic hosted by National Energy for the La Brea community.

Mr. Reynold Carrington, Head Coach of Point Fortin Civic Centre coordinated the clinic along with four (4) highly trained, professional footballers from the La Brea community. A licensed physiotherapist was also on hand to ensure the safety of the youngsters during the event.



Participants were taught the fundamentals of passing, ball control and shooting. They also learned about proper nutrition, stretching techniques and the discipline required for the sport. A short football competition following the coaching session saw the coaches being challenged by the youngsters, the students won the game by one goal!

At the end of the day, all participants received commemorative medals and both students and parents expressed their appreciation for the enjoyable day of activities.

### Computers Donated



National Energy has embraced Education as one of the company's Community Involvement Pillars. At National Energy, we firmly believe that by investing in education, we are helping to ensure the future of the nation. In keeping with this philosophy, the company donated two (2) computers to the Southern Central Anglican Primary School in Cedros Village on October 21, 2014. The staff and students were very excited to receive the equipment, which would be used to assist in the teaching and learning process.

The La Brea Homework Centre, coordinated by Ms. Sherry Ann Francis, also received a computer from the company on November 27, 2014. The centre's thirty (30) students are expected to utilize the computer to develop their research and document development skills.

As always, National Energy is happy to lend assistance towards the education and all-round development of our nation's youth.

## **APPENDIX I**



**National Energy Corporation of  
Trinidad and Tobago Limited**

**Financial statements  
For the year ended 31 December 2014**

<b>Contents</b>	<b>Page</b>
Statement of management's responsibilities	1
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Notes to the financial statements	8 – 47

## National Energy Corporation of Trinidad and Tobago Limited

### Statement of management's responsibilities

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It is the responsibility of management to prepare financial statements for each financial year which present fairly, in all material respects, the state of affairs of the company as at the end of the financial year and the operating results of the company for the year. It is also management's responsibility to ensure that the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

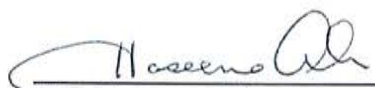
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the IFRS. Management is of the opinion that the financial statements present fairly, in all material respects, the state of the financial affairs of the company and its operating results. Management further accepts responsibility for the maintenance of accounting records which are relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

  
Mr. Gordon Ramjattan  
Director

24 February 2015

  
Mrs. Haseena Ali  
Director

24 February 2015



**Independent auditor's report  
to the shareholder of  
National Energy Corporation of Trinidad and Tobago Limited**

**Report on the financial statements**

We have audited the accompanying financial statements of National Energy Corporation of Trinidad and Tobago Limited, which comprises the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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.

**Auditor's 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 about 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 auditor's judgment, including the assessment of the risks of material misstatements 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 of 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.

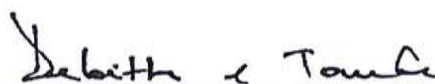
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Energy Corporation of Trinidad and Tobago Limited as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche  
Port of Spain  
Trinidad

24 February 2015



# National Energy Corporation of Trinidad and Tobago Limited

## Statement of financial position

As at 31 December 2014

(Expressed in Trinidad and Tobago dollars)

	Notes	2014 \$'000	2013 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	473,307	402,752
Investment properties	6	438,586	450,850
Deferred taxation asset	7 (b)	1,122	1,094
Deferred expenses	8	-	5,048
<b>Total non-current assets</b>		<b>913,015</b>	<b>859,744</b>
<b>Current assets</b>			
Cash and short-term deposits	9	349,276	478,124
Debt reserve fund	9 (c)	4,978	9,956
Trade and other receivables	10	172,158	75,910
Due from related parties	20	2,053	2,038
Taxation recoverable		11,235	9,129
Deferred expenses	8	-	2,199
Inventories		57	57
<b>Total current assets</b>		<b>539,757</b>	<b>577,413</b>
<b>Total assets</b>		<b>1,452,772</b>	<b>1,437,157</b>

# National Energy Corporation of Trinidad and Tobago Limited

## Statement of financial position (continued)

As at 31 December 2014

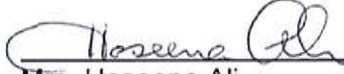
(Expressed in Trinidad and Tobago dollars)

	Notes	2014 \$'000	2013 \$'000
<b>Shareholder's equity and liabilities</b>			
<b>Shareholder's equity</b>			
Share capital	11	103,427	103,427
Capital contribution	12	119,514	119,514
Retained earnings		428,929	365,506
<b>Total shareholder's equity</b>		<b>651,870</b>	<b>588,447</b>
<b>Non-current liabilities</b>			
Long-term debt	13	566,088	608,135
Deferred taxation liability	7 (b)	42,866	40,305
Deferred income	15	48,077	49,386
<b>Total non-current liabilities</b>		<b>657,031</b>	<b>697,826</b>
<b>Current liabilities</b>			
Current portion of long-term debt	13	18,189	9,500
Trade and other payables	14	49,487	48,878
Deferred income	15	26,957	21,029
Due to related parties		3,562	1,682
Due to parent company		45,649	64,833
Taxation payable		27	4,962
<b>Total current liabilities</b>		<b>143,871</b>	<b>150,884</b>
<b>Total liabilities</b>		<b>800,902</b>	<b>848,710</b>
<b>Total shareholder's equity and liabilities</b>		<b>1,452,772</b>	<b>1,437,157</b>

The accompanying notes on pages 8 to 47 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 24 February, 2015.

  
Mr. Gordon Ramjattan  
Director

  
Mrs. Haseena Ali  
Director



# National Energy Corporation of Trinidad and Tobago Limited

## Statement of profit or loss and other comprehensive income

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

	Notes	2014 \$'000	2013 \$'000
<b>Income</b>			
Marine infrastructure income	16	275,200	269,883
Other operating income	17	10,803	4,653
Land lease income		16,162	8,729
Interest & other investment income		832	1,047
Gain on foreign exchange transactions		3,231	-
Project management fees		3,161	1,713
Total income		309,389	286,025
<b>Expenses</b>			
Marine expenses	18 (a)	106,629	98,333
Administrative and general expenses	18 (b)	75,270	50,788
Impairment (reversal)/losses	6	(2,575)	8,609
Other expenses	18 (c)	275	376
Finance costs	18 (d)	39,229	44,760
Loss on foreign exchange transactions		-	3,407
Loss on disposal of property plant and equipment		142	127
		218,970	206,400
Profit before taxation		90,419	79,625
Taxation expense	7 (a)	(26,996)	(26,922)
<b>Profit for the year after taxation</b>		<b>63,423</b>	<b>52,703</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>63,423</b>	<b>52,703</b>

# National Energy Corporation of Trinidad and Tobago Limited

## Statement of changes in equity For the year ended 31 December 2014 (Expressed in Trinidad and Tobago dollars)

	Share Capital \$'000	Capital contribution \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 January 2013</b>	103,427	119,514	312,803	535,744
Profit for the year after tax	-	-	52,703	52,703
Other comprehensive income	-	-	-	-
Total comprehensive profit	-	-	52,703	52,703
<b>Balance at 31 December 2013</b>	<b>103,427</b>	<b>119,514</b>	<b>365,506</b>	<b>588,447</b>
 <b>Balance at 1 January 2014</b>	 103,427	 119,514	 365,506	 588,447
Profit for the year after tax	-	-	63,423	63,423
Other comprehensive income	-	-	-	-
Total comprehensive profit	-	-	63,423	63,423
<b>Balance at 31 December 2014</b>	<b>103,427</b>	<b>119,514</b>	<b>428,929</b>	<b>651,870</b>



# National Energy Corporation of Trinidad and Tobago Limited

## Statement of cash flows

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Cash generated by operations	19	78,116	231,029
Taxation paid		(31,504)	(21,600)
Interest paid		(34,185)	(40,347)
Taxation received		-	6,698
Interest received		851	1,055
<b>Net cash generated by operating activities</b>		<u>13,278</u>	<u>176,835</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(92,399)	(29,819)
Additions to investment properties		(4,564)	(5,391)
Net decrease/(increase) in short-term investments		8,469	(7,984)
Net decrease in debt reserve fund		4,979	-
Net proceeds from disposal of property, plant & equipment		-	655
<b>Net cash used in investing activities</b>		<u>(83,515)</u>	<u>(42,539)</u>
<b>Cash flows from financing activities</b>			
Net decrease in balance due to parent company		(19,034)	(55,050)
Repayment of borrowings		(31,108)	(108,949)
<b>Net cash used in financing activities</b>		<u>(50,142)</u>	<u>(163,999)</u>
<b>Net decrease in cash and cash equivalents</b>		(120,379)	(29,703)
Cash and cash equivalents at beginning of year		<u>348,418</u>	<u>378,121</u>
<b>Cash and cash equivalents at end of year</b>	9 (d)	<u><b>228,039</b></u>	<u><b>348,418</b></u>

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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### 1. Corporate information

The Company was incorporated in Trinidad and Tobago on 7 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 or the Parent Company) 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.

#### Basis of preparation

The financial statements have been prepared under the historical cost basis. The financial statements are presented in Trinidad and Tobago Dollars (TT\$).

#### Statement of compliance

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

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

#### 2.1 Amendments to IFRSs and new interpretations that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

- **Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities***

The Company has applied the amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognized in the Company's financial statements.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.1 Amendments to IFRSs and new interpretations that are mandatorily effective for the current year (continued)

- **Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities***

The Company has applied the amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the meaning of 'currently has a legally enforceable right to set-off' and 'simultaneous realization and settlement'.

The amendments have been applied retrospectively. As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognized in the Company's financial statements. The Company has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments has had no impact on the amounts recognized in the Company's financial statements.

- **Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets***

The Company has applied the amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to instances where the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure requirements required by IFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Company's financial statements.

- **Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting***

The Company has applied the amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Company does not have any derivatives that are subject to novation, the application of these amendments has no impact on the disclosures or on the amounts recognized in the Company's financial statements.

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

### 2.1 Amendments to IFRSs and new interpretations that are mandatorily effective for the current year (continued)

- **IFRIC 21 Levies**

The Company has applied the IFRIC 21 *Levies* for the first time in the current year. IFRIC 21 addresses the issue as to when to recognize a liability to pay a levy imposed by a government. The Interpretation defines a levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in the future period.

IFRIC 21 has been applied retrospectively. The application of this Interpretation has had no impact on the disclosures or on the amounts recognized in the Company's financial statements.

### 2.2 New and revised IFRSs in issue but not yet effective

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

- |   |  |
|---|--|
| • IFRS 9                                    | Financial instruments <sup>5</sup>   |
| • IFRS 15                                   | Revenue from Contracts with Customers <sup>4</sup>   |
| • Amendments to IFRS 11                     | Accounting for Acquisitions of Interest in Joint Operations <sup>3</sup>                           |
| • Amendments to IAS 16 and IAS 38           | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>                  |
| • Amendments to IAS 16 and IAS 41           | Agriculture: Bearer Plants <sup>3</sup>  |
| • Amendments to IAS 19                      | Defined Benefit Plans: Employee Contributions <sup>1</sup>   |
| • Amendments to IFRSs                       | Annual Improvements to IFRSs 2010-2012 <sup>2</sup>  |
| • Amendments to IFRSs                       | Annual Improvements to IFRSs 2011-2013 <sup>1</sup>  |
| • Amendments to IFRS 10 and IAS 28          | Sale of Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup> |
| • Amendments to IFRSs                       | Annual Improvements to IFRSs 2012-2014 <sup>6</sup>  |
| • Amendments to IAS 1                       | Disclosure Initiative <sup>3</sup>   |
| • Amendments to IAS 27                      | Equity Method in Separate Financial Statements <sup>3</sup>  |
| • Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception <sup>3</sup>                             |



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

### 2.2 New and revised IFRSs in issue but not yet effective (continued)

- <sup>1</sup> Effective for annual periods beginning on or after 1 July, 2014, with earlier application permitted.
- <sup>2</sup> Effective for annual periods beginning on or after 1 July, 2014, with limited exceptions. Earlier application is permitted.
- <sup>3</sup> Effective for annual periods beginning on or after 1 January, 2016, with earlier application permitted.
- <sup>4</sup> Effective for annual periods beginning on or after 1 January, 2017, with earlier application permitted.
- <sup>5</sup> Effective for annual periods beginning on or after 1 January, 2018, with earlier application permitted.
- <sup>6</sup> Effective for annual periods beginning on or after 1 July, 2016, with earlier application permitted.

#### • IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held for within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.2 New and revised IFRSs in issue but not yet effective (continued)

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

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected loss model, as opposed to an incurred loss model under IAS 39. The expected loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- the new general hedge accounting requirements retain three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on the amounts reported in respect of the Company's financial assets and liabilities. However it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Company undertakes a detailed review.

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

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.2 New and revised IFRSs in issue but not yet effective (continued)

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

The core principal of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Company performs a detailed review.

- **Amendments to IFRS 11 Accounting for Acquisitions of Interest in Joint Operations**

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 *Impairment of Assets* regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Company's financial statements.

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.2 New and revised IFRSs in issue but not yet effective (continued)

- **Amendments to IAS 36 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization***

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances;

- a) when the intangible asset is expensed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Company's financial statements.

- **Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants***

The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The directors of the Company do not anticipate that the application of these amendments to IAS 16 and IAS 41 will not have an impact on the Company's financial statements as the Company is not engaged in agricultural activities.

- **Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions***

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Company's financial statements.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.2 New and revised IFRSs in issue but not yet effective (continued)

- *Annual Improvements to IFRSs 2010-2012*

The *Annual Improvements to IFRSs 2010-2012* include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition'. The amendments to IFRS 2 are effective for share-based payments transaction for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments a aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for the accumulated depreciation/ amortization when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

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



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.2 New and revised IFRSs in issue but not yet effective (continued)

- ***Annual Improvements to IFRSs 2011-2013***

The *Annual Improvements to IFRSs 2011-2013* include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a Company of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- a) the property meets the definition of investment property in terms of IAS 40; and
- b) the transaction meets the definition of a business combination under IFRS 3.

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

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

Amendments were made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- a) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- b) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

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

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.2 New and revised IFRSs in issue but not yet effective (continued)

- **Annual Improvements 2012 – 2014**

The *Annual Improvements to IFRSs 2012-2014* include a number of amendments to various IFRSs, which are summarized below.

IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

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

- **Amendment to IAS 1: Disclosure Initiative**

Amendments were made to IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- a) clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;
- b) clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- c) additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

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



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### 2.2 New and revised IFRSs in issue but not yet effective (continued)

- **Amendments to IAS 27: *Equity Method in Separate Financial Statements***

Amendments were made to IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. Consequently, an entity is permitted to account for these investments either:

- (i) at cost; or
- (ii) in accordance with IFRS 9 (or IAS 39); or
- (iii) using the equity method.

This is an accounting policy choice for each category of investment.

- **Amendments to IFRS 10, IFRS 12 and IAS 28 (*Investment Entities: Applying the Consolidation Exception*)**

Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- a) The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- b) A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- c) When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.
- d) An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

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

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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### 3. 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 cash flow statement, 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) 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 recognized, 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 statement of financial position date.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### d) 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% to 20%
Tugs and workboats	6.67%
Machinery and equipment	12.5% to 20%
Other assets	10% to 50%
Administration building	2%

Development costs are recognized as an asset to the extent that it is expected to generate future economic benefits.

Repairs and maintenance costs are charged to the statement of profit or loss 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 profit or loss in the year the asset is derecognized.

#### e) Investment property

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

Development costs	3.33%
Buildings	3.33%

No depreciation is provided on freehold land.

Investment property is derecognized when either disposed of or when the investment property is 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 profit or loss in the year of retirement or disposal.

#### f) 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.

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### g) Foreign currencies

The presentation and functional currency of the Company's financial statements is Trinidad and Tobago Dollars (TT\$). In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, 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 the profit or loss for the year.

#### h) 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 capitalized 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.

#### i) Payables 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.

#### j) 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 financial year end.

##### *Loans and receivables*

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

##### *Amortized cost*

Loans and receivables are measured at amortized 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.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### k) 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 amortized cost using the effective interest rate method.

Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

#### l) 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 profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

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

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at a re-valued 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.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### m) 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.

#### n) 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.

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 assets.

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 profit or loss and other comprehensive income.

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### o) Revenue recognition

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

##### *Marine infrastructure income*

Revenue from the use of the Company's piers, docks and vessels is recognized upon performance of the services.

##### *Property rental income*

Lease rental and service charge from operating leases on investment properties are recognized as revenue in the period in which they are earned.

##### *Management fees*

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

##### *Interest income*

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

#### p) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Company as a lessor*

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

##### *The Company as a lessee*

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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

#### q) Provisions

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

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

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

#### r) Government grants

Government grants are recognized 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 recognized 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.

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 amortized to the statement of profit or loss 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 recognized 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) Comparative information

Where necessary, comparative information are adjusted to conform to changes in presentation in the current year.

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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### 4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, 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.

#### Judgments

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:

##### *Useful lives of property, plant and equipment and investment property*

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment and investment property policies above. These rates and the residual lives of the assets are reviewed annually taking cognizance of the forecasted commercial and economic realities and through benchmarking of accounting treatments within the port and marine operations industry.

##### *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.

##### *Operating lease commitments - Company as lessor*

The Company has entered into commercial property leases on its investment property 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.

##### *Deferred tax assets*

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



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements For the year ended 31 December 2014 (Expressed in Trinidad and Tobago dollars)

### 5. Property, plant and equipment

	Marine infrastructure assets \$'000	Machinery equipment \$'000	Development cost \$'000	Leasehold property \$'000	Other assets \$'000	Capital work in progress \$'000	Total \$'000
<b>Cost</b>							
Balance at 1 January 2013	647,431	7,210	2,062	18,698	8,693	3,638	687,732
Additions	12,811	970	-	561	2,503	12,975	29,820
Transfers	14,798	-	-	1,406	-	(16,204)	-
Disposals	(4,290)	(7)	-	-	(1,757)	-	(6,054)
<b>Balance at 31 December 2013</b>	<b>670,750</b>	<b>8,173</b>	<b>2,062</b>	<b>20,665</b>	<b>9,439</b>	<b>409</b>	<b>711,498</b>
Additions	79,129	438	500	-	5,105	7,227	92,399
Transfers	7,247	1,037	-	-	-	(1,037)	7,247
Disposals	(186)	(149)	-	-	(198)	-	(533)
<b>Balance at 31 December 2014</b>	<b>756,940</b>	<b>9,499</b>	<b>2,562</b>	<b>20,665</b>	<b>14,346</b>	<b>6,599</b>	<b>810,611</b>
<b>Accumulated depreciation</b>							
Balance at 1 January 2013	(275,901)	(3,384)	(1,162)	(2,686)	(5,480)	-	(288,613)
Depreciation charge	(22,516)	(953)	(197)	(402)	(1,811)	-	(25,879)
Disposals	4,015	6	-	-	1,725	-	5,746
<b>Balance at 31 December 2013</b>	<b>(294,402)</b>	<b>(4,331)</b>	<b>(1,359)</b>	<b>(3,088)</b>	<b>(5,566)</b>	<b>-</b>	<b>(308,746)</b>
Depreciation charge	(25,218)	(1,007)	(220)	(418)	(2,086)	-	(28,949)
Disposals	106	124	-	-	161	-	391
<b>Balance at 31 December 2014</b>	<b>(319,514)</b>	<b>(5,214)</b>	<b>(1,579)</b>	<b>(3,506)</b>	<b>(7,491)</b>	<b>-</b>	<b>(337,304)</b>
<b>Carrying amount</b>							
At 31 December 2013	376,348	3,842	703	17,577	3,873	409	402,752
At 31 December 2014	437,426	4,285	983	17,159	6,855	6,599	473,307

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 6. Investment properties

	Buildings \$'000	Development cost \$'000	Capital work in progress \$'000	Total \$'000
<b>Cost</b>				
Balance at 1 January 2013	571,512	388,586	38,395	998,493
Additions	-	5,352	38	5,390
Transfers	-	38,395	(38,395)	-
<b>Balance at 31 December 2013</b>	<b>571,512</b>	<b>432,333</b>	<b>38</b>	<b>1,003,883</b>
Additions	865	3,548	151	4,564
Transfers	38	151	(189)	-
<b>Balance at 31 December 2014</b>	<b>572,415</b>	<b>436,032</b>	<b>-</b>	<b>1,008,447</b>
<b>Accumulated depreciation</b>				
Balance at 1 January 2013	(9,153)	(49,546)	-	(58,699)
Depreciation charge	(4,125)	(15,472)	-	(19,597)
Effect of reversal of impairment losses	-	(6,462)	-	(6,462)
<b>Balance at 31 December 2013</b>	<b>(13,278)</b>	<b>(71,480)</b>	<b>-</b>	<b>(84,758)</b>
Depreciation charge	(3,282)	(16,121)	-	(19,403)
<b>Balance at 31 December 2014</b>	<b>(16,560)</b>	<b>(87,601)</b>	<b>-</b>	<b>(104,161)</b>
<b>Accumulated impairment</b>				
Balance at 1 January 2013	(447,743)	(18,385)	-	(466,128)
Impairment (losses)/reversals charged to the statement of profit or loss	(20,532)	11,923	-	(8,609)
Transfer to accumulated depreciation	-	6,462	-	6,462
<b>Balance at 31 December 2013</b>	<b>(468,275)</b>	<b>-</b>	<b>-</b>	<b>(468,275)</b>
Impairment reversals charged to the profit or loss	2,575	-	-	2,575
<b>Balance at 31 December 2014</b>	<b>(465,700)</b>	<b>-</b>	<b>-</b>	<b>(465,700)</b>
<b>Carrying amount</b>				
<b>At 31 December 2013</b>	<b>89,959</b>	<b>360,853</b>	<b>38</b>	<b>450,850</b>
<b>At 31 December 2014</b>	<b>90,155</b>	<b>348,431</b>	<b>-</b>	<b>438,586</b>

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 6. Investment properties (continued)

#### Amounts recognized in statement of profit or loss

	2014 \$'000	2013 \$'000
Rental income from investment properties	16,162	8,729
Direct operating expenses	3,154	3,142

- i) Investment properties comprise the lands at Union Industrial Estate (UIE) and a warehousing facility which was constructed on the UIE. The Company has applied for a reclamation license in respect of the land on which the warehouse facility sits.
- ii) The fair value is based on the investment property value in use. The recoverable amount of the Company's major assets has been determined based on a value-in-use calculation using cash flow projections from lease agreements and the Board approved business development, at a discount rate of 5.33%. As a result of this analysis, management has recognized an impairment reversal of \$ 2.575 million (2013: losses of \$8.609 million) on its investment properties in the statement of profit or loss

Details of the Company's Union Industrial Estate and information about the fair value hierarchy are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Carrying value \$'000
At December 31, 2014	-	-	410,456	410,456	293,531
At December 31, 2013	-	-	354,932	354,932	305,898

Details of the Company's Brighton Materials Storage and Handling Warehouse facility and information about the fair value hierarchy are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Carrying value \$'000
At December 31, 2014	-	-	90,155	90,155	90,155
At December 31, 2013	-	-	89,958	89,958	89,958



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 7. Taxation

#### a) Taxation charge

The major components of the taxation expense are as follows:

	2014 \$'000	2013 \$'000
Corporation tax	24,156	26,263
Green fund levy	307	286
Deferred taxation expense	2,533	373
	<u>26,996</u>	<u>26,922</u>

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:

Profit before taxation	<u>90,419</u>	<u>79,625</u>
Income taxes thereon at the rate of 25%	22,605	19,906
Non-deductible expenses	(107)	2,946
Permanent differences	4,069	3,784
Green fund levy	307	286
Other differences	122	—
	<u>26,996</u>	<u>26,922</u>

#### b) Deferred tax

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

##### Assets

Accrued vacation leave	687	606
Accrued interest payable	435	488
	<u>1,122</u>	<u>1,094</u>

##### Liabilities

Long lived assets	<u>42,866</u>	<u>40,305</u>
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Movement for the year in the net deferred tax liability:

Movement for the year:

Balance at 1 January	39,211	38,838
Deferred tax charge to statement of profit and loss	2,533	373
Balance at 31 December	<u>41,744</u>	<u>39,211</u>

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 8. Deferred expenses

	2014 \$'000	2013 \$'000
Balance at 1 January	7,247	6,892
Additions	-	2,423
Transfer to property, plant and equipment (Note 6)	(7,247)	(2,068)
Balance at 31 December	-	7,247
	2014 \$'000	2013 \$'000
Represented by:		
Non-current	-	5,048
Current	-	2,199
Balance at 31 December	-	7,247

Deferred expenses represent the cost of major overhaul to engines of vessels and tugs and associated dry docking costs which are being amortized over 5 years.

### 9. Cash and short-term deposits

	2014 \$'000	2013 \$'000
Cash at bank and on hand	228,039	348,418
Short-term deposits	121,237	129,706
	<b>349,276</b>	<b>478,124</b>
Investment held with Clico Investment Bank (Note 9(b))	14,381	14,381
Less: Impairment provision of short-term deposit (Note 9(b))	(14,381)	(14,381)
	-	-
	<b>349,276</b>	<b>478,124</b>

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 \$349.276 million (2013: \$478.124 million).

b) The Company holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of \$14.381 million. CIB has experienced financial and liquidity issues and 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 CBTT indicated that the investment note certificates were not covered under the guarantee provided by the Government of the Republic Trinidad and Tobago. The investment note certificates in CIB were therefore deemed to be impaired at 31 December 2008 as there was no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for at 31 December, 2014.

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 9. Cash and short-term deposits (continued)

(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. The loan was fully repaid in November 2014. A Deed of Release is being prepared by First Citizens Bank Limited which will result in the closure of the ESCROW Account. (See Note 13 (a))

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

	2014 \$'000	2013 \$'000
Cash at banks and on hand	228,039	348,418
	<b>228,039</b>	<b>348,418</b>

### 10. Trade and other receivables

	2014 \$'000	2013 \$'000
Trade receivables - third parties	119,848	78,754
Provision for doubtful debts	(16,973)	(17,143)
	102,875	61,611
Other receivables:		
Due from Government of Trinidad & Tobago	48,601	(6,829)
Due from Government of Trinidad & Tobago - unbilled	3,514	6,180
Value Added Tax recoverable	5,595	6,407
Prepaid expenses	222	1,241
Insurance prepayment	852	1,260
Interest receivable	135	154
Wire transfers recoverable (note 18)	-	2,166
Other	10,364	3,720
Total receivables and prepayments	<b>172,158</b>	<b>75,910</b>

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

(b) During 2011 two wire transfers amounting to \$31.888 million (US\$4.975 million) were fraudulently withdrawn from one of the Company's bank accounts. Due to the lack of objective evidence of the final outcome of recovery efforts, a provision for \$31.888 million was recorded at 31 December 2011.

Subsequently, the Company received \$5.835 million and at 31 December 2014, the Company continues to hold a provision of \$23.509 million.

(c) As at 31 December 2014, trade receivables at a value of \$16.973 million (2013:\$17.143 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 10. Trade and other receivables (continued)

	2014 \$'000	2013 \$'000
At 1 January	17,143	21,625
Charge for year	409	-
Provision reversed	(579)	(4,482)
At 31 December	<b>16,973</b>	<b>17,143</b>

As at 31 December the ageing analysis of non-impaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60	60-90	90-120	>120
	\$'000	\$'000	\$'000	days	days	days	days
				\$'000	\$'000	\$'000	\$'000
2014	102,875	30,101	44,095	2,653	1,622	2,187	22,217
2013	61,611	41,818	8,764	5,222	1,775	1,675	2,357

### 11. Stated capital

	2014 \$'000	2013 \$'000
Authorised:		
An unlimited number of ordinary shares of no par value		
Issued and fully paid:		
1,034,270 ordinary shares of no par value	<b>103,427</b>	<b>103,427</b>

### 12. Capital contribution

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 recognizing a capital contribution of \$97.223 million when the loan was recorded at fair value at 31 December 2008. (See Note 13(b)). As at 31 December 2010 and 2011 additional fair value adjustments of \$4.256 million and \$18.035 million were recorded on the loan from the parent due to a deferral of the commencement of loan instalments to 1 January 2013 and 1 January 2015 respectively.

### 13. Long-term debt

	Long-term portion \$'000	Current portion \$'000	2014 \$'000	2013 \$'000
First Citizens Bank (Note 13(a))	-	-	-	9,500
NGC – UIE Loan (Note 13(b))	281,167	5,088	286,255	284,653
NGC advance (Note 13(c))	284,921	13,101	298,022	323,482
	<b>566,088</b>	<b>18,189</b>	<b>584,277</b>	<b>617,635</b>

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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### 13. Long-term debt (continued)

- 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 totaling \$35.93 million (2013: \$37.780 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.

The loan was fully repaid in November 2014. A Deed of Release is being prepared by FCB which will result in the removal of the lien on the assets.

- b) On 12 April 2009, the Company was mandated by the Government of the Republic of Trinidad and Tobago 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 commenced in 2013.

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 12)

- 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 December 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 December 2014.

As part of a proposal for the restructuring of National Energy's inter-company loans with NGC, principal repayments were made 2013 and 2014, thus reducing the outstanding loan balance to US\$46.9 million as at 31 December 2014.



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 13. Long-term debt (continued)

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

Carrying amount		Fair value	
2014	2013	2014	2013
\$'000	\$'000	\$'000	\$'000
<b>584,277</b>	<b>617,635</b>	<b>584,277</b>	<b>608,635</b>

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

	2014 \$'000	2013 \$'000
In one year or less	18,189	22,664
In more than one year but not more than two years	19,433	18,759
In more than two years but not more than three years	20,760	20,043
In more than three years but not more than four years	22,180	21,415
In more than four years but not more than five years	23,697	22,881
In more than five years	480,018	511,873
	<b>584,277</b>	<b>617,635</b>

### 14. Trade and other payables

	2014 \$'000	2013 \$'000
Trade payables	7,300	13,638
Accrued material/service amounts	13,217	10,931
Employee related accruals	18,306	14,518
Retentions	3,144	3,664
VAT payable	7,520	6,063
Accrued interest and taxes	-	64
	<b>49,487</b>	<b>48,878</b>

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 15. Deferred income

	2014 \$'000	2013 \$'000
Billings in advance (Note a)	17,134	16,810
Deferred income - Union Industrial Estate (Note b)	51,963	53,103
Deferred income - Other	5,937	502
	<b>75,034</b>	<b>70,415</b>
Non-current	48,077	49,386
Current	26,957	21,029
	<b>75,034</b>	<b>70,415</b>

Notes:

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

b) Deferred income - Union Industrial Estate:

	2014 \$'000	2013 \$'000
Balance at 1 January	53,103	41,768
Received during the year	2,746	15,052
Amount released to income	(3,886)	(3,717)
Balance at 31 December	<b>51,963</b>	<b>53,103</b>

### 16. Marine infrastructure income

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

	2014 \$'000	2013 \$'000
ISCOTT dock	5,687	5,687
Savonetta piers	137,366	133,067
Point Lisas harbor	35,217	35,611
Tugs and workboats	84,017	88,033
Dock fees – berth	10,662	5,201
Rental storage facilities	1,525	1,530
Rental storage yard	726	754
	<b>275,200</b>	<b>269,883</b>



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 17. Other operating income

	2014 \$'000	2013 \$'000
Management fees – La Brea Industrial Development Company Limited	704	698
Amortization of deferred capital grant	3,884	3,717
Miscellaneous	6,215	238
	<u>10,803</u>	<u>4,653</u>

### 18. Expenses

#### (a) Marine expenses:

	2014 \$'000	2013 \$'000
Depreciation and amortization	44,534	40,455
Maintenance - marine facilities	27,451	23,991
Salaries and related benefits (Note 18(e))	8,516	8,698
Management fees - tugs & workboats	23,712	23,190
Insurance	2,297	1,880
Sea bed lease rent	119	119
	<u>106,629</u>	<u>98,333</u>

#### (b) Administrative and general expenses:

Salaries and related benefits (Note 18(e))	48,416	40,192
Depreciation and amortization	3,817	5,018
Management fees - NGC	1,000	1,000
Penalties	664	2,280
Insurance	967	1,555
Movement in provision for doubtful debts	(170)	(16,834)
Motor vehicle expense	2,677	2,422
General business travel	109	402
Fraudulent wire transfers (Note 10 (b))	-	(2,166)
Security	1,033	2,269
Advertising and communications	4,185	2,874
Legal and professional fees	2,414	1,770
Other	10,158	10,006
	<u>75,270</u>	<u>50,788</u>

#### (c) Other expenses:

Donation - other	<u>275</u>	<u>376</u>
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# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 18. Expenses (continued)

#### (d) Finance costs:

	2014 \$'000	2013 \$'000
Interest on debt and borrowings - related parties	33,579	38,776
- third parties	392	971
Notional interest on related party loan	5,258	5,013
	<b>39,229</b>	<b>44,760</b>

#### (e) Staff costs:

Included under marine expenses	8,516	8,698
Included under administrative and general expenses	48,416	40,192
	<b>56,932</b>	<b>48,890</b>

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 benefit 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.

### 19. Cash flows from operating activities

	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>		
Profit before tax	90,419	79,625
Adjustment for:		
Depreciation	48,351	45,475
Interest expense	39,229	44,760
Impairment (reversal)/losses	(2,575)	8,609
Amortization of deferred expenses	-	2,069
Interest income	(832)	(1,047)
Loss on disposal of property, plant and equipment	142	127
Amortization of deferred income	(3,884)	(3,717)
(Increase)/decrease in parent company loan due to foreign currency translation	(7,508)	5,941
Operating profit before working capital changes	163,342	181,842
(Increase)/decrease in trade and other receivables and due from related parties	(96,282)	140,374
Decrease in inventories	-	183
Decrease in deferred income & deferred capital grant	8,503	15,368
Decrease in deferred expenses	-	(2,423)
Increase/(decrease) in trade and other payables	2,553	(104,315)
<b>Cash generated from operating activities</b>	<b>78,116</b>	<b>231,029</b>

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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### 20. 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 the Republic 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.

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 13 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 2014, the Company has recorded a provision for doubtful debts relating to amounts owed by related party Alutech of \$22.419 million (2013: \$22.419 million). 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 and the balance outstanding for the year ended 31 December 2014 and 31 December 2013.



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 20. 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
<b>The National Gas Company of Trinidad and Tobago Limited</b>					
Reimbursements	2014	-	-	-	45,649
	2013	-	-	-	64,833
Lease land	2014	303	-	-	-
	2013	2,672	-	-	-
Management fees	2014	-	1,000	-	-
	2013	-	1,000	-	-
Loans	2014	-	33,579	-	584,277
	2013	-	38,776	-	608,135
<b>La Brea Industrial Company Limited</b>					
Management fees/reimbursements	2014	704	-	2,053	3,562
	2013	698	-	2,038	1,682
<b>Government of the Republic of Trinidad and Tobago</b>					
Government funded project costs	2014	3,161	-	52,115	-
	2013	1,713	-	(649)	-
<b>Directors' allowances and fees</b>					
	2014	-	330	-	-
	2013	-	396	-	-
<b>Compensation of key management personnel</b>					
				2014 \$'000	2013 \$'000
Short-term employee benefits				13,563	12,154

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 21. Operating lease arrangements

#### The Company as a lessor

The Company has entered into commercial land leases with respect to its investment property portfolio, consisting of land and infrastructure. These leases have remaining terms of between 1 and 29 years.

Future minimum rentals receivable under operating leases are as follows:

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Not later than 1 year	10,537	3,286
Later than 1 year and not longer than 5 years	13,615	12,828
Later than 5 years	68,032	66,375
	<u><b>92,184</b></u>	<u><b>82,489</b></u>

#### The Company as a lessee

The Company has entered into lease arrangements for motor vehicles for periods ranging between 1 and 4 years.

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

	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
Not later than 1 year	523	411
Later than 1 year and not longer than 5 years	718	1,793
	<u><b>1,241</b></u>	<u><b>2,204</b></u>

The Company currently leases land at Corner Rivulet and Factory Roads, Brechin Castle, Couva however, the lease agreement has not yet been finalized at the reporting date.

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

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### 22. Financial risk management objectives and policies

The Company has various financial assets such as trade receivables, and cash and cash equivalents which arise directly from its operations. The Company's financial liabilities comprise bank 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, interest rate 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 cash equivalents, 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 TT\$14.381M in investment note certificates with Clico Investment Bank Limited. As stated in Note 9 b), a provision has been established for this entire balance as the recoverability of this balance is doubtful.

#### Interest rate risk

The Company is exposed to minimal interest rate risk because the Company borrows funds at fixed interest rates. See Note 13.

#### Liquidity risk

The Company monitors its risks to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables and short term investments) 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.



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 22. Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

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

	On demand \$'000	Under 3 months \$'000	3 - 12 months \$'000	1 - 4 years \$'000	>5 years \$'000	Total \$'000
<b>As at 31 December 2014</b>						
<b>Assets</b>						
Cash and cash equivalents	233,017	121,237	-	-	-	354,254
Trade and other receivables	-	72,889	99,269	-	-	172,158
Due from related parties	-	-	2,053	-	-	2,053
	<b>233,017</b>	<b>194,126</b>	<b>101,322</b>	<b>-</b>	<b>-</b>	<b>528,465</b>
<b>Liabilities</b>						
Interest bearing debt	-	11,130	22,400	179,201	907,277	1,120,008
Trade creditors and accruals	-	43,465	3,144	-	-	46,609
Due to related parties	-	-	3,562	-	-	3,562
Due to parent company	-	-	45,649	-	-	45,649
	<b>-</b>	<b>54,595</b>	<b>74,755</b>	<b>179,201</b>	<b>907,277</b>	<b>1,215,828</b>
<b>Net liquidity position</b>	<b>233,017</b>	<b>139,531</b>	<b>26,567</b>	<b>(179,201)</b>	<b>(907,277)</b>	<b>(687,363)</b>

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 22. Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

	On demand \$'000	Under 3 months \$'000	3 - 12 months \$'000	1 - 4 years \$'000	>5 years \$'000	Total \$'000
<b>As at 31 December 2013</b>						
<b>Assets</b>						
Cash and cash equivalents	358,375	129,705	-	-	-	488,080
Trade and other receivables	-	8,789	67,121	-	-	75,910
Due from related parties	-	-	2,038	-	-	2,038
	<b>358,375</b>	<b>138,494</b>	<b>69,159</b>	<b>-</b>	<b>-</b>	<b>566,028</b>
<b>Liabilities</b>						
Interest bearing debt	-	-	62,319	230,866	813,837	1,107,022
Trade creditors and accruals	-	42,792	3,663	-	-	46,455
Due to related parties	-	-	1,682	-	-	1,682
Due to parent company	-	-	64,833	-	-	64,833
	<b>-</b>	<b>42,792</b>	<b>132,497</b>	<b>230,866</b>	<b>813,837</b>	<b>1,219,992</b>
<b>Net liquidity position</b>	<b>358,375</b>	<b>95,702</b>	<b>(63,338)</b>	<b>(230,866)</b>	<b>(813,837)</b>	<b>(653,964)</b>

#### Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Company's functional currency. Management monitors its exposure to foreign currency fluctuations and employs appropriate strategies to mitigate any potential losses.

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 22. Financial risk management objectives and policies (continued)

#### Foreign currency risk (continued)

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

	Amount denominated in foreign currency \$'000s	TT\$ equivalent \$'000s
<b>As at 31 December 2014</b>		
Cash and cash equivalents	US\$ 40,445	257,167 TT\$
Trade and other receivables	US\$ 21,804 GBP 2	138,642 TT\$ 23 TT\$
Trade and other payables	US\$ 1,798 EUR 263	11,435 TT\$ 2,026 TT\$
Long-term debt	US\$ 91,913	584,430 TT\$
	Amount denominated in foreign currency \$'000s	TT\$ equivalent \$'000s
<b>As at 31 December 2013</b>		
Cash and cash equivalents	US\$ 44,562	TT\$ 286,913
Trade and other receivables	US\$ 7,890 GBP 7	TT\$ 50,799 TT\$ 79
Trade and other payables	US\$ 1,435 GBP 15 EUR 16	TT\$ 9,241 TT\$ 163 TT\$ 141
Long-term debt	US\$ 94,453	TT\$ 608,135



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

(Expressed in Trinidad and Tobago dollars)

### 22. 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 dollar 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 %	Effect on other comprehensive income \$'000
2014	7%	14,144
	(7%)	(14,144)
2013	5%	13,986
	(5%)	(13,986)

#### 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 2013.

The capital structure of the Company consists of share capital, reserves and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure, the Company may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

### 23. Financial instruments

#### Fair values

##### *Short-term financial assets and liabilities*

The carrying amount of short-term financial assets and liabilities which 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.

##### *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 13(c)).

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2014

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**24. 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, subject to the approval of the shareholders of LABIDCO. The board of directors of the majority shareholder of LABIDCO, NGC has accepted the recommendation. This decision is currently being reviewed by all parties.

**25. Capital commitments**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Approved and contracted capital expenditure	<b>14,102</b>	<b>64,313</b>

These commitments include contractual commitments of \$6.746 million (2013: \$119.036 million) entered into by the Company on behalf of the Government of Trinidad and Tobago.

**26. Contingent liabilities**

Based on tax audits for income year 2006, 2007 and 2008, the Board of Inland Revenue (BIR) has advised the Company of an outstanding tax obligation. The Company has written to BIR requesting a waiver of any additional liabilities as the wear and tear allowance for marine infrastructure assets is under review by BIR and yet to be determined. No accruals have been made in the financial statements for any additional tax liabilities.

**27. Events after the reporting date**

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