

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

## **ANNUAL ADMINISTRATIVE REPORT** **2015**



## **Executive Summary**

### **Annual Administrative Report, 2015**

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, 2015 to December 31, 2015, the Board of Directors of National Energy comprised four (4) members until October 2015 as listed below:

Mr. Roop Chan Chadeesingh  
Ms. Haseena Ali  
Mr. Gordon Ramjattan  
Mr. Clyde Ramkhalawan

As a result of the change in government in 2015, a new Board of Director was established with effect, October 07, 2015 as delineated below:

Mr. Gerry Brooks  
Mr. Kenneth Allum  
Mr. Marcus Ganness  
Mr. Sham Mahabir  
Mr. Arnold de Four – appointed on November 09, 2015  
Mr. Wade Hamilton – appointed on December 08, 2015

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

All Vice Presidents and the Manager 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 (MEEA).

During this annum, several projects have progressed in support of the company's mandate. Significant events that occurred in 2015 are as follows:

- After careful re-evaluation of the Natural Gas to Animal Protein (Unibio), the Trinidad & Tobago parties exited the project.
- Efforts made to obtain the funds needed for the Wind Resource Assessment Programme.
- Chemtech Limited Pre-feasibility study reviewed. A Board approval was received to continue working to develop project and to enter into a Project Development Agreement.
- Project agreement, site lease, pier user agreement, gas sales contract and other essential contracts executed for the Mitsubishi Project.

- A project monitoring agreement was signed in 2012 between National Energy and Methanol Holdings (Trinidad) Limited for MHTL's AUM II complex. This project was discontinued.
- The new owners of Metaldom, Gerdau of Brazil, assessed the project and the draft PDA.
- PDA signed with Gasfin in January 2015. Negotiations on essential contracts commenced and activities for the CEC undertaken.
- Pre-feasibility study for Solaria project commenced.
- National Energy reviewed a feasibility study completed by SiTek on behalf of InvesTT.
- Construction of the Solar House completed and commissioned.
- The planned pre-feasibility study was never undertaken for the Reunion Gold Project, due to limitations on the part of the project sponsors.
- A Proposal and pre-feasibility study was presented to National Energy and reviewed for a Micro LNG Project. This project is under study.
- National Energy entered into a MOU with Mitsubishi Corporation, PPGPL and Asahi Kasei Chemicals Corporation to explore the feasibility to explore the feasibility of an acrylonitrile facility in Trinidad. This project was discontinued.
- MOU among Mitsubishi Corp., Massy Energy, NGC, National Energy and UBE for the conduct of a pre-feasibility study for Di-Methyl Carbonate.

During the year 2015, National Energy recorded a Net Profit of \$67.92M, \$2.47M below budgeted profit. Total Revenue was recorded at \$324.43M. Total Expenditure amounted to \$155.75M. Operating Profit for 2015 was \$116.48M. Capital Expenditure for the year was \$54.85M. Total Assets for 2015 amounted to \$1.46B. Cash and short-term investment as at 3 December 31, 2015 amounted to \$257.36M.

The staff complement at National Energy for the year 2015 amounted to One Hundred and Twenty-seven (127) employees.

In 2015, National Energy continued its CSR programmes in its fence-line communities through youth development and capacity building activities.

- National Energy partnered with several companies to host Panorama in Mayaro.
- National Energy held its Annual Valentine Day Luncheon for the senior citizens in the community of Guayaguayare.
- A three-day Oil Spill training was hosted by National Energy and twenty (20) persons participated from the community of Mayaro.
- Twenty (20) persons attend a programme titled Rigging and Banksmen Level 1 at the National Energy Skills Centre facility for citizens in Mayaro.

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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 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 2015 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 conceptualisation, 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

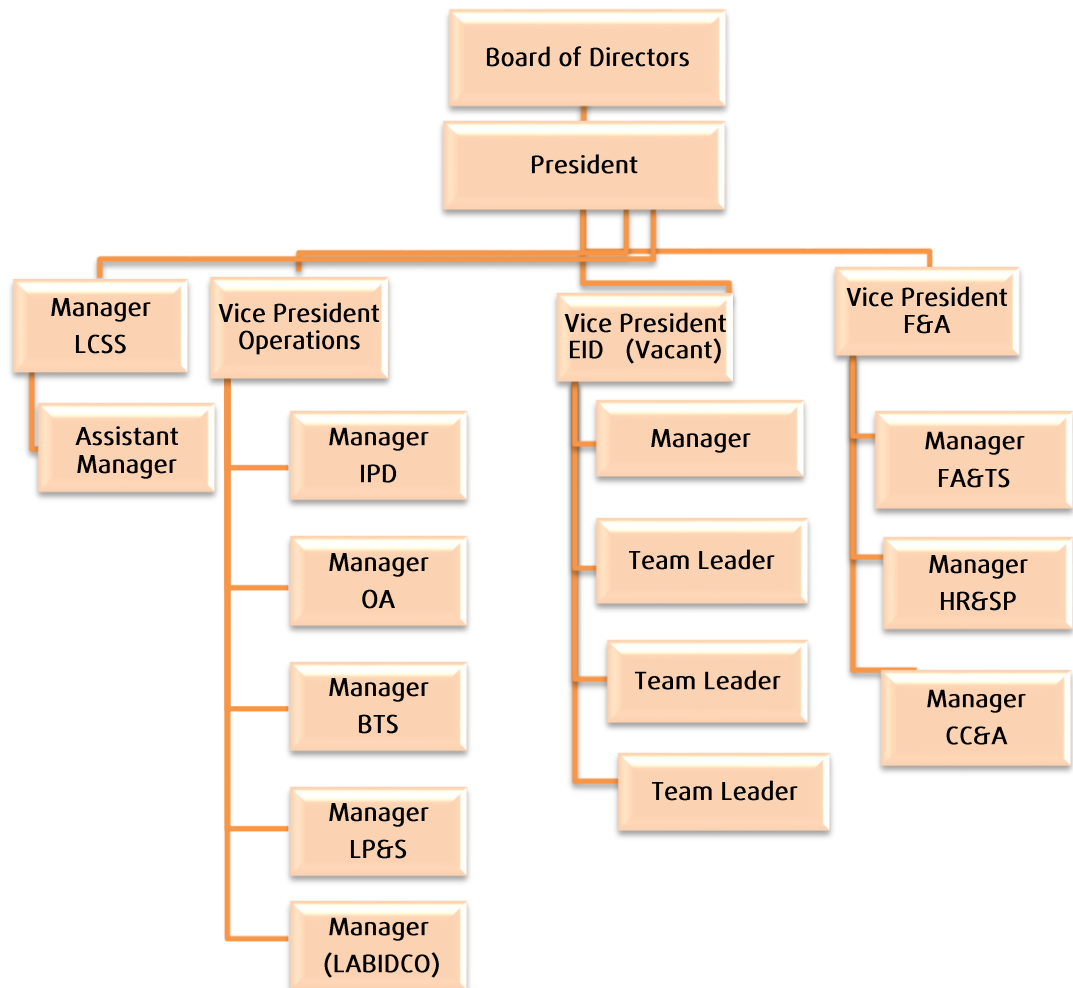
### 3. ORGANISATION STRUCTURE

#### 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 (L&PS)** - 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 Presidents, 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 2015 with emphasis on strategic focus areas for potential growth.

Accomplishments are shown in table below:

|    | <b><u>Project Title:</u></b>                | <b><u>Detail of Project</u></b>   | <b><u>Activities Undertaken<br/>in Year</u></b>                       | <b><u>Status</u></b>                                |
|----|---|---|---|---|
| 1. | Natural Gas to<br>Animal Protein<br>(Union) | Natural Gas Protein Manufacturing Project involves the development of a commercial single cell protein (SCP) plant in Trinidad and Tobago. The proposal is for the construction of a 3200 cubic meter (100,000 tpy) protein production plant to manufacture SCP from a fermentation process using methanol or natural gas as the substrate. | Careful re-evaluation of National Energy's involvement in the project | The Trinidad and Tobago parties exited the project. |

|    | <u>Project Title:</u>                     | <u>Detail of Project</u>   | <u>Activities Undertaken in Year</u>   | <u>Status</u>  |
|----|---|--|--|--|
| 2. | Wind Resource Assessment Programme (WRAP) | National Energy Corporation'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. Efforts made to obtain the funds needed.  | Funding was not received however project remained active.  |
| 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.<br>The lumber would be sourced both locally and regionally.   | Pre-feasibility study reviewed. Board approval received to continue working to develop project and to enter into a Project Development Agreement (PDA) to guide the development process. | Project development works continued including negotiations on the PDA.                           |
| 4. | Methanol to Di Methyl 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: National Gas Company of Trinidad & Tobago; Mitsubishi Gas Chemical Company Inc.; Mitsubishi Corporation; Massy Holdings Ltd & Caribbean Gas Chemical Limited. Petrochemical Complex to be located at Union Industrial Estate (UIE), La Brea. | Project agreement, site lease, pier user agreement, gas sales contract and other essential contracts executed.   | Pre-construction activities, including site preparation commenced and continued throughout 2015. |
| 5. | 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</li> <li>• Urea 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.                                     | Project discontinued.  |



|     | <u>Project Title:</u>                                  | <u>Detail of Project</u>   | <u>Activities Undertaken in Year</u>  | <u>Status</u>   |
|-----|--|--|---|---|
| 6.  | La Brea Steel Plant (Gerdau-Metaldom & Massy Holdings) | The La Brea Steel Complex consists of a 330,000 tonnes per year (tpy) steel making plant and a 200,000 tpy rolling mill 200,000 steel bars, round and square steel.  | The new owners of Metaldom, Gerdau of Brazil assessed the project and the draft PDA.  | The project was placed on hold.                           |
| 7.  | Mid- Scale LNG (Gasfin)                                | The Gasfin project consists of 500,000 tpa LNG.  | Project Development Agreement signed in January 2015. Negotiations on essential contract commenced and activities for the CEC undertaken.   | Project development work continued.                       |
| 8.  | Solaria  | The project consists of a 80MW Photovoltaic manufacturing facility.  | Pre-feasibility study commenced.  | Project remained active. Pre-feasibility study continued. |
| 9.  | Solar Park   | The project considers the establishment of an integrated Solar Park with four 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 completed by a company, SiTek, on behalf of InvesTT.  | Project remained active.                                  |
| 10. | Solar House  | Establishment of a Solar House on behalf of MEEA.  | Construction of the house built and commissioned.   | Project was successfully completed.                       |
| 11. | Reunion Gold   | The establishment of a manganese processing facility using manganese ore from the Matthew Ridge mine in Guyana.  | The planned pre-feasibility study was never undertaken due to limitations on the part of the project sponsors.  | Project Was discontinued.                                 |
| 12. | 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. | Asahi Chemicals discontinued project.                     |

|     | <u>Project Title:</u> | <u>Detail of Project</u>  | <u>Activities Undertaken<br/>in Year</u>   | <u>Status</u>           |
|-----|-----------------------|---|--|-------------------------|
| 13. | Micro LNG             | The establishment of a micro LNG facility to produce 350,000 gals per day of LNG utilizing a maximum of 32 mmscfd of gas and 150 cryogenic containers per annum | Proposal and pre-feasibility study presented to National Energy and reviewed.  | Project under study     |
| 14  | Dimethyl Carbonate    | Establishment of facility to produce Di-methyl Carbonate for export.  | MOU among Mitsubishi Corporation, Massy Energy, NGC, National Energy and UBE for the conduct of a pre-feasibility study. | Study to begin in 2016. |

## PROJECT AND OPERATIONAL HIGHLIGHTS 2015

### 1. LABIDCO CORRIDOR ROAD UPGRADE AND PIPELINE RIGHT OF WAY

- The corridor approval for Town and Country Planning Division (TCPD) was granted.
- The utilities location survey and topographic surveys were completed.
- Trintoplan completed the design of the road for port access and to meet standards, to accommodate the transport of plant equipment from the port to the site.
- Topographical and cadastral surveys were completed.
- Trintoplan also completed the drainage design.

### 2. GALEOTA PORT - PHASE 1 B (SITE SERVICES INFRASTRUCTURE)

- Drawings and Tender Documents were completed in March 2015 for external infrastructural works: Water distribution system inclusive of water storage tanks; Waste water installation; Electrical power, lighting, switch room; Fire protection installation; Guard booth; Fencing and gates; Land drainage; Road works.
- An internal cost estimate for the three (3) packages to be re-tendered were re-done and the list of bidders for each package prequalified with National Energy, were submitted to Executive Management.
- Tenders for the three (3) packages were completed in December 2015.

3. **GALEOTA PORT - PHASE 1 B (WAREHOUSE)**
  - Quotations were invited in June 2015 for Electrical Design Services.
  - A contract was awarded for Electrical and Fire Protection Designs in September 2015.
  - Regional Corporation approval is pending.
  - Tender documents were prepared to invite bids for the erection of the building in December 2015, inclusive of foundations, access and carpark.
  - Tender Evaluation in progress.
4. **GALEOTA PORT - PHASE 1 B (ADMINISTRATION BUILDING)**
  - Tender Evaluation was completed in July 2015.
  - Management Tender Evaluation Committee (MTEC) deferred a decision on the award of this contract due to funding constraint.
5. **GALEOTA PORT - WASA MAIN INSTALLATION AND UPGRADE OF WATER SUPPLY**
  - These works are capital contribution from WASA for supply as follows:
  - New mains along the 1.2km port access road
  - Plant and intake upgrade
  - Pump upgrade
  - WASA obligations are still being fulfilled:
    1. The river water intakes are completed but the treatment plant and pump upgrade are still outstanding.
    2. Continue to await WASA upgrade. National Energy has no control over the timing for WASA completion.
6. **GALEOTA PORT - PHASE 1 B (WASA- DISTRIBUTION SYSTEM)**
  - WASA mobilized materials to site in December 2014. Commencement of works on hold pending WASA approval of design drawings; approval granted June 2015.
  - As an interim measure, in June 2015, WASA installed a hydrant at the battery limit and installed pipework for providing water at the two hydrants at Berth 2.
7. **GALEOTA PORT - PHASE II – DETAILED DESIGN**
  - The Tender action for the detailed design was completed and the Tender Evaluation recommended Worley Parsons.

- A re-evaluation was requested by MTEC. The re-evaluation was completed and submitted to the Finance and Tenders Committee (FTC) for consideration by MTEC.
- Awaiting MTEC decision.

**8. LA BREA ADMINISTRATION COMPLEX**

- Preliminary design has been completed.
- A basic architectural impression was developed.
- A Market Assessment was completed to justify the need for the building before proceeding with detailed designs.

**9. BRIGHTON PORT EXPANSION – DETAILED DESIGN**

- Tenders for Detailed Design were invited.
- The Tender Evaluation Report was submitted to MTEC for a decision.
- MTEC deferred the decision for an award.
- Awaiting MTEC decision.

**10. PT LISAS SOUTH AND EAST PORT – DETAILED DESIGN**

- A Design was already completed for this project by SAIPEM and substantial materials were already procured – (Piles, geotextiles etc. for 700m of dock).
- Detailed Design & Procurement of pile construction materials completed.
- This port will be required only if Pt. Lisas South is preferred.

**11. RE-CONSTRUCTION OF BERTH 2, QUAY WALL, PORT OF BRIGHTON**

- Contract for the Reconstruction of the Berth 2 Quay Wall was awarded in July 2015.
- Piling for Heavy Lift Platform commenced in October 2015
- Installation of 105 metres of combi-wall completed

**12. UNION INDUSTRIAL ESTATE DRAINAGE PROJECT – MAIN SITE NORTH**

- Contract for the Drainage Works at Union Industrial Estate, Main Site North was awarded in January 2015.
- Overall Drainage works are 95% completed with expected completion end December 2015.

13. **CONSTRUCTION OF NATIONAL ENERGY'S ADMINISTRATION BUILDING EXTENSION**
  - Contract for the Construction of National Energy's Administration Building Extension was awarded in June 2015.
  - Approximately 75% of the block work is completed on the 1<sup>st</sup> floor.
  - Occupancy of Building expected by early May 2016.
14. **ESTABLISHMENT OF A SOLAR HOUSE**
  - Contract for the construction of a solar house in January 2015.
  - The solar house was opened on July 28, 2015 by the Ministry of Energy and Energy Affairs.
15. **REPLACEMENT OF MARINE FENDERS AT SAVONETTA PIER #3**
  - Contract for the replacement of marine fenders awarded in May 2015.
  - Replacement of five (5) Marine Fenders completed in July 2015.
16. **CGCL SITE CLEARANCE – UNION INDUSTRIAL ESTATE**
  - Contract for the demolition and removal of concrete structures on CGCL site awarded in February 2015.
  - Site clearance as per CGCLs' requirements was completed in April 2015.
17. **CONSTRUCTION OF A TEMPORARY ACCESS ROAD AT UNION INDUSTRIAL ESTATE SITE A**
  - Contract for the construction of a temporary access road was awarded in May 2015.
  - The access road was completed in July 2015.

## 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 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 2015, National Energy Corporation recorded a net profit of \$67.92M, \$2.47M below budgeted profit of \$70.39M. The main reason for the negative performance was income stream from marine assets being less than anticipated due to prevailing economic downturn. This was partially offset by the receipt of a site clearance fee from Nu Iron of \$26.40M.

Total recorded revenue of \$324.43M was 7% below the budgeted amount of \$347.23M. The main reason for the negative variance was income streams from marine assets being less than anticipated due to the prevailing economic downturn and lower project management income.

Total expenditure of \$155.75M was 5% below budgeted amount of \$164.04M. Lower operating cost coupled with expenditure budgeted to achieve additional income not materialising.

Operating profit for 2015 was \$116.48M or 7% below budgeted amount of \$125.31M. Capital expenditure of \$54.85M was 57% below budgeted amount of \$127.88M. This resulted mainly from the majority of budgeted capital expenditure being deferred to 2016.



Total assets for 2015 amounted to \$1.46B compared to that of 2014 which amounted to \$1.45B. Cash and short-term investment as at December 31, 2015 amounted to \$257.36M.

*See copies of National Energy's Audited Income Statement & Balance Sheet and Management Accounts Income Statement for 2015 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 Department are as follows:

#### **President**

To provide effective leadership and direction to ensure that the 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 the introduction of management systems aimed at maximizing shareholder value, while developing a highly motivated, business oriented and customer driven organization.

#### **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 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 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 protect 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 create value through the development and implementation of Best Practice Human Resource systems and policies designed to promote a culture of high levels of organisational performance through alignment and engagement of people to the Company's goals and objectives.

**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 the LABIDCO's operations.

**b. CATEGORY OF EMPLOYMENT**

In 2015, the categories of employees of National Energy were:

- Permanent – Ninety-five (95)
- Contract – Twenty-one (21)
- Temporary – Eleven (11)

The staff complement comprised of One Hundred and Twenty-seven (127) employees. The company recruited on contract one (1) Business Analyst and five (5) Graduate Trainees.

**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 Balance 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 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 Tenders 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

### Panorama in Mayaro

The festival was held on Wednesday, 11 February, 2015 at the Mayaro Government Primary School Grounds and showcased the musical talent of students in the southeast region.

In 2015, several companies partnered with National Energy, namely, The National Gas Company (NGC), Phoenix Park Gas Processors (PPGPL), Massy Wood Group Limited, Coastal Dynamics Limited, Hydro Tech Limited and Petroleum Company of Trinidad and Tobago (Petrotrin).



*Playing Like Ah Boss*



*Kids 'Ready for D' Soca' with Isaac Blackman*

The four (4) primary schools that took part in the competition were Mayaro Government Primary, Guayaguayare R.C., St. Thomas R.C and Mafeking Government Primary. National Energy continues to support the development of young musicians in the southeast region.



## Mafeking Government Primary School Sports a Success

Students of Mafeking Government Primary School participated in their annual school sports on 20th February 2015. They pulled out all the stops for a thrilling March Past event. Overall, the kids enjoyed a fun-filled day of friendly, athletic competition.

## A Grand Easter Extravaganza

On 28 March 2015, the first Easter Extravaganza hosted by the Guayaguayare Village Council was held at the Guayaguayare Basketball Courts. The event was conceived as a fund raiser for the annual Christmas Dinner and charity drive held by the Village Council. However, given the positive response to the event, the Easter Extravaganza seems destined to become an annual calendar event in itself.

In an afternoon filled with fun and games, boys and girls displayed beautiful Easter bonnets and elaborately decorated hats and canes. National Energy was happy to contribute to the hosting of this event which reminded all of days gone by.



*Dressed to impress at the Easter Parade.*

### Sharing Love with the Elderly for Valentine's Day

As has become customary, National Energy toasted the senior citizens of Guayaguayare at the Annual Valentine's Day Luncheon held on 13 February 2015. The Guayaguayare Community Centre was adorned with red and white flowers and balloons as the seniors were entertained and honoured in the spirit of the occasion.



*Seniors are treated for Valentine's Day.*

### Mayaro Carnival Committee Hosts Junior Carnival Competitions

Students from schools in Mayaro and surrounding areas showcased their talent on 10 February 2015 at the Annual Junior Calypso and Ole Mas Competition hosted by the Mayaro Carnival Committee.

The event began with the calypso segment followed by the Ole Mas competition, in which the students expressed their views on some topical issues in creative ways. Mayaro Secondary did the double, also taking the top spot in the Ole Mas competition with their portrayal of "We Getting On Bad".



*Carnival Celebrations at Mayaro*



*Above: Seniors are treated for Valentine's Day.*

As in previous years, National Energy was pleased to support the event which helps to promote our Community Involvement Pillars of Your Development and Culture. We firmly believe that through investment in our young people, we can help to make a difference for the future sustainability of the communities, in which we operate and the nation as a whole.

In keeping with the company's CSR pillars, National Energy has taken the decision to direct its primary focus on building capacity in 2015. Accordingly, progressive training aimed at sustainable community development continued. Twenty (20) persons participated in Rigging and Banksman Level 1 training at the National Energy Skills Centre (NESC) facility in

Mayaro from 19th to 20th March 2015. Successful Level 1 participants would be eligible for Level II training. PLEA Training was also conducted.

### **National Energy Hosts Oil Spills Training**

In keeping with the core value of Safety and the Environment, National Energy hosted an oil spills training program in Mayaro on 08 – 10 June 2015. The three (3)-day intensive program entitled, Oil Spill Awareness & Response, was facilitated by Tiger Tanks Trinidad Unlimited. Twenty (20) program participants came from the community of Mayaro/Guayaguayare and five (5) employees from National Energy.

The main objective of the training program was to prepare members of the community as well as National Energy employees to work in partnership in the event that an oil spill occurs in the area. Through the training, persons are listed as first responders in a database, which resides with Tiger Tanks and National Energy. In the event of an oil spill, persons could be accessed and mobilized immediately to mitigate any negative effects.

The program was delivered in three (3) modules:

- Day 1: Health & Safety, Risk Assessment, Properties and Effects of Oil, Potential Environmental Impacts, Response Structure (ICS Overview) and Trajectory Modelling
- Day 2: Spill Response Equipment, Spill Equipment Selection and Deployment, Support Services and Support Equipment
- Day 3: Shoreline Clean-up, Oil Spill Dispersants, Wildlife Management, Decontamination Procedures, Demobilization and Documentation.

Practical part of the course in which participants got an opportunity to gain hands-on experience in the use of oil spill equipment.

With the completion and operationalization of the Port of Galeota, this training program was timely and relevant to ensure safe operations at the facility and the conservation of the neighbouring communities and environment. Additionally, by partnering with the community for this learning opportunity, residents have been empowered for greater participation in the safety and sustainability of their community.

## **APPENDIX I**

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

**Financial statements  
For the year ended 31 December 2015**

| <b>Contents</b>  | <b>Page</b> |
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| Statement of changes in equity                             | 6           |
| Statement of cash flows                                    | 7           |
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## National Energy Corporation of Trinidad and Tobago Limited

### Statement of management's responsibilities

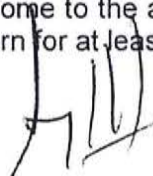
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It is the responsibility of management to prepare financial statements for each financial year which present fairly, in all material respects, the state of affairs of the Company as at the end of the financial year and the operating results of the 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 judgements 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.



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Chairman



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Director

29 January 2016

29 January 2016



**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 2015, 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 judgement, 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 2015 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

29 January 2016



# National Energy Corporation of Trinidad and Tobago Limited

## Statement of financial position

As at 31 December 2015

(Expressed in Trinidad and Tobago dollars)

|                                 | Notes  | 31-Dec-15<br>\$'000 | 31-Dec-14<br>\$'000<br>(Restated) | 01-Jan-14<br>\$'000<br>(Restated) |
|---------------------------------|--------|---------------------|-----------------------------------|-----------------------------------|
| <b>Assets</b>                   |        |                     |                                   |                                   |
| <b>Non-current assets</b>       |        |                     |                                   |                                   |
| Property, plant and equipment   | 6      | 466,535             | 473,307                           | 402,752                           |
| Investment properties           | 7      | 446,872             | 438,586                           | 450,850                           |
| Deferred taxation asset         | 8 (b)  | 2,147               | 2,025                             | 1,662                             |
| Deferred expenses               |        | -                   | -                                 | 5,048                             |
| <b>Total non-current assets</b> |        | <b>915,554</b>      | <b>913,918</b>                    | <b>860,312</b>                    |
| <b>Current assets</b>           |        |                     |                                   |                                   |
| Cash and short-term deposits    | 10     | 257,359             | 349,276                           | 478,124                           |
| Debt reserve fund               | 10 (c) | -                   | 4,978                             | 9,956                             |
| Trade and other receivables     | 11     | 198,761             | 172,158                           | 75,910                            |
| Due from related parties        | 21     | 3,502               | 2,053                             | 2,038                             |
| Due from parent company         |        | 69,942              | -                                 | -                                 |
| Taxation recoverable            |        | 11,235              | 11,235                            | 9,129                             |
| Deferred expense                |        | -                   | -                                 | 2,199                             |
| Inventories                     |        | 2                   | 57                                | 57                                |
| <b>Total current assets</b>     |        | <b>540,801</b>      | <b>539,757</b>                    | <b>577,413</b>                    |
| <b>Total assets</b>             |        | <b>1,456,355</b>    | <b>1,453,675</b>                  | <b>1,437,725</b>                  |



# National Energy Corporation of Trinidad and Tobago Limited

## Statement of financial position (continued)

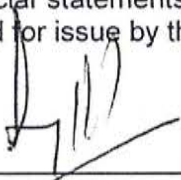
As at 31 December 2015

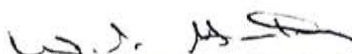
(Expressed in Trinidad and Tobago dollars)

|   | Notes | 31-Dec-15<br>\$'000 | 31-Dec-14<br>\$'000<br>(Restated) | 01-Jan-14<br>\$'000<br>(Restated) |
|---|-------|---------------------|-----------------------------------|-----------------------------------|
| <b>Shareholder's equity and liabilities</b>       |       |                     |                                   |                                   |
| <b>Shareholder's equity</b>                       |       |                     |                                   |                                   |
| Share capital                                     | 12    | 103,427             | 103,427                           | 103,427                           |
| Capital contribution                              | 13    | 119,514             | 119,514                           | 119,514                           |
| Retained earnings                                 |       | 494,139             | 426,219                           | 363,801                           |
| <b>Total shareholder's equity</b>                 |       | <b>717,080</b>      | <b>649,160</b>                    | <b>586,742</b>                    |
| <b>Non-current liabilities</b>                    |       |                     |                                   |                                   |
| Long-term debt                                    | 14    | 437,323             | 566,088                           | 608,135                           |
| Deferred taxation liability                       | 8 (b) | 48,588              | 42,866                            | 40,305                            |
| Deferred income                                   | 16    | 84,403              | 48,077                            | 49,386                            |
| <b>Total non-current liabilities</b>              |       | <b>570,314</b>      | <b>657,031</b>                    | <b>697,826</b>                    |
| <b>Current liabilities</b>                        |       |                     |                                   |                                   |
| Current portion of long-term debt                 | 14    | 27,184              | 18,189                            | 9,500                             |
| Trade and other payables                          | 15    | 108,717             | 53,100                            | 51,151                            |
| Deferred income                                   | 16    | 27,361              | 26,957                            | 21,029                            |
| Due to related parties                            | 21    | 4,205               | 3,562                             | 1,682                             |
| Due to parent company                             | 21    | -                   | 45,649                            | 64,833                            |
| Taxation payable                                  |       | 1,494               | 27                                | 4,962                             |
| <b>Total current liabilities</b>                  |       | <b>168,961</b>      | <b>147,484</b>                    | <b>153,157</b>                    |
| <b>Total liabilities</b>                          |       | <b>739,275</b>      | <b>804,515</b>                    | <b>850,983</b>                    |
| <b>Total shareholder's equity and liabilities</b> |       | <b>1,456,355</b>    | <b>1,453,675</b>                  | <b>1,437,725</b>                  |

The accompanying notes on pages 8 to 43 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 29 January 2016.

  
Chairman

  
Director

# National Energy Corporation of Trinidad and Tobago Limited

## Statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

|  |        | Year ended 31 December |                              |
|--|--------|------------------------|------------------------------|
|  | Notes  | 2015<br>\$'000         | 2014<br>\$'000<br>(Restated) |
| <b>Income</b>                                    |        |                        |                              |
| Marine infrastructure income                     | 17     | 292,068                | 275,200                      |
| Other operating income                           | 18     | 31,813                 | 10,803                       |
| Land lease income                                |        | 26,003                 | 16,162                       |
| Interest & other investment income               |        | 766                    | 832                          |
| Gain on foreign exchange transactions            |        | -                      | 3,231                        |
| Gain on disposal of Property, plant & equipment  |        | 688                    | -                            |
| Project management fees                          |        | 1,321                  | 3,161                        |
| Total income                                     |        | 352,659                | 309,389                      |
| <b>Expenses</b>                                  |        |                        |                              |
| Marine expenses                                  | 19 (a) | 131,497                | 106,629                      |
| Administrative and general expenses              | 19 (b) | 85,832                 | 76,610                       |
| Impairment losses/(reversal)                     | 7      | 371                    | (2,575)                      |
| Other expenses                                   | 19 (c) | 1,272                  | 275                          |
| Finance costs                                    | 19 (d) | 31,194                 | 39,229                       |
| Loss on foreign exchange transactions            |        | 872                    | -                            |
| Loss on disposal of property plant and equipment |        | -                      | 142                          |
|  |        | 251,038                | 220,310                      |
| Profit before taxation                           |        | 101,621                | 89,079                       |
| Taxation expense                                 | 8 (a)  | (33,701)               | (26,661)                     |
| <b>Profit for the year after taxation</b>        |        | <b>67,920</b>          | <b>62,418</b>                |
| <b>Other comprehensive income</b>                |        | -                      | -                            |
| <b>Total comprehensive income</b>                |        | <b>67,920</b>          | <b>62,418</b>                |

# National Energy Corporation of Trinidad and Tobago Limited

## Statement of changes in equity For the year ended 31 December 2015 (Expressed in Trinidad and Tobago dollars)

|   | Notes | Share<br>Capital<br>\$'000 | Capital<br>contribution<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>equity<br>\$'000 |
|---|-------|----------------------------|-----------------------------------|--------------------------------|---------------------------|
| <b>Balance at 1 January 2014<br/>(as previously reported)</b> |       | 103,427                    | 119,514                           | 365,506                        | 588,447                   |
| Restatement   | 5     | -                          | -                                 | (1,705)                        | (1,705)                   |
| Balance as at 1 January 2014<br>(restated)                    |       | 103,427                    | 119,514                           | 363,801                        | 586,742                   |
| Net profit after tax (restated)                               |       | -                          | -                                 | 62,418                         | 62,418                    |
| Other comprehensive income                                    |       | -                          | -                                 | -                              | -                         |
| Total comprehensive profit                                    |       | -                          | -                                 | 62,418                         | 62,418                    |
| <b>Balance at 31 December<br/>2014 (restated)</b>             |       | <b>103,427</b>             | <b>119,514</b>                    | <b>426,219</b>                 | <b>649,160</b>            |
| <b>Year ended 31 December<br/>2015</b>                        |       |                            |                                   |                                |                           |
| <b>Balance at 1 January 2015<br/>(restated)</b>               |       | 103,427                    | 119,514                           | 426,219                        | 649,160                   |
| Profit for the year after tax                                 |       | -                          | -                                 | 67,920                         | 67,920                    |
| Other comprehensive income                                    |       | -                          | -                                 | -                              | -                         |
| Total comprehensive profit                                    |       | -                          | -                                 | 67,920                         | 67,920                    |
| <b>Balance at 31 December<br/>2015</b>                        |       | <b>103,427</b>             | <b>119,514</b>                    | <b>494,139</b>                 | <b>717,080</b>            |



# National Energy Corporation of Trinidad and Tobago Limited

## Statement of cash flows

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

|   | Notes  | Year ended 31 December<br>2015<br>\$'000 | 2014<br>\$'000<br>(Restated) |
|---|--------|--|------------------------------|
| <b>Cash flows from operating activities</b>                   |        |  |                              |
| Cash generated by operations                                  | 20     | 138,317                                  | 59,082                       |
| Taxation paid   |        | (26,634)                                 | (31,504)                     |
| Interest paid   |        | (26,382)                                 | (34,185)                     |
| Interest received   |        | 802                                      | 851                          |
| <b>Net cash generated from/used in operating activities</b>   |        | <u>86,103</u>                            | <u>(5,756)</u>               |
| <b>Cash flows from investing activities</b>                   |        |  |                              |
| Purchase of property, plant and equipment                     |        | (26,301)                                 | (92,399)                     |
| Additions to investment properties                            |        | (28,547)                                 | (4,564)                      |
| Net decrease in short-term investments                        |        | 75,591                                   | 8,469                        |
| Net decrease in debt reserve fund                             |        | 4,979                                    | 4,979                        |
| Proceeds from disposal of property, plant & equipment         |        | <u>1,450</u>                             | <u>-</u>                     |
| <b>Net cash generated from/(used in) investing activities</b> |        | <u>27,172</u>                            | <u>(83,515)</u>              |
| <b>Cash flows from financing activities</b>                   |        |  |                              |
| Repayment of borrowings                                       |        | <u>(129,601)</u>                         | <u>(31,108)</u>              |
| <b>Net cash used in financing activities</b>                  |        | <u>(129,601)</u>                         | <u>(31,108)</u>              |
| <b>Net decrease in cash and cash equivalents</b>              |        | (16,326)                                 | (120,379)                    |
| Cash and cash equivalents at beginning of year                |        | <u>228,039</u>                           | <u>348,418</u>               |
| <b>Cash and cash equivalents at end of year</b>               | 10 (d) | <u><b>211,713</b></u>                    | <u><b>228,039</b></u>        |

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(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.

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

#### 2.1 Amendments to IFRSs and the new Interpretation 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 2015.

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

The Company has applied the amendments for the first time in the current year. Prior to the amendments, the Company accounted for discretionary employee contributions to defined benefit plans as a reduction of the service cost when contributions were paid to the plans, and accounted for employee contributions specified in the defined benefit plans as a reduction of the service cost when services are rendered. The amendments require the Company to account for employee contributions as follows:

- Discretionary employee contributions are accounted for as reduction of the service cost upon payments to the plans.
- Employee contributions specified in the defined benefit plans are accounted for as reduction of the service cost, only if such contributions are linked to services. Specifically, when the amount of such contribution depends on the number of years of service, the reduction to service cost is made by attributing the contributions to periods of service in the same manner as the benefit attribution. On the other hand, when such contributions are determined based on a fixed percentage of salary (i.e. independent of the number of years of service), the Company recognises the reduction in the service cost in the period in which the related services are rendered.

These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or the amounts recognised in the Company's financial statements.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(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 the new Interpretation that are mandatorily effective for the current year (continued)

- **Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle**

The Company has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2010 - 2012 Cycle and 2011 – 2013 Cycle for the first time in the current year. One of the annual improvements requires entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8 Operating Segments. The application of the amendments has had no impact on the disclosures or amounts recognised 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>2</sup>   |
| • IFRS 15                                   | Revenue from Contracts with Customers <sup>2</sup>   |
| • Amendments to IFRS 11                     | Accounting for Acquisitions of Interests in Joint Operations <sup>1</sup>                          |
| • Amendments to IAS 1                       | Disclosure Initiative <sup>1</sup>   |
| • Amendments to IAS 16 and IAS 38           | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>                  |
| • Amendments to IAS 16 and IAS 41           | Agriculture: Bearer Plants <sup>1</sup>  |
| • Amendments to IFRS 10 and IAS 28          | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup> |
| • Amendments to IFRS 10, IFRS 12 and IAS 28 | Investment Entities: Applying the Consolidation Exception <sup>1</sup>                             |
| • Amendments to IFRSs                       | Annual Improvements to IFRSs 2012-2014 Cycle <sup>1</sup>  |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(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***

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 9 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 a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised 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 amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of 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 recognised in profit or loss.
- 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 credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit 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 recognised.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(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)**

- the new general hedge accounting requirements retain the 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.

- **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 arising 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.

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

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

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the 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.

# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(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 IFRS 11 *Accounting for Acquisitions of Interests 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 12 *Income Taxes* regarding the recognition of deferred taxes at the time of acquisition and 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 should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 11 may have an impact on the Company's financial statements in future periods should such transactions arise.

- **Amendments to IAS 1 *Disclosure Initiative***

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to IAS 1 are effective 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 1 will have a material impact on the Company's financial statements.

- **Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

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 amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed 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.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(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 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (continued)**

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, 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 anticipate that the application of these amendments to IAS 16 and IAS 41 will have no impact on the Company's financial statements as the Company is not engaged in agricultural activities.

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

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to IFRS 10 and IAS 28 will have no impact on the Company's financial statements in future periods should such transactions arise.



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

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

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Company's financial statements as the Company is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

- **Annual Improvements to IFRSs 2012-2014 Cycle**

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

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

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 2015

(Expressed in Trinidad and Tobago dollars)

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### 3. Summary of significant accounting policies

#### **Basis of preparation**

The financial statements have been prepared under the historical cost basis. The financial statements are presented in Trinidad & Tobago Dollars (TT\$) which is also the functional currency

#### **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).

#### 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 2015

(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 2015

(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 2015

(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 2015

(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 2015

(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 2015

(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 2015

(Expressed in Trinidad and Tobago dollars)

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

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

#### Judgements

In the process of applying the Company's accounting policies, management has determined that there were no judgements 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 judgement 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 2015

(Expressed in Trinidad and Tobago dollars)

### 5. Restatement

The Company restated its financial statements as at 31 December for the years 2013 and 2014. The restatement relates to:

- An error with vacation leave accrual under IAS 19.
- An increase in the deferred tax asset as a result of the increase in the vacation leave accrual under IAS 19 (above).

The effect of these errors resulted in a restatement of the balances previously reported as at end for the year ended 31 December 2014 as follows:

|                                | As at or for the year ended 31 December 2014 |                               |                      |                              |
|--------------------------------|--|-------------------------------|----------------------|------------------------------|
|                                | Profit<br>before<br>tax                      | Deferred<br>taxation<br>asset | Retained<br>earnings | Creditors<br>and<br>accruals |
|                                | \$'000                                       | \$'000                        | \$'000               | \$'000                       |
| As originally reported         | 90,419                                       | 1,122                         | 428,929              | 49,487                       |
| Increase in annual leave       | (1,340)                                      | -                             | (3,613)              | 3,613                        |
| Additional deferred tax charge | -  | 903                           | 903                  | -                            |
| Restated                       | <u>89,079</u>                                | <u>2,025</u>                  | <u>426,219</u>       | <u>53,100</u>                |

The effect of these errors resulted in a restatement of the balances previously reported as at and for the year ended 31 December 2013 as follows:

|                                | As at or for the year ended 31 December 2013 |                               |                      |                              |
|--------------------------------|--|-------------------------------|----------------------|------------------------------|
|                                | Profit<br>before<br>tax                      | Deferred<br>taxation<br>asset | Retained<br>earnings | Creditors<br>and<br>accruals |
|                                | \$'000                                       | \$'000                        | \$'000               | \$'000                       |
| As originally reported         | 79,625                                       | 1,094                         | 365,506              | 48,878                       |
| Increase in annual leave       | (2,273)                                      | -                             | (2,273)              | 2,273                        |
| Additional deferred tax charge | -  | 568                           | 568                  | -                            |
| Restated                       | <u>77,352</u>                                | <u>1,662</u>                  | <u>363,801</u>       | <u>51,151</u>                |



# National Energy Corporation of Trinidad and Tobago Limited

## Notes to financial statements For the year ended 31 December 2015 (Expressed in Trinidad and Tobago dollars)

### 6. Property, plant and equipment

|                                    | Marine<br>infrastructure<br>assets | Machinery<br>equipment | Development<br>cost | Leasehold<br>property | Other<br>assets | Capital work<br>in progress | Total            |
|------------------------------------|------------------------------------|------------------------|---------------------|-----------------------|-----------------|-----------------------------|------------------|
|                                    | \$'000                             | \$'000                 | \$'000              | \$'000                | \$'000          | \$'000                      | \$'000           |
| <b>Cost</b>                        |                                    |                        |                     |                       |                 |                             |                  |
| Balance at 1 January 2014          | 670,750                            | 8,173                  | 2,062               | 20,665                | 9,439           | 409                         | 711,498          |
| 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>   |
| Additions                          | 5,078                              | 1,897                  | -                   | -                     | 2,150           | 17,176                      | 26,301           |
| Transfers                          | 11,556                             | 77                     | -                   | -                     | -               | (11,634)                    | (1)              |
| Disposals                          | (9,155)                            | (1,031)                | -                   | -                     | (1,263)         | -                           | (11,449)         |
| <b>Balance at 31 December 2015</b> | <b>764,419</b>                     | <b>10,442</b>          | <b>2,562</b>        | <b>20,665</b>         | <b>15,233</b>   | <b>12,141</b>               | <b>825,462</b>   |
| <b>Accumulated depreciation</b>    |                                    |                        |                     |                       |                 |                             |                  |
| Balance at 1 January 2014          | (294,402)                          | (4,331)                | (1,359)             | (3,088)               | (5,566)         | -                           | (308,746)        |
| 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> |
| Depreciation charge                | (27,528)                           | (1,188)                | (247)               | (417)                 | (2,930)         | -                           | (32,310)         |
| Disposals                          | 8,955                              | 1003                   | -                   | -                     | 729             | -                           | 10,687           |
| <b>Balance at 31 December 2015</b> | <b>(338,087)</b>                   | <b>(5,399)</b>         | <b>(1,826)</b>      | <b>(3,923)</b>        | <b>(9,692)</b>  | <b>-</b>                    | <b>(358,927)</b> |
| <b>Carrying amount</b>             |                                    |                        |                     |                       |                 |                             |                  |
| At 31 December 2014                | 437,426                            | 4,285                  | 983                 | 17,159                | 6,855           | 6,599                       | 473,307          |
| At 31 December 2015                | 426,332                            | 5,043                  | 736                 | 16,742                | 5,541           | 12,141                      | 466,535          |

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 7. Investment properties

|  | Buildings        | Development      | Capital      | Total            |
|--|------------------|------------------|--------------|------------------|
|  | \$'000           | cost             | work in      |                  |
|  |                  | \$'000           | progress     | \$'000           |
| <b>Cost</b>  |                  |                  |              |                  |
| Balance at 1 January 2014                          | 571,512          | 432,333          | 38           | 1,003,883        |
| 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> |
| Additions  | (120)            | 19,764           | 7,773        | 27,417           |
| Transfers  | -                | 1,130            | -            | 1,130            |
| <b>Balance at 31 December 2015</b>                 | <b>572,295</b>   | <b>456,926</b>   | <b>7,773</b> | <b>1,036,994</b> |
| <b>Accumulated depreciation</b>                    |                  |                  |              |                  |
| Balance at 1 January 2014                          | (13,278)         | (71,480)         | -            | (84,758)         |
| 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> |
| Depreciation charge                                | (3,409)          | (16,481)         | -            | (19,890)         |
| <b>Balance at 31 December 2015</b>                 | <b>(19,969)</b>  | <b>(104,082)</b> | <b>-</b>     | <b>(124,051)</b> |
| <b>Accumulated impairment</b>                      |                  |                  |              |                  |
| Balance at 1 January 2014                          | (468,275)        | -                | -            | (468,275)        |
| 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> |
| Impairment charge charged to the profit or loss    | (371)            | -                | -            | (371)            |
| <b>Balance at 31 December 2015</b>                 | <b>(466,071)</b> | <b>-</b>         | <b>-</b>     | <b>(466,071)</b> |
| <b>Carrying amount</b>                             |                  |                  |              |                  |
| <b>At 31 December 2014</b>                         | <b>90,155</b>    | <b>348,431</b>   | <b>-</b>     | <b>438,586</b>   |
| <b>At 31 December 2015</b>                         | <b>86,255</b>    | <b>352,844</b>   | <b>7,773</b> | <b>446,872</b>   |



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 7. Investment properties (continued)

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

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Rental income from investment properties | 26,003         | 16,162         |
| Direct operating expenses                | 2,117          | 3,154          |

- 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 5.46%. As a result of this analysis, management has recognized an impairment loss of \$0.371 million (2014: reversal of \$2.575 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<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 | Carrying<br>value<br>\$'000 |
|---------------------|-------------------|-------------------|-------------------|-----------------|-----------------------------|
| At 31 December 2015 | -                 | -                 | 347,885           | 347,885         | 281,296                     |
| At 31 December 2014 | -                 | -                 | 410,456           | 410,456         | 293,531                     |

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

|                     | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 | Carrying<br>value<br>\$'000 |
|---------------------|-------------------|-------------------|-------------------|-----------------|-----------------------------|
| At 31 December 2015 | -                 | -                 | 86,255            | 86,255          | 86,255                      |
| At 31 December 2014 | -                 | -                 | 90,155            | 90,155          | 90,155                      |

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 8. Taxation

#### a) Taxation charge

The major components of the taxation expense are as follows:

|                                     | 2015<br>\$'000 | 2014<br>\$'000 |
|-------------------------------------|----------------|----------------|
| Corporation tax                     | 27,748         | 24,157         |
| Green fund levy                     | 353            | 306            |
| Deferred taxation expense (note 8b) | 5,600          | 2,198          |
|                                     | <b>33,701</b>  | <b>26,661</b>  |

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                  | <b>101,621</b> | <b>89,079</b> |
| Income taxes thereon at the rate of 25% | 25,405         | 22,269        |
| Non-deductible expenses                 | 3,034          | (107)         |
| Permanent differences                   | 4,623          | 4,069         |
| Green fund levy                         | 353            | 306           |
| Other differences                       | 286            | 124           |
|   | <b>33,701</b>  | <b>26,661</b> |

#### b) Deferred tax

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

##### Assets

|                          |              |              |
|--------------------------|--------------|--------------|
| Accrued vacation leave   | 1,883        | 1,590        |
| Accrued interest payable | 264          | 435          |
|                          | <b>2,147</b> | <b>2,025</b> |

##### Liabilities

|                   |               |               |
|-------------------|---------------|---------------|
| Long lived assets | <b>48,588</b> | <b>42,866</b> |
|-------------------|---------------|---------------|

Movement for the year in the net deferred tax liability:

Movement for the year:

|   |               |               |
|---|---------------|---------------|
| Balance at 1 January                                | 40,841        | 38,643        |
| Deferred tax charge to statement of profit and loss | 5,600         | 2,198         |
| Balance at 31 December                              | <b>46,441</b> | <b>40,841</b> |

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 9. Deferred expenses

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Balance at 1 January                               | -              | 7,247          |
| Transfer to property, plant and equipment (Note 6) | -              | (7,247)        |
| Balance at 31 December                             | -              | -              |

### 10. Cash and short-term deposits

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Cash at bank and on hand                                      | 211,713        | 228,039        |
| Short-term deposits   | 45,646         | 121,237        |
|   | <b>257,359</b> | <b>349,276</b> |
| Investment held with Clico Investment Bank (Note 10(b))       | 14,381         | 14,381         |
| Less: Impairment provision of short-term deposit (Note 10(b)) | (14,381)       | (14,381)       |
|   | <b>257,359</b> | <b>349,276</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 \$257.359 million (2014: \$349.276 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, 2015.



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

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

- (c) The Company had an Escrow account with First Citizens Bank Limited and is required to maintain a balance on the account equivalent to two (2) loan instalments for a loan taken on 17 May 2004 for \$67.9 million payable by eighteen (18) semi-annual payments at a fixed rate of 6.20%. The loan was fully repaid in November 2014. A Deed of Release was prepared by First Citizens Bank Limited which resulted in the closure of the ESCROW Account.
- (d) For the purposes of the statement of cash flows, cash and cash equivalents comprise the following.

|                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| Cash at banks and on hand | 211,713        | 228,039        |
|                           | <b>211,713</b> | <b>228,039</b> |

### 11. Trade and other receivables

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Trade receivables - third parties                   | 103,410        | 119,848        |
| Provision for doubtful debts (note 11c)             | (16,360)       | (16,973)       |
|   | 87,050         | 102,875        |
| Other receivables:                                  |                |                |
| Due from Government of Trinidad & Tobago            | 86,488         | 48,601         |
| Due from Government of Trinidad & Tobago - unbilled | 767            | 3,514          |
| Value Added Tax recoverable                         | 11,257         | 5,595          |
| Prepaid expenses                                    | 35             | 222            |
| Insurance prepayment                                | 1,298          | 852            |
| Interest receivable                                 | 99             | 135            |
| Other   | 11,767         | 10,364         |
| Total receivables and prepayments                   | <b>198,761</b> | <b>172,158</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 2015, the Company continues to hold a provision of \$23.509 million.
- (c) As at 31 December 2015, trade receivables at a value of \$16.360 million (2014:\$16.973 million) were impaired and provided for fully. 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 2015

(Expressed in Trinidad and Tobago dollars)

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

|                    | 2015<br>\$'000 | 2014<br>\$'000 |
|--------------------|----------------|----------------|
| At 1 January       | 16,973         | 17,143         |
| Charge for year    | -              | 409            |
| Provision reversed | (613)          | (579)          |
| At 31 December     | <u>16,360</u>  | <u>16,973</u>  |

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

|      | Total   | Neither<br>past<br>due nor<br>impaired | Past due but not impaired |                         |                         |                          |                        |
|------|---------|--|---------------------------|-------------------------|-------------------------|--------------------------|------------------------|
|      | \$'000  | \$'000                                 | <30 days<br>\$'000        | 30-60<br>days<br>\$'000 | 60-90<br>days<br>\$'000 | 90-120<br>days<br>\$'000 | >120<br>days<br>\$'000 |
| 2015 | 87,050  | 27,585                                 | 35,571                    | 2,852                   | 1,940                   | 1,574                    | 17,528                 |
| 2014 | 102,875 | 30,101                                 | 44,095                    | 2,653                   | 1,622                   | 2,187                    | 22,217                 |

### 12. Stated capital

|  | 2015<br>\$'000 | 2014<br>\$'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              | <u>103,427</u> | <u>103,427</u> |

### 13. 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 14 (a)). 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 2014 and 1 January 2015 respectively.

### 14. Long-term debt

|                             | Long-term<br>portion<br>\$'000 | Current<br>portion<br>\$'000 | 2015<br>\$'000 | 2014<br>\$'000 |
|-----------------------------|--------------------------------|------------------------------|----------------|----------------|
| NGC – UIE Loan (Note 14(a)) | 278,407                        | 5,397                        | 283,804        | 286,255        |
| NGC advance (Note 14(b))    | 158,916                        | 21,787                       | 180,703        | 298,022        |
|                             | <u>437,323</u>                 | <u>27,184</u>                | <u>464,507</u> | <u>584,277</u> |



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

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

- a) 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 2010 and 2011 have been capitalized. Interest payments commenced in 2012 and principal repayments in 2015.

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.

- b) As a result of the discontinuance of the aluminium 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.

As part of a proposal for the restructuring of National Energy's inter-company loans with NGC, principal repayments were made in 2014 and 2015, thus reducing the outstanding loan balance to US\$29.8 million as at 31 December 2015.

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

| Carrying amount |                | Fair value     |                |
|-----------------|----------------|----------------|----------------|
| 2015            | 2014           | 2015           | 2014           |
| \$'000          | \$'000         | \$'000         | \$'000         |
| <b>464,507</b>  | <b>584,277</b> | <b>464,507</b> | <b>584,277</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

|   | 2015           | 2014           |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| In one year or less                                   | 27,184         | 18,189         |
| In more than one year but not more than two years     | 29,064         | 19,433         |
| In more than two years but not more than three years  | 31,075         | 20,760         |
| In more than three years but not more than four years | 33,226         | 22,180         |
| In more than four years but not more than five years  | 35,526         | 23,697         |
| In more than five years                               | 308,432        | 480,018        |
|   | <b>464,507</b> | <b>584,277</b> |

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 15. Trade and other payables

|                                  | 2015<br>\$'000 | 2014<br>\$'000 |
|----------------------------------|----------------|----------------|
| Trade payables                   | 8,586          | 7,300          |
| Accrued material/service amounts | 76,124         | 13,217         |
| Employee related accruals        | 10,701         | 21,919         |
| Retentions                       | 10,160         | 3,144          |
| VAT payable                      | 3,146          | 7,520          |
|                                  | <u>108,717</u> | <u>53,100</u>  |

### 16. Deferred income

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Billings in advance (Note 16a)                       | 15,939         | 17,134         |
| Deferred income - Union Industrial Estate (Note 16b) | 88,618         | 51,963         |
| Deferred income - Other                              | 7,207          | 5,937          |
|  | <u>111,764</u> | <u>75,034</u>  |
| Non-current  | 84,403         | 48,077         |
| Current  | 27,361         | 26,957         |
|  | <u>111,764</u> | <u>75,034</u>  |

Notes:

- a) This amount relates to pier user charges billed in advance.
- b) Deferred income - Union Industrial Estate:

|                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| Balance at 1 January      | 51,963         | 53,103         |
| Received during the year  | 40,870         | 2,746          |
| Amount released to income | (4,215)        | (3,886)        |
| Balance at 31 December    | <u>88,618</u>  | <u>51,963</u>  |

### 17. 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:

|                           | 2015<br>\$'000 | 2014<br>\$'000 |
|---------------------------|----------------|----------------|
| ISCOTT dock               | 5,687          | 5,687          |
| Savonetta piers           | 139,568        | 137,366        |
| Point Lisas harbor        | 34,428         | 35,217         |
| Tugs and workboats        | 93,976         | 84,017         |
| Dock fees – berth         | 16,173         | 10,662         |
| Rental storage facilities | 1,515          | 1,525          |
| Rental storage yard       | 721            | 726            |
|                           | <u>292,068</u> | <u>275,200</u> |

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 18. Other operating income

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Management fees – La Brea Industrial Development Company Limited | 842            | 704            |
| Amortization of deferred capital grant                           | 4,198          | 3,884          |
| Miscellaneous  | 26,773         | 6,215          |
|  | <b>31,813</b>  | <b>10,803</b>  |

### 19. Expenses

#### (a) Marine expenses:

|  | 2015<br>\$'000 | 2014<br>\$'000 |
|--|----------------|----------------|
| Depreciation and amortization              | 47,330         | 44,534         |
| Maintenance - marine facilities            | 34,633         | 25,738         |
| Salaries and related benefits (Note 19(e)) | 16,694         | 10,229         |
| Management fees - tugs & workboats         | 29,785         | 23,712         |
| Insurance                                  | 2,936          | 2,297          |
| Sea bed lease rent                         | 119            | 119            |
|  | <b>131,497</b> | <b>106,629</b> |

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

|  |               |               |
|--|---------------|---------------|
| Salaries and related benefits (Note 19(e)) | 59,847        | 48,416        |
| Depreciation and amortization              | 4,872         | 3,817         |
| Management fees - NGC                      | 1,000         | 1,000         |
| Penalties                                  | -             | 664           |
| Insurance                                  | 730           | 967           |
| Movement in provision for doubtful debts   | (613)         | (170)         |
| Motor vehicle expense                      | 2,493         | 2,677         |
| General business travel                    | 123           | 109           |
| Security                                   | 593           | 1,033         |
| Advertising and communications             | 2,222         | 4,185         |
| Legal and professional fees                | 4,825         | 2,414         |
| Other                                      | 9,740         | 11,498        |
|  | <b>85,832</b> | <b>76,610</b> |

#### (c) Other expenses:

|                  |              |            |
|------------------|--------------|------------|
| Donation - other | <b>1,272</b> | <b>275</b> |
|------------------|--------------|------------|



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 19. Expenses (continued)

#### (d) Finance costs:

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Interest on debt and borrowings - related parties | 25,698         | 33,579         |
| - third parties                                   | -              | 392            |
| Notional interest on related party loan           | 5,496          | 5,258          |
|   | <b>31,194</b>  | <b>39,229</b>  |

#### (e) Staff costs:

|  |               |               |
|--|---------------|---------------|
| Included under marine expenses                     | 16,694        | 10,229        |
| Included under administrative and general expenses | 59,847        | 48,416        |
|  | <b>76,541</b> | <b>58,645</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.

### 20. Cash flows from operating activities

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| <b>Cash flows from operating activities</b>   |                |                |
| Profit before tax   | 101,621        | 89,079         |
| Adjustment for:   |                |                |
| Depreciation  | 52,202         | 48,351         |
| Interest expense  | 31,194         | 39,229         |
| Impairment losses/(reversal)  | 371            | (2,575)        |
| Amortization of deferred expenses   | -              | -              |
| Interest income   | (766)          | (832)          |
| Loss on disposal of property, plant and equipment                                       | (688)          | 142            |
| Amortization of deferred income   | (4,215)        | (3,884)        |
| Decrease/(increase) in parent company loan due to foreign currency translation          | 4,336          | (7,508)        |
| Operating profit before working capital changes   | 184,055        | 162,002        |
| Increase in trade and other receivables and due from related parties and Parent Company | (111,383)      | (107,225)      |
| Decrease in inventories   | 55             | -              |
| Decrease in deferred income & deferred capital grant                                    | 40,946         | 8,503          |
| Increase/(decrease) in trade and other payables and due to Parent Company               | 24,644         | (4,198)        |
| <b>Cash generated from operating activities</b>   | <b>138,317</b> | <b>59,082</b>  |

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

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### 21. 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. ("GORTT") In the ordinary course of its business, the Company enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include Alutrint Limited, Alutech Limited, Trinidad Generation Unlimited (TGU), NGC CNG and Petrotrin.

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 14 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 2015, the Company has recorded a provision for doubtful debts relating to amounts owed by related party Alutech of \$22.419 million (2014: \$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 2015 and 31 December 2014.

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 21. Related party transactions (continued)

|  |      | Income<br>from<br>related<br>parties<br>\$'000 | Purchase<br>from<br>related<br>parties<br>\$'000 | Amounts<br>due from<br>related<br>parties<br>\$'000 | Amounts<br>due to<br>related<br>parties<br>\$'000 |
|--|------|--|--|---|---|
| <b>The National Gas Company of<br/>Trinidad and Tobago Limited</b> |      |  |  |   |   |
| Reimbursements   | 2015 | -  | -  | 69,942  | -   |
|  | 2014 | -  | -  | -   | 45,649  |
| Lease land   | 2015 | 299  | -  | -   | -   |
|  | 2014 | 303  | -  | -   | -   |
| Management fees  | 2015 | -  | 1,000  | -   | -   |
|  | 2014 | -  | 1,000  | -   | -   |
| Loans  | 2015 | -  | 25,698   | -   | 464,507   |
|  | 2014 | -  | 33,579   | -   | 584,277   |
| <b>La Brea Industrial Company<br/>Limited</b>                      |      |  |  |   |   |
| Management<br>fees/reimbursements                                  | 2015 | 841  | -  | 1,415   | 4,205   |
|  | 2014 | 704  | -  | -   | 3,562   |
| <b>Trinidad Generation Unlimited</b>                               |      |  |  |   |   |
| Income   | 2015 | -  | -  | 2,053   | -   |
|  | 2014 | -  | -  | 2,053   | -   |
| <b>NGC CNG</b>   |      |  |  |   |   |
| Reimbursements   | 2015 | -  | -  | 34  | -   |
|  | 2014 | -  | -  | -   | -   |
| <b>Government of the Republic<br/>of Trinidad and Tobago</b>       |      |  |  |   |   |
| Government funded project<br>costs                                 | 2015 | 1,321  | -  | 87,256  | -   |
|  | 2014 | 3,161  | -  | 52,115  | -   |
| <b>Directors' allowances and<br/>fees</b>                          |      |  |  |   |   |
|  | 2015 | -  | 333  | -   | -   |
|  | 2014 | -  | 330  | -   | -   |
| <b>Compensation of key management personnel</b>                    |      |  |  |   |   |
|  |      |  |  | 2015<br>\$'000                                      | 2014<br>\$'000                                    |
| Short-term employee benefits                                       |      |  |  | 22,942  | 13,563  |



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 22. 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:

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Not later than 1 year                         | 15,863         | 10,537         |
| Later than 1 year and not longer than 5 years | 58,123         | 13,615         |
| Later than 5 years                            | 329,534        | 68,032         |
|   | <u>403,520</u> | <u>92,184</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:

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Not later than 1 year                         | 523            | 523            |
| Later than 1 year and not longer than 5 years | 195            | 718            |
|   | <u>718</u>     | <u>1,241</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 2015

(Expressed in Trinidad and Tobago dollars)

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### 23. 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 10 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 14.

#### 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 2015

(Expressed in Trinidad and Tobago dollars)

### 24. 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<br>demand<br>\$'000 | Under 3<br>months<br>\$'000 | 3 - 12<br>months<br>\$'000 | 1 - 4<br>years<br>\$'000 | >5<br>years<br>\$'000 | Total<br>\$'000  |
|-------------------------------|------------------------|-----------------------------|----------------------------|--------------------------|-----------------------|------------------|
| <b>As at 31 December 2015</b> |                        |                             |                            |                          |                       |                  |
| <b>Assets</b>                 |                        |                             |                            |                          |                       |                  |
| Cash and cash equivalents     | 211,713                | 45,646                      | -                          | -                        | -                     | 257,359          |
| Trade and other receivables   | -                      | 100,249                     | 98,512                     | -                        | -                     | 198,761          |
| Due from related parties      | -                      | -                           | 3,502                      | -                        | -                     | 3,502            |
|                               | <b>211,713</b>         | <b>145,895</b>              | <b>102,014</b>             | <b>-</b>                 | <b>-</b>              | <b>459,622</b>   |
| <b>Liabilities</b>            |                        |                             |                            |                          |                       |                  |
| Interest bearing debt         | -                      | 11,237                      | 45,299                     | 226,144                  | 486,578               | 769,258          |
| Trade creditors and accruals  | -                      | 90,694                      | 10,161                     | -                        | -                     | 100,855          |
| Due to related parties        | -                      | -                           | 4,205                      | -                        | -                     | 4,205            |
| Due to parent company         | -                      | -                           | -                          | -                        | -                     | -                |
|                               | <b>-</b>               | <b>101,931</b>              | <b>59,665</b>              | <b>226,144</b>           | <b>486,578</b>        | <b>874,318</b>   |
| <b>Net liquidity position</b> | <b>211,713</b>         | <b>43,964</b>               | <b>42,349</b>              | <b>(226,144)</b>         | <b>(486,578)</b>      | <b>(414,696)</b> |

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

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

#### Liquidity risk (continued)

|                               | On<br>demand<br>\$'000 | Under 3<br>months<br>\$'000 | 3 - 12<br>months<br>\$'000 | 1 - 4<br>years<br>\$'000 | >5<br>years<br>\$'000 | Total<br>\$'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 2015

(Expressed in Trinidad and Tobago dollars)

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

#### 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.

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

|                               | Amount<br>denominated<br>in foreign<br>currency<br>\$'000s | TT\$<br>equivalent<br>\$'000s           |
|-------------------------------|--|---|
| <b>As at 31 December 2015</b> |  |   |
| Cash and cash equivalents     | <u>US\$ 37,834</u>   | <u>TT\$ 242,879</u>                     |
| Trade and other receivables   | <u>US\$ 17,107</u><br><u>GBP 2</u>                         | <u>TT\$ 109,817</u><br><u>TT\$ 23</u>   |
| Trade and other payables      | <u>US\$ 10,835</u><br><u>EUR 8</u>                         | <u>TT\$ 69,553</u><br><u>TT\$ 57</u>    |
| Long-term debt                | <u>US\$ 73,993</u>   | <u>TT\$ 475,004</u>                     |
|                               | Amount<br>denominated<br>in foreign<br>currency<br>\$'000s | TT\$<br>equivalent<br>\$'000s           |
| <b>As at 31 December 2014</b> |  |   |
| Cash and cash equivalents     | <u>US\$ 40,445</u>   | <u>TT\$ 257,167</u>                     |
| Trade and other receivables   | <u>US\$ 21,804</u><br><u>GBP 2</u>                         | <u>TT\$ 138,642</u><br><u>TT\$ 23</u>   |
| Trade and other payables      | <u>US\$ 1,798</u><br><u>EUR 263</u>                        | <u>TT\$ 11,435</u><br><u>TT\$ 2,026</u> |
| Long term debt                | <u>US\$ 91,913</u>   | <u>TT\$ 584,430</u>                     |



# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

### 24. 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/<br>(decrease) in<br>exchange rate<br>% | Effect on other<br>comprehensive<br>income<br>\$'000 |
|------|--|--|
| 2015 | 7%   | 13,433   |
|      | (7%)   | (13,433)   |
| 2014 | 7%   | 14,144   |
|      | (7%)   | (14,144)   |

#### 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 2014.

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 2015 and 31 December 2014.

### 25. 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 14(b)).

# National Energy Corporation Of Trinidad and Tobago Limited

## Notes to financial statements

For the year ended 31 December 2015

(Expressed in Trinidad and Tobago dollars)

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### 26. 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.

### 27. Capital commitments

|   | 2015<br>\$'000 | 2014<br>\$'000 |
|---|----------------|----------------|
| Approved and contracted capital expenditure | <u>192,980</u> | <u>14,102</u>  |

These commitments include contractual commitments of \$34.723 million (2014: \$6.746 million) entered into by the Company on behalf of the Government of the Republic of Trinidad and Tobago.

### 28. Contingent liabilities

- a) 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.
- b) During 2015, the Company received invoices totalling \$11.67M from a contractor, for which no agreement exist. The Company has written to the contractor requesting copies of any agreement(s) and an investigation is in progress. No accruals have been made in the financial statements for any liability in respect of this claim.

### 29. 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.