NATIONAL ENERGY CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

Securing Energy for Tomorrow

ANNUAL ADMINISTRATIVE REPORT 2008

Executive Summary

Annual Administrative Report, 2008

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

During the period January 01, 2008 to December 31, 2008, the Board of Directors of NEC comprised of five Directors, namely Mr. Barry Barnes, Mr. Malcolm Jones, Professor Kenneth Julien, Mr. Leroy Mayers and Mr. Errol Mc Leod.

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

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

During the reporting period, several projects have progressed in support of the company's mandate. Significant events that occurred in 2008 are as follows:

- Agreements on the site and plant layout for the Gas to Polypropylene Complex was completed, and project development activities commenced.

- Construction of the MHTL UAN/Melamine plant continued during the year. The project was partially completed by the end of year.

- Feasibility of Essar Iron and Steel Project currently under assessment.

- Feasibility Study on Alutrint Aluminium Smelter Project was completed and development works commenced.

- Feasibility Study on Carisal Calcium Chloride/Caustic Soda Project was conducted and development works commenced.

- Feasibility Study on Westlake Ethylene Project was conducted; decision pending.

- Feasibility Study is ongoing for the Isegen Maleic Anhydride Project.

- Construction activities are in progress for the Natural Gas Protein Manufacturing Project.

- Feasibility Study for Development of a new LNG Train was conducted; decision pending.

During the year 2008, NEC recorded a Net Profit of $52.3M, 57.5% or $70.7M below the budgeted amount of $123.0M. Total revenue amounted to $293.0M, 6.2% above the budgeted amount. Operating Profit was recorded at $218.9M, 7.4% above the budgeted amount. Capital Expenditure of $63.0M was 43.9% below the budgeted amount. Total Assets for 2008 amounted to $1.4B.

The staff complement at NEC for the year 2008 amounted to Eighty-one (81) employees.

In 2008, activities relating to Corporate Social Responsibility did not exist at NEC but was administered by the NGC on the company's behalf. Activities NEC participated in are highlighted below:

- NEC and LABIDCO co-sponsored the La Brea Zonal Primary School Games.

- NEC's partnership with the Milton Presbyterian School began in 2008 to give support on infrastructure and school supplies. This was the first year the first year the company partnered with a school in its community.

- Care packages were donated at Christmas to persons at the Home for the Aged, Grant Street Ext., Couva.

- Additionally, ad hoc donations were given on a case-by-case basis.

TABLE OF CONTENT

1. CORPORATE INFORMATION

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

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

In 2008, National Energy Corporation was guided by the Vision and Mission of its parent company, NGC which are as follows:

VISION STATEMENT

To be a valued partner in the global energy business.

MISSION STATEMENT

To create exceptional national value from natural gas and energy businesses.

MANDATE

The mandate of National Energy Corporation includes:

- The conceptualization, promotion, development and facilitation of new energy-based and downstream industries in Trinidad & Tobago.
- Identification and development of new industrial estates.
- Identification and development of new industrial deep water ports to facilitate these estates.
- Ownership and operation of marine and other infrastructure assets to facilitate all gas-based petrochemical and metal plants.
- Development and management of La Brea Industrial Estate.
- Towage and Harbour operations.
- Sustainable Management of the environment.

CORE VALUES AND GUIDING PRINCIPLES

- Integrity
- Trust
- Profitability
- Customer Focus
- Employee Success and Well-being
- Highest Standards of Technical Efficiency
- Highest Global Standards for Health
- Safety and Environment Preservation
- Good Corporate Citizen
- National Interest

NATIONAL ENERGY CORPORATION'S PROFILE

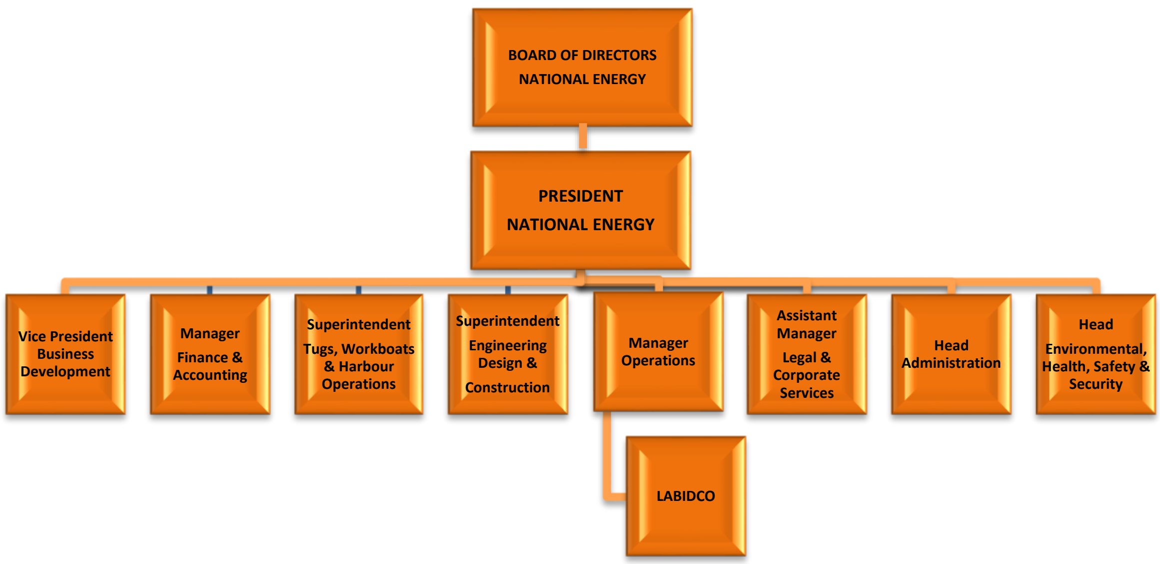
National Energy Corporation was incorporated in 1979 to continue the work first started by the Coordinating Task Force in monetizing the country's natural gas resources and developing and managing industrial and marine infrastructure. National Energy Corporation was involved in the construction and operation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

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

3. ORGANISATION STRUCTURE

a. CORPORATE STRUCTURE

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



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

ii. **Engineering Design & Construction (EDC)** has a mandate from the Government to build Ports and Industrial Estates. The EDC Department is responsible for the physical design and construction of these projects.

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

iii. **Legal & Corporate Services** provides legal and corporate secretariat services.

iv. **Environmental Health and Safety and Security** provides health, safety and security services.

v. **Finance & Accounting** provides finance/treasury management and financial operations services.

vi. **Administration** provides support services in the areas of Human Resource, Procurement, Facilities Management, and Information Technology.

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

viii. **Marine Terminal Operations (MTO)** is responsible for the Management and operation of the four (4) Savonetta Piers and ISCOTT Dock. National Energy Corporation owns and operates the Point Lisas Channel and Turning Basin in the strategically located Port of Point Lisas, which is an important gateway between the Point Lisas Industrial Estate and the World. The Port and unique marine facilities have been customized to handle the specialized needs of over twenty (20) world scale petrochemical and steel-manufacturing plants. National Energy Corporation's emphasis on port infrastructure development and support services guarantees its capability to effectively handle exports from all existing gas-based plants.

ix. **Management of LABIDCO**

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

Services at the LABIDCO Estate include:

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

b. DELEGATION OF AUTHORITY

As a subsidiary of the National Gas Company of Trinidad and Tobago Limited (NGC), National Energy Corporation adheres to the rules 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

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

d. REPORTING FUNCTIONS

All Managers/Head of Departments 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 Industries (MEEI).

4. PROJECT HIGHLIGHTS & DEVELOPMENT INITIATIVES

Several projects have been progressed in support of the company's mandate. Significant events that occurred in 2008 are as follows:

	Project Title:	Detail of Project	Activities Undertaken in Year	Project Status
1.	Gas to Polypropylene Complex	NEC together with NGC and the Ministry of Energy and Energy Industries (MEEI) entered into a Project Development Agreement with Lurgi and Lyondell/Bassell on September 8, 2008 for the development of a Gas to Polypropylene Complex to produce polypropylene, gasoline blend stock and LPG.	Agreement on the site and plant layout.	Project development activities commenced.
2.	MHTL UAN/Melamine Project	MHTL AUM I Project consists of the following plants : • 1850 t/d ammonia plant • 2100 t/d intermediate urea plant • 1910 t/d intermediate nitric acid plant • 1910 t/d intermediate ammonium nitrate plant • 4300 t/d Urea Ammonium Nitrate (UAN) plant • 2 x 90 t/d Melamine plants The final product outputs from this configuration are as follows: • 1.5 million tpy UAN • 60,000 tpy melamine.	Construction of the plant continued during the year.	The project was partially completed at end of year.

	Project Title:	Detail of Project	Activities Undertaken in Year	Project Status
3.	Essar Iron and Steel Project	Essar Iron and Steel Project consists a steel complex comprising the following plants: • Direct Reduced Iron and Hot Briquetted Iron Facility • Pellet Plant • Steel Making and Slab Caster • Hot Strip Mil	Feasibility of project being assessed.	Awaiting report. Project being assessed.
4.	Alutrint Aluminium Smelter Project	Alutrint Aluminium Smelter Project consists of plans for the construction of a 125,000tpy Aluminium Complex in Union Estate, La Brea.	Feasibility study was completed.	Development works commenced.
5.	Carisal Calcium Chloride/Caustic Soda Project	Carisal Calcium Chloride/Caustic soda Project is proposing to construct a plant to produce: • Calcium Chloride • Caustic Soda • Sodium Hypochlorite • Hydrochloric Acid	Feasibility study was conducted.	Report received. Development works commenced.
6.	Westlake Ethylene Project	Integrated ethylene complex	Feasibility study was conducted.	Report received, decision being considered.
7.	Isegen Maleic Anhydride Project	Isegen Maleic Anhydride Project involves the development of a plant to produce maleic anhydride.	Feasibility study being conducted.	Feasibility report outstanding.
8.	Natural Gas Protein Manufacturing Project	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.	Project conceptualization was being done. Construction activities in progress.	Facilities being constructed.
9.	LNG expansion	Development of a new LNG Train	Feasibility study conducted.	Report received, decision being considered.

5. POLICIES & PROCEDURES

DEBT POLICY

The company's policy is to keep the gearing ratio between 25% - 30%.
(Gearing measures the proportion of assets invested in a business that are financed by long-term borrowing).

INVESTMENT POLICY

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

National Energy Corporation seeks to further mitigate its risk exposure by diversifying the portfolio thus ensuring that the maximum placement limits at any financial institution does not exceed 30% of National Energy Corporation'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 OMOs together with bank term deposits with investment tenors of approximately 90 days. This strategy seeks to ensure the availability of funds, which may be needed in the event that some unforeseen financial obligation arises during the financial year.

INTERNAL AUDIT FUNCTIONS

The Internal Audit Function is facilitated by the Parent Company, NGC, when required. It should be noted that National Energy Corporation's Financial Statements were audited by external auditors (Ernst and Young), for the period.

6. FINANCIAL OPERATIONS

BUDGET FORMULATION

BUDGET AND FORECASTING PROCEDURES

The company's Corporate Budget Document is prepared by the Finance Department and includes input from all Departments.

The Budget Document comprises three sub-budgets viz.:-

- Operating Revenue and Expenditure
- Capital Expenditure
- Cash Budget

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

BUDGET PREPARATION PROCESS

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

BUDGET REVIEW AND APPROVAL PROCESS

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

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

CASH BUDGET

An annual Cash Budget is prepared on the basis of the Corporate Revenue, Operating Expenditure, Capital Expenditure Budgets, Debt Servicing and payment of Dividends and Taxes.

The annual Cash Budget is analyzed over a twelve (12) month period and updated monthly on a twelve (12) month roll-over basis.

BUDGET IMPLEMENTATION

Upon approval by the Board of Directors, 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 2008, National Energy Corporation recorded a net profit of $52.3M, 57.5% or $70.7M below the budgeted amount of $123.0M.

Total revenue in the amount of $293.0M was $17.0M or 6.2% above the budgeted amount of $276.0M. This favourable performance resulted mainly from unbudgeted income from lease of land at Union Industrial Estate by Alutrint Limited and management fee for PSIP projects from the Ministry of Energy & Energy Industries.

Operating profit for 2008 was $218.9M, which was $15.0M or 7.4% above the budgeted amount of $203.9M. While operating profit was S15.0M greater than budgeted, impairment charges and bad debt provisions (UIE and CIB deposits) impacted the company adversely, resulting in a Net Profit of $52.3M, which was $70.7M below the budgeted amount.

Capital expenditure of $63.0M was 43.9% below the budgeted amount of $112.2M (excludes UIE acquisition from parent). During the year the company undertook projects funded under the Public Sector Investment Programme (PSIP) in the amount of $508M.

Total assets for 2008 amounted to $1.4B compared to that of 2007, which amounted to $982.1M. The main reason for the increase was the acquisition of Union Industrial Estate

from NGC for $367.1M. Cash and short term investment as at December 31, 2008 amounted to $248.2M.
See copies of National Energy's Audited Income Statement & Balance Sheet and Management Income Statement for 2008 attached at Appendix 1.

7. HUMAN RESOURCE DEVELOPMENT PLAN

a. ORGANISATIONAL ESTABLISHMENT

The company is governed by a Board of Directors which is comprised of five (5) Board Members.

The Key role of the President and Heads of Department are as follows:

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

- **Vice President – Business Development**
  To ensure the development and utilization of the assets of the Company for the realisation of optimum benefits to the country from the gas-based industry.

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

- **Manager – Engineering Design & Construction**
  To manage the design and construction of infrastructure and port facilities. To ensure that the adequate site and port facilities are identified and made available, in a timely manner for use by investors in gas based projects.

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

- **Assistant Manager – Legal & Corporate 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.

- **Superintendent –Towage & Harbour Operations**
  To manage the provision of professional marine and supervisory services in the management, planning and operation of NGC/NEC's towage and harbour operations, which will optimise the use of the towage fleet in an efficient, cost effective and safe manner on a 24-hour basis, 365 days per year.

- **Head – Administration**
  To provide efficient and effective Administrative Services in the areas of Office Facilities Management, Human Resource Management, Information Technology and Public Relations, which support the core business of NEC and LABIDCO.

- **Head – Environmental, Health, Safety and Security**
  To create business value by partnering with management and championing best successful practices for the control of risks and loss while sustaining a secure environment.

b. CATEGORY OF EMPLOYMENT

In 2008, the categories of employees of NEC were as follows:

- Permanent Professional – Thirty-four (34)
- Permanent Non-Professional – Thirty-five (35)
- Contract Professional – Three (3)
- Contract Non-Professional – Five (5)
- Temporary – Four (4)

The staff complement was eighty one (81) employees. The position of Superintendent, Engineering Design and Construction was upgraded to Manager, Engineering Design and Construction and five (5) Administrative Assistants were promoted. The Company recruited four (4) new positions. They were: (i) Construction Technician (ii) Security Coordinator (iii) Environmental Health & Security Coordinator (iv) Business Analyst.

c. CAREER PATH SYSTEMS

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

d. PERFORMANCE ASSESSMENT/MANAGEMENT STRATEGIES

The Performance Assessment/Management Strategic system was used to empower employees of the organization to achieve excellence in their jobs. It was designed to produce the following results:

- Greater accountability at all levels in the Organization
- Higher levels of motivation among employees
- Increased organizational planning
- Open feedback and communication between supervisor and employee
- Information/data to support human resource decision making
- Flexibility in adapting to changes in the Company's business environment
- Improved organizational development through the identification of individuals with promotion potential, and training and development needs

e. PROMOTION – SELECTION PROCEDURES

The company was guided by the Filling of Vacancies Policy. This process included the following:

i. Employees' Performance Appraisal Records;
ii. Proven ability and experience and/or qualifications
iii. Continuous length of service with the company.

f. EMPLOYEE SUPPORT SERVICES

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

i. Employee Assistance -

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

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

ii. Counselling -

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

iii. Workplace Support -

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

8. PROCUREMENT PROCEDURES

The Procurement function is used to obtain and dispose of Goods and Materials, as well as Works and Services for National Energy Corporation at the best value, in a timely manner, abiding by applicable laws while maintaining competitiveness and the highest ethical standards. As a subsidiary, NEC adheres to the policy and procedures of 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
Management Tenders Committee	$50,001 - $1,000,000	$250,001- $1,000,000
NEC Tenders Committee	$1,000,001-$5,000,000	$1,000,001-$5,000,000
Board of Directors	>$5,000,000	>$5,000,000

Before suppliers/contractors can conduct business with National Energy Corporation they must be pre-qualified in accordance with National Energy Corporation's prequalification criteria, namely:

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

Once suppliers/contractors are registered as pre-qualified contractors for Goods and Services, they are placed in one of four (4) categories with the following value limits:

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

National Energy Corporation uses two Tender Boxes in its procurement procedures, Tender Box "A" and Tender Box "B".

Tender Box "A" is used for the procurement of works and services up to TT$250,000 and goods and materials up to TT$500,000. Tender Box "B" is used for the procurement of works and services greater than TT$250,000 and goods and materials up to TT$500,000.

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

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

9. PUBLIC & COMMUNITY RELATIONS

Corporate Social Responsibility Report 2008

It should be noted that this function did not exist at the National Energy Corporation in 2008 but was administered by the NGC on the company's behalf. National Energy Corporation joined with other partners in making its contribution to the social, economic and physical well-being of our citizens of all ages.

- National Energy Corporation and LABIDCO co-sponsored the La Brea Zonal Primary School Games, which are held annually at the Sobo Recreation Facility, La Brea. This initiative contributes to the development of youths through sport.

- National Energy Corporation's partnership with Milton Presbyterian School began in 2008, the first year the company had partnered with a school in its community. The company donated school supplies to successful SEA students; refurbished the teachers' lounge and kitchen area; provided HSE coaching to both teachers and students; purchased school attire for underprivileged students, and treated the students for Christmas.

- Care packages were donated at Christmas to persons at the Home for the Aged, Grant Street Ext. Couva.

In addition, ad hoc donations were given on a case-by-case basis.

APPENDIX I

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER, 2008

Ernst & Young

ERNST & YOUNG

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2008

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

We have audited the accompanying financial statements of National Energy Corporation of Trinidad and Tobago Limited which comprise the balance sheet as at 31 December, 2008 and the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
8 October, 2009

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

BALANCE SHEET AS AT 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)

Assets	**Notes**	**2008 $'000**	**Restated 2007 $'000**
Non-current assets			
Property, plant and equipment	3	517,170	475,785
Investment property	4	330,054	–
Deferred taxation	5	683	184
		847,907	475,969
Current assets			
Cash and short-term deposits	7	248,228	281,838
Short-term investments	7	–	79,246
Trade and other receivables	6	291,449	136,022
Taxation receivable		9,362	8,257
Inventories		196	811
		549,235	506,174
Total assets		1,397,142	982,143

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

BALANCE SHEET AS AT 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)
(Continued)

	Notes	2008 $'000	Restated 2007 $'000
Equity and liabilities			
Equity			
Stated capital	8	103,427	103,427
Capital contribution	8	97,223	–
Retained earnings		505,172	452,872
		705,822	556,299
Non-current liabilities			
Long-term debt	9	307,072	58,160
Deferred capital grant	10	34,437	–
Deferred taxation	5	38,403	29,155
		379,912	87,315
Current liabilities			
Creditors and accruals	11	180,063	97,688
Current portion of long-term debt	9	20,760	21,821
Deferred income	12	37,642	33,541
Deferred capital grant	10	1,187	–
Due to parent company		55,003	185,479
Taxation payable		16,753	–
		311,408	338,529
Total liabilities		691,320	425,844
Total liabilities and equity		1,397,142	982,143

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

: Director

: Director

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF INCOME
FOR THE YEAR ENDED 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)

Income	**Notes**	**2008 $'000**	**Restated 2007 $'000**
Marine infrastructure income	13	214,468	232,929
Lease rental		25,017	-
Interest income		16,212	18,757
Project management fees		15,963	3,837
Gain/(loss) on disposal of property, plant and equipment		13,684	(13)
Other operating income	14	7,693	11,634
Total income		293,037	267,144
Expenses			
Marine expenses	15	52,315	83,394
Administrative and general expenses	15	44,894	38,408
Impairment loss	4	72,647	-
Other expenses	15	12,673	155
Finance costs	15	5,685	5,578
Loss on foreign exchange transactions		98	1,060
		188,312	128,595
Profit before taxation		104,725	138,549
Taxation	5	(52,425)	(34,703)
Profit for the year		52,300	103,846

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

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)

	Stated capital $'000	Capital contribution	Retained earnings $'000	Total equity $'000
Balance at 1 January, 2007 – originally stated	103,427	-	312,603	416,030
Effect of restatements (Note 1.4(s)) – change in useful lives	-	-	57,423	57,423
Balance at 1 January, 2007 – restated	103,427	-	370,026	473,453
Profit for the year, as restated	–	-	103,846	103,846
Dividends paid (refer to Note 16)	-	-	(21,000)	(21,000)
Balance at 31 December, 2007	103,427	-	452,872	556,299
Balance at 1 January, 2008	103,427	-	452,872	556,299
Capital contribution by parent (Note 8)	-	97,223	-	97,223
Profit for the year	-	-	52,300	52,300
Balance at 31 December, 2008	103,427	97,223	505,172	705,822

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

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)

	2008 $'000	Restated 2007 $'000
Cash flows from operating activities		
Net income for the year before taxation	104,725	138,549
Adjustments for:		
Depreciation	21,599	20,687
Impairment of short-term deposits	14,449	-
Impairment of investment property	72,647	-
Interest expense	4,391	5,578
(Gain)/loss on disposal of property, plant and equipment	(13,684)	13
Interest income	(16,212)	(18,757)
Operating profit before working capital changes	187,915	146,070
Increase in trade receivables and prepayments	(156,481)	(46,538)
Decrease/(increase) in inventories	615	(92)
Increase/(decrease) in deferred income	39,725	(3,831)
Increase in creditors and accruals	82,408	73,625
Cash generated from operations	154,182	169,234
Taxation paid	(28,027)	(27,300)
Interest paid	(4,794)	(5,811)
Interest received	17,198	17,824
Net cash generated from operating activities	138,559	153,947
Cash flows from investing activities		
Purchase of property, plant and equipment	(98,608)	(35,843)
Net decrease/(increase) in short-term investments	79,246	(79,246)
Net proceeds from disposal of property, plant and equipment	13,684	-
Net cash used in investing activities	(5,678)	(115,089)
Cash flows from financing activities		
(Increase)/decrease in advances from parent company	(130,107)	34,577
Repayment of loans	(22,003)	(17,921)
Dividends paid	-	(21,000)
Net cash used in financing activities	(152,110)	(4,344)
Net (decrease)/increase in cash and cash equivalents	(19,229)	34,514
Cash and cash equivalents at beginning of year	281,838	247,324
Cash and cash equivalents at end of year (Note 7)	262,609	281,838

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

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). It is principally engaged in the management of certain marine infrastructural facilities at the Port of Point Lisas. The Company's registered office is located at Corner Rivulet and Factory Roads, Brechin Castle, Couva, Trinidad and Tobago.

The financial statements of National Energy Corporation of Trinidad and Tobago Limited were authorized for issue by the Board of Directors on 8 October, 2009.

1.1 Basis of preparation

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

Statement of compliance

The financials statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

1.2 Changes in accounting policy and disclosures

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

IFRIC 11	–	IFRS 2 Group Treasury Share Transaction
IFRIC 12	–	Service Concession Agreements
IFRIC 14	–	The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction.

1.2 Changes in accounting policy and disclosures (continued)

IFRIC 11 – IFRS 2 Group and Treasury Transactions

IFRIC 11 was issued in November 2006 and became effective for annual periods beginning on or after 1 March, 2007. The interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as equity settled scheme even if the entity buys the instruments from another party or the shareholders provide the equity instruments needed. As employees are not granted rights to equity instruments the interpretation had no impact on the financial position or performance of the Company.

IFRIC 12 – Service Concession Agreements

IFRIC Interpretation 12 was issued in November 2006 and became effective for annual periods beginning on or after 1 January, 2008. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company is not an operator and hence this interpretation had no impact on the Company.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and became effective for annual periods beginning on or after 1 January, 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. This Interpretation had no impact on the financial position or performance of the Company.

1.3 Significant accounting judgements, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

Impairment of non-financial assets

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

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

Estimation of property, plant and equipment

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

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.

1.4 Summary of significant accounting policies

a) Cash and cash equivalents

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

For the purpose of the 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) Inventories

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

d) Taxes

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

Deferred tax
Deferred income tax is provided using the liability method on all temporary differences at the balance sheet 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 balance sheet 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.

1.4 Summary of significant accounting policies (continued)

d) Taxes (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

e) Property, plant and equipment

Property, plant and equipment are stated at historical cost.

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

Marine infrastructure assets	2.86 -12.50%
Tugs & workboats	6.67%
Machinery & equipment	12.5 – 20%
Other assets	10 – 50%
Administration building	2%

The residual value for tugs and workboats has been estimated at 50% of cost.

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

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

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

1.4 Summary of significant accounting policies (continued)

f) Investment property

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

Development cost	3.33%

No depreciation is provided on freehold land.

Investment property is derecognised when either they have been 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 recognised in the income statement in year of retirement or disposal.

g) Long-term debt

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

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

h) Foreign currencies

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

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

1.4 Summary of significant accounting policies (continued)

i) Borrowing costs

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

j) Creditors and accruals

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

Payables to related parties are carried at cost.

k) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

1.4 Summary of significant accounting policies (continued)

k) Impairment of non-financial assets (continued)

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 revalue 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.

l) Impairment of financial assets

The Company assesses at each balance sheet 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.

m) Deferred income

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

n) Deferred capital grants

Capital grants received from GORTT for the purchase of property are recognised where there is reasonable assurance that the grant funds will be received and utilised in accordance with all stipulated conditions. An amount equivalent to the depreciation charge on the relevant property, plant and equipment is released to income over the expected useful life of the asset.

1.4 Summary of significant accounting policies (continued)

o) Revenue recognition

Revenue associated with services is recognized upon performance of services. Interest and other investment income are accounted for on the accruals basis. Management fee as it relates to government funded projects is accounted for on an accruals basis.

p) 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 the asset.

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

Financial liabilities

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

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

1.4 Summary of significant accounting policies (continued)

q) Government grants

Grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to deferred income account and is released to the income statement over the expected useful life of the relevant asset. Where the grant relates to projects managed on behalf of the Government of Trinidad & Tobago, the grant is offset against costs incurred and shown net on the balance sheet.

r) Leases

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Premium on leases are recognised as revenue in the initial year of the lease. Lease rental and service charge are recognised as revenue in the period in which they are earned.

s) Restatement

The Company has restated its financial statements as at 31 December, 2007. The restatements relate to:

- An error in billing for fixed and variable pier user charges as a result of a revision to a pier user contract.
- A change in the economic useful life of the marine assets.

These adjustments were recorded retrospectively in accordance with IAS 8.

1.4 Summary of significant accounting policies (continued)

s) Restatement (continued)

These restatements increased/(decreased) previously reported amounts as follows:

As at or for the year ended 31 December 2007

	Profit before taxation $'000	Property, plant & equipment $'000	Trade and other receivables $'000	Deferred taxation liability $'000
As originally reported	126,250	388,440	134,276	7,319
Additional billing	1,518	–	1,746	–
Restatement of useful economic life	10,781	87,345	–	21,836
Restated	138,549	475,785	136,022	29,155

	Creditors and accruals $'000	Taxation receivable $'000
As originally reported	97,461	8,639
Additional billing	227	(382)
Change in useful economic life of piers and tugboats	–	–
Restated	97,688	8,257

2. Future changes in accounting policies

Standards issued but not yet effective

The Company has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting period beginning after 1 January 2008.

IFRS 1 First-time Adoption and IAS 27 Consolidated and Separate Financial Statements was amended (effective from 1 January, 2009) and provides guidance on determining the cost of investments in subsidiaries, jointly controlled entities and associates in the financial statements of an parent entity that prepares separate financial statements.

IFRS 2 Share-based Payment was amended (effective from 1 January, 2009) regarding Vesting Conditions and Cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions.

IFRS 3 Business Combinations was amended (effective from 1 July, 2009). The amendments were the result of a joint project with the US FASB, and certain fundamental changes and improvements were made to reinforce the existing standard and remedy problems that have emerged with its application.

IFRS 8 Operating Segments (effective from 1 January, 2009) requires disclosure of information about the Company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company.

IAS 1 Presentation of Financial Statements was revised (effective 1 January, 2009) and separates owner and non-owner changes in equity, through the introduction of a statement of comprehensive income.

IAS 23 Borrowing Costs was amended (effective from 1 January, 2009) and requires capitalization of borrowing costs that relate to a qualifying asset. The transitional provisions of the standard require prospective application from the effective date.

IAS 32 Financial Instruments: Presentation was amended (effective from 1 January, 2009) regarding Puttable Financial Instruments and Obligations Arising on Liquidation, and requires entities to classify certain types of financial instruments as equity provided they have particular features and meet specific conditions.

2. Future changes in accounting policies (continued)

Standards issued but not yet effective (continued)

IAS 39 Financial Instruments: Recognition and Measurement was amended (effective from 1 July, 2009) regarding Hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item.

IFRIC 13 Customer Loyalty Programmes (effective from 1 July, 2008) requires that award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. Banks often grant customers award credits (or points) as part of their credit card programme, which may be redeemed for free or discounted goods. Such banks would need to consider whether their customer loyalty programme falls under the scope of the IFRIC.

IFRIC 15 Agreements for the Construction of Real Estate (effective from 1 January, 2009) regarding when and how revenue and related expenses from the sale of real estate as construction progresses should be recognized, and addresses the divergence in accounting treatment arising from such arrangements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from 1 October, 2008) provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment. It also provides guidance on where within the group the hedging instrument can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 1 July, 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognize a liability and how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.

IFRIC 18 Transfers of Assets from Customers (effective from 1 July, 2009) provides guidance on when and how an entity should recognize items of property, plant and equipment received from their customers.

Improvements to IFRSs

In May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after 1 January, 2009. The following table shows the IFRSs and topics addressed by these amendments.

2. Future changes in accounting policies (continued)

Standards issued but not yet effective (continued)

Improvements to IFRSs (continued)

IFRS	**Subject of Amendment**
Part I	**Amendment that result in accounting changes for presentation, recognition and measurement purposes**
IFRS 5	Plan to sell the controlling interest in a subsidiary.
IAS 1	Current/non current classification of derivatives
IAS 16	Recoverable amount.
IAS 19	Curtailments and negative past service cost. Plan administration costs. Replacement of term “falls due”. Guidance on contingent liabilities.
IAS 20	Government loans with a below market interest rate.
IAS 23	Components of borrowing costs.
IAS 27	Measurement of subsidiary held for sale in separate financial statements.
IAS 28	Required disclosures when investments in associates are accounted for at fair value through profit or loss.
IAS 29	Description of measurement basis in financial statements.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 36	Disclosure of estimates used to determine recoverable amount.
IAS 38	Advertising and promotional activities. Unit of production method of amortization.
IAS 39	Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	Property under construction or development for future use as investment property.
IAS 41	Discount rate for fair value calculations.
Part II	**Amendments that are terminology or editorial changes only.**
IAS 7	Presentation of finance costs.
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 18	Costs of originating a loan.
IAS 20	Consistency of terminology with other IFRSs.
IAS 29	Consistency of terminology with others IFRSs.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 40	Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	Examples of agricultural produce and products. Point of sale costs.

Management does not expect any material impact to the financial statements from the adoption of these standards.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)
(Continued)

3. Property, plant and equipment

2008	Marine infrastructure assets $'000	Machinery equipment $'000	Development cost $'000	Leasehold property $'000	Other assets $'000	Capital work in progress $'000	Total $'000
Cost							
At beginning of year	640,087	6,204	1,759	11,900	6,355	3,645	669,950
Additions	1,414	70	–	–	294	61,206	62,984
Transfers	95	–	–	–	128	(223)	–
Disposals	(9,662)	(18)	–	–	(1,244)	–	(10,924)
	631,934	6,256	1,759	11,900	5,533	64,628	722,010
Accumulated depreciation							
At beginning of year	183,312	4,942	254	923	4,734	–	194,165
Charge for year	20,089	446	169	241	654	–	21,599
Disposal of assets	(9,662)	(18)	–	–	(1,244)	–	(10,924)
	193,739	5,370	423	1,164	4,144	–	204,840
Net book value	438,195	886	1,336	10,736	1,389	64,628	517,170

Capital work in progress as at 31 December, 2008 relates to the construction of Alutrint material and storage handling facilities totalling $58.38 million and extension of the Company's administrative building totalling $6.248 million (2007: $3.42 million). Capital work in progress as at 31 December, 2007 also comprised the extension of a guard booth and washroom facilities and assets in transit totalling $95,000 and $130,000 respectively.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)
(Continued)

3. Property, plant and equipment (continued)

Restated 2007	Marine infrastructure assets $'000	Machinery equipment $'000	Development cost $'000	Leasehold property $'000	Other assets $'000	Capital work in progress $'000	Total $'000
Cost							
At beginning of year	597,215	5,870	1,711	11,789	5,920	11,711	634,216
Additions at cost	31,376	334	48	111	459	3,515	35,843
Transfer	11,581	–	–	–	–	(11,581)	–
Disposal of assets	(85)	–	–	–	(24)	–	(109)
	640,087	6,204	1,759	11,900	6,355	3,645	669,950
Accumulated depreciation							
At beginning of year	164,116	4,503	86	683	4,187	–	173,575
Charge for year	19,281	439	168	240	559	–	20,687
Disposal of assets	(85)	–	–	–	(12)	–	(97)
	183,312	4,942	254	923	4,734	–	194,165
Net book value	456,775	1,262	1,505	10,977	1,621	3,645	475,785

On the 18 December, 2007, the Company entered into an agreement with a third party to sell two of its tugs with a cost of TT$8,690,104 and accumulated depreciation of TT$8,690,104. The actual sale was finalised on the 17 January, 2008.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2008
(Expressed in Trinidad and Tobago dollars)
(Continued)

4. Investment property

	Land $	Development cost $	2008 Total $	2007 Total $
2008				
Cost				
At beginning of year	–	–	–	–
Additions	35,624	367,077	402,701	–
	35,624	367,077	402,701	–
Accumulated depreciation/ impairment				
At beginning of year	–	–	–	–
Depreciation charge	–	–	–	–
Impairment loss	–	72,647	72,647	–
	–	72,647	72,647	–
Net book value	35,624	294,430	330,054	–

The Company conducted an impairment review of its investment property at Union Industrial Estate which was acquired from its parent, the National Gas Company of Trinidad and Tobago Limited in 2008. The recoverable amounts were based on the value in use. In determining the value in use, the pre-tax cash flows were discounted at a rate of 7.4% with a terminal cap rate of 7%. This resulted in an impairment loss of $72.647 million.

Legal title for the land on which the Union Industrial Estate is situated has not been transferred to the Company by The Petroleum Company of Trinidad and Tobago Limited (Petrotrin).

5. Taxation	**2008 $'000**	**Restated 2007 $'000**
The major components of the taxation expense were as follows:		
Current taxation – Corporation tax	43,400	25,524
– Green fund levy	276	257
Deferred tax	8,749	8,922
	52,425	34,703

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:

Income before provision for taxation	104,677	138,549
Tax at the rate of 25%	26,170	34,637
Green fund levy	276	257
Non-deductible/(deductible) expenses	3,772	(259)
Permanent difference – impairment of investment property	18,162	–
Permanent difference – impairment of short-term deposits	3,612	–
Other differences	433	68
	52,425	34,703

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

Assets:		
Accrued annual leave	277	–
Accrued interest expense	83	184
Fair value interest adjustment	323	–
	683	184
Liabilities:		
Property, plant and equipment	38,403	29,155

6. Trade and other receivables	**2008 $'000**	**Restated 2007 $'000**
Trade receivables (see note i below)	103,232	63,928
Provision for doubtful debts	(3,213)	(3,747)
	100,019	60,181
Due by Alutrint Limited	–	107
Interest receivable	1,425	2,479
Prepaid expenses	1,316	2,160
Due from Government of Trinidad & Tobago (See Note ii below)	153,331	51,322
Due by Alutech Limited (See Note iii below)	18,091	17,228
Commissioner of Value Added Tax	16,345	2,089
Other	922	456
Total trade and other receivables	291,449	136,022

Trade receivables are non-interest bearing and are generally on 15 – 30 days terms.

i. Included in trade receivables is an amount of TT$16.233 million (2007: TT$0.522 million) due from related party, La Brea Industrial Development Company Limited.

ii. Included in other receivables are costs incurred on various projects which are recoverable from the Government of Trinidad and Tobago. They are as followed:

	2008 $'000	**2007 $'000**
Project expenses not billed	151,336	7,677
Project expenses billed	(580)	39,808
Management fees not billed	1,509	3,837
Management fees billed	1,066	–
	153,331	51,322

6. Trade and other receivables (continued)

iii. During 2005 the Company advanced an amount of TT$17.6 million (US$2.8 million) to Sural C.A. on behalf of Alutech Limited, a Company formed during 2005 in which the Company had intended to hold a 60% interest with Sural holding the remaining 40%. During 2006, the Government reversed its decision of NEC holding a 60% interest in Alutech Limited.

	2008 $'000	2007 $'000
Due by Alutech Limited	19,385	17,228
Fair value loss recognised	(1,294)	-
	18,091	17,228

As at 31 December, 2008, trade receivables at a value of TT$3,213,000 (2007: TT$3,747,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:-

	2008 $'000	2007 $'000
As at 1 January	3,747	3,087
Charge for year	72	660
	3,819	3,747
Provision reversed	(606)	-
At 31 December	3,213	3,747

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

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2008	100,019	87,075	7,182	4,076	1,331	163	192
2007	60,181	48,039	6,421	2,992	2,365	189	175

	2008	2007
7. Cash and short-term deposits	**\$'000**	**\$'000**
Cash at bank	37,641	78,374
Short-term deposits	224,968	203,464
	262,609	281,838
Less: Provision for impairment of short-term deposits (Note b)	(14,381)	-
	248,228	281,838

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 TT\$248.228 million (2007: TT\$281.838 million).

b. The Company held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT\$14.381 million as at 31 December, 2008 which were due to mature subsequent to 30 January, 2009.

CIB experienced financial and liquidity issues. On 31 January, 2009 the Central Bank of Trinidad & Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates of TT\$14.381 million and the related accrued interest of TT\$67,900 have been fully impaired as there is no basis to determine the timing and quantum, if any, of recovery.

	2008	2007
8. Stated capital	**\$'000**	**\$'000**
Authorized		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
1,034,270 ordinary shares of no par value	103,427	103,427

In 2009, the parent company agreed to provide the Company with a loan at an interest rate below market value effective 31 December, 2008. This resulted in the Company recognising a capital contribution of TT\$97.223 million when the loan was recorded at fair value (See Note 9).

9. Long-term debt

		Long-term portion $'000	Current portion $'000	2008 $'000	2007 $'000
(i)	Loan from parent company	–	8,957	8,957	24,440
(ii)	Loan from parent company-UIE loan	264,997	4,857	269,854	–
(iii)	First Citizens Bank	42,075	6,946	49,021	55,541
		307,072	20,760	327,832	79,981

i) On 1 January, 2000, the Company acquired Savonetta Pier IV, which was constructed by the parent company on its behalf. The purchase consideration of TT$157.2 million is to be settled on or before the 1st day of October 2009. Included in the purchase consideration is an amount of TT$38.6 million which was own funds supplied by the parent company, the balance was sourced through a Caribbean Development Bank (CDB) loan. The interest rate applicable on the own funds portion of the loan is 10.56% per annum and all payments made to CDB are to be reimbursed by NEC. The interest on the CDB loan is payable quarterly in arrears and reviewed annually. The interest rate applicable for 2008 ranged between 5.92% and 6.03% (2007: 6% and 6.10%).

ii) On 12 April, 2009, the Company was mandated by the Government of Trinidad and Tobago to reimburse the parent company, National Gas Company of Trinidad and Tobago Ltd., for the cost of the development of the Union Industrial Estate (UIE), La Brea. The purchase consideration of US$58.518 million (TT$367.078 million) is to be settled by 50 equal semi-annual payments of principal and interest. The interest rate applicable on the loan is 3.0% per annum. The effective date of this loan was 31 December, 2008 with the first semi-annual payment to be made in July 2009.

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

(a) Collateral Chattel Mortgage over two (2) tugboats – NEC Empress & NEC Majestic with carrying amounts totalling TT$47.151 million (2007: TT$49.009 million).

(b) Contractor's All Risk Assignment made between NEC, National Gas Company of T&T and First Citizens Bank Limited.

9. Long-term debt (continued)

(c) Marine Hull and Protection & Indemnity Insurance over the two (2) tugboats.
(d) Deed of Assignment and Notice of Assignment of the proceeds of two (2) Pier Usage contracts.
(e) Deed of Charge over Deposit Account in the name of NEC to service loan facility.
(f) Deed of Agreement made between NEC of the first part, NGC of the second part and FCB of the third part allowing the charge over the two (2) tugboats and the assignment of the proceeds of the Pier Usage contracts.
(g) Registration of Ship's Mortgages over NEC Empress and Majestic made between NEC and FCB.

	Carrying amount		**Fair value**	
	2008	**2007**	**2008**	**2007**
	\$'000	**\$'000**	**\$'000**	**\$'000**
Balance as at 31 December	327,832	79,981	313,480	78,792

(i) The fair value of borrowings with First Citizens Bank has been calculated by discounting the expected future cash-flows at prevailing interest rates of 10.45% (2007: 9.20%).

(ii) The loan from the parent company for the acquisition of development costs of the Union Industrial Estate has been recognised at fair value using a discount rate of 6%. This loan was granted at an interest rate below market value by the parent company. As at 31 December, 2008 the fair value and the carrying value are the same.

Maturity profile of long-term debt	**2008 \$'000**	**2007 \$'000**
In one year or less	20,760	21,821
In more than one year but not more than two years	12,547	16,090
In more than two years but not more than three years	13,339	7,395
In more than three years but not more than four years	14,181	7,873
In more than four years but not more than five years	15,076	8,382
In more than five years	251,929	18,420
	327,832	79,981

10. **Deferred capital grant**	**2008** **$**	**2007** **$**
Monetary grants: Union Industrial Estate		
Balance as at 1 January	–	–
Received during the period	35,624	–
Released to the statement of income	–	–
Balance as at 31 December	35,624	–
Non-current	34,437	–
Current	1,187	–
	35,624	–

11. **Creditors and accruals**	**2008** **$'000**	**Restated** **2007** **$'000**
Trade creditors – other	17,694	2,744
Trade creditors – government funded projects	11,936	23,632
Sundry creditors and accruals	150,433	71,312
Total creditors and accruals	180,063	97,688
Sundry creditors and accruals are comprised as follows:		
Accrued interest	326	361
Accrued material/service amounts – other	23,171	17,213
Accrued material/service amounts – government funded projects	65,302	44,628
Retentions – government funded projects	17,847	4,771
Retentions – other	2,975	512
Employee related accruals	2,140	1,855
Accrued vacation leave	1,107	–
Due to Commissioner of Value Added Tax	37,295	1,949
Other	270	23
Total sundry creditors and accruals	150,433	71,312

Terms and conditions of significant financial liabilities above:

a. Trade payables are non-interest bearing and are normally settled on 30-day terms.
b. Interest payable is normally settled in accordance with the terms and conditions of the respective loans – See Note 9.
c. Accrued materials/service amounts and retentions are non-interest bearing.
d. Employee related accruals are normally settled monthly throughout the year.

12. **Deferred income**	**2008 $'000**	**2007 $'000**
Billings in advance (note i)	17,941	12,914
Operating government grant (note ii)	19,701	20,627
	37,642	33,541

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

(ii) *Operating government grant (Westlake Chemical – Polyolefins Project):*

At 1 January	20,627	28,352
Released to the income statement	(926)	(7,725)
	19,701	20,627

13. Marine infrastructure income

The marine assets principally consist of the ISCOTT dock, the Savonetta Pier, the Point Lisas harbour and the tugs and workboats. Revenues earned were as follows:

	2008 $'000	**Restated 2007 $'000**
ISCOTT dock	5,687	5,687
Savonetta pier	110,096	115,714
Point Lisas harbour	32,726	38,523
Tugs and workboats	65,959	73,005
	214,468	232,929

14. Other operating income

Other - government grant (*see note below*)	926	7,725
- miscellaneous	6,767	3,909
	7,693	11,634

This amount relates to income released from deferred income (government grant) to match related expenses incurred on Westlake Chemical – Polyolefin Project (See Note 12).

	2008 $'000	2007 $'000
15. Expenses		
Marine expenses comprise the following:		
Depreciation	20,088	19,282
Insurance	2,400	2,846
Management fees – tugs & workboats	12,970	15,383
Sea bed lease rent	119	119
Salaries & related benefits	4,748	3,849
Maintenance – marine facilities	11,990	41,915
	52,315	83,394
Administrative and general expenses comprise the following:		
Salaries & related benefits	16,791	13,525
Impairment of short-term deposits (Note 7)	14,497	–
Depreciation	1,511	1,405
Management fees – NGC	1,000	2,931
Government funded projects	926	7,725
Insurance	2,655	3,393
Natural Gas Export Task Force expenses	19	355
Motor vehicle expense	1,389	1,371
Other	6,106	7,703
	44,894	38,408
Other expenses comprise the following:		
Donation - other	218	155
Donation - Uni Bio Project	12,455	–
	12,673	155
Finance costs comprise the following:		
Interest on debt and borrowings	4,391	5,578
Impairment loss on Alutech loan (Note 6 iii.)	1,294	–
	5,685	5,578

16. Dividend

Declared and paid during the year:

	2008 $'000	2007 $'000
Equity dividends on ordinary shares: (2007: $20.30)	–	21,000

17. Contingent liabilities

i) Litigation matter

The Company has been named as defendant in a negligence suit which is currently a High Court matter, which outcome cannot be reasonably ascertained as at the year-end. No provision has been made in the financial statements as the Company is wholly indemnified against liabilities in this action.

ii) Guarantee

The Company has provided a bank guarantee in the amount of US$17.2 million in respect of a loan granted to Alutech Limited. As at 31 December, 2008, the loan balance amounted to TT$1.9 million (2007: TT$59.2 million).

18. Related party transactions

The Company is a wholly owned subsidiary of The National Gas Company of Trinidad and Tobago. The sales to and from related parties are at arms length, with the exception of the interest rate on the UIE loan from the parent company (Note 9). Outstanding balances at the year end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December, 2008 the Company has not made any provisions for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

18. Related party transactions (continued)

The following table provides the total amount of material transaction, which have been entered into with related parties as at or for the year ended 31 December, 2008 and 31 December, 2007.

		Income from related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
The National Gas Company of Trinidad and Tobago	2008	–	–	–	55,003
	2007	–	–	–	185,479
Lease land	2008	1,500	–	–	–
	2007	1,500	–	–	–
Management fees	2008	–	1,000	–	–
	2007	–	2,931	–	–
Interest expense	2008	–	994	–	–
	2007	–	1,791	–	–
Staff costs charged back	2008	–	22,382	–	–
	2007	–	18,397	–	–
UIE loan	2008	–	–	–	269,854
	2007	–	–	–	–
Government of Trinidad & Tobago					
Grants	2008	534,115	–	–	–
	2007	69,700	–	–	–
Management fees	2008	15,963	–	–	–
	2007	3,837	–	–	–

(i) The Company has a Memorandum of Agreement with its parent company for the management, operation and administration of its day to day affairs. Effective March, 1993 all former employees were absorbed by the parent company. Presently, staff is seconded from the parent company to carry out the management, operation and administration of the business. Staff costs, excluding pensions, are charged to the company.

(ii) **Compensation of key management personnel**	**2008 $'000**	**2007 $'000**
Short-term employee benefits	4,403	2,892

19. Commitments

i) Operating lease commitments

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

Future minimum rentals receivable under operating leases as at 31 December, 2008 are as follows:

	2008 $'000	2007 $'000
Within one year	14,631	–
After one year but not more than five years	50,179	–
More than five years	300,109	–
	364,919	–

ii) Capital commitments

Approved and contracted capital expenditure	556,703	2,305

iii) Other commitments

Other commitments as at 31 December, 2008 was TT$1,081.6 million relating to the projects funded by the Government (2007: TT$929.4 million).

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

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

21. Financial risk management objectives and policies

The Company has various financial assets such as trade receivables, cash and short-term deposits 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 the result that the Company's exposure to bad debts is not significant. 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 $14.4 million in investment note certificates with Clico Investment Bank Limited which were held at 31 December, 2008 and due to mature subsequent to 30 January, 2009. As stated in Note 7 c), a provision has been established for this balance as the recoverability of this balance is doubtful.

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.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

21. **Financial risk management objectives and policies** (continued)

Interest rate risk table

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowing). There is no impact to the Company's equity.

	Percentage increase/decrease in interest rate	**Effect on profit before tax TT$'000**
2008	+10%	(53)
	−10%	53
2007	+10%	(149)
	−10%	149

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. Approximately 72% of the Company's sales and 13% of cost are denominated in currencies other than the functional currency.

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 2007.

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, 2008 and 31 December, 2007.

22. Financial instruments

Fair values

Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprises cash and short-term deposits, and sundry debtors and current liabilities are a 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 debt with its parent (See Note 9 (i) and (ii)) approximates its carrying amount given the floating nature of the loans at prevailing market rates. The fair value of fixed rate third party borrowings with First Citizens Bank has been calculated by discounting the expected future cash-flows at prevailing interest rates of 10.45% (2007: 9.20%). Refer Note 9.