NATIONAL ENERGY CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

Securing Energy for Tomorrow

ANNUAL ADMINISTRATIVE REPORT

2009

Executive Summary

Annual Administrative Report, 2009

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 10, 2009 to December 31, 2009, the Board of Directors of NEC comprised of six Directors, namely Mr. Malcolm Jones, Professor Kenneth Julien, Mr. Barry Barnes, 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.

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

During the reporting period, several projects have progressed in support of the company's mandate. Significant events that occurred in 2009 are as follows:

- Project development activities on the Gas to Polypropylene Complex continued in 2009. However, the project was stopped by investors as a result of the global economic downturn.
- The Ammonia Plant of the MHTL UAN/Melamine Project was completed and brought into production in April 2009. Construction of the complex continued.
- Project development activities continued on the Essar Iron and Steel Project. However, the investor stopped the project based on the downturn in the global economy which started in 2008.
- A Certificate of Environmental Clearance (CEC) was received for the Alutrint Aluminium Smelter Project. Development works in progress at end of year.
- A CEC and Town and Country Planning and Development (TCPD) approvals were received for the Carisal Calcium Chloride/Caustic Soda Project. Preparation activities for construction commenced. Development works in progress at end of year.

- Feasibility Study for the Westlake Ethylene Project was completed. This project was not pursed any further.
- Feasibility Study for Isegen Maleic Anhydride Project was completed. This project was not pursued any further.
- Completion of the Site Acceptance Test for the fermenter for the Natural Gas Protein Manufacturing Project was completed in June 2009. The construction of the Bio Chemical Lab continued.
- Feasibility Study for LNG expansion with train X was completed with British Gas. The project was not pursued further.
- A draft policy was submitted to the MEEI for the Development of a Renewable Energy Policy.

During the year 2009, NEC recorded a net profit of $56.6M, 53% or $63.8M below the budgeted amount of $120.4M. Total Revenue was recorded at $254.20M. Operating Profit for 2009 amounted to $184.8M. Capital Expenditure for the year 2009 was $113.9M. Total Assets for 2009 amounted to $1.4B. Cash and short-term investment as at December 31, 2009 amounted to $330.9M.

The staff complement at NEC for the year 2009 amounted to Eighty-four (84) employees.

In 2009, Public and Community Relations were continued by NEC in the following categories:

- Community Development – NEC contributed to the renovation of the Sacred Heart Church Presbytery, as well as assisted in building a multi-purpose complex for outreach programmes. The EHSS Department made presentations to Milton Presbyterian School, as well as inspected the school's premises for health and safety hazards. Further, NEC held a training session titled "The A-Z of Running a Small Business" in La Brea, in collaboration with NEDCO.
- Sport – NEC co-sponsored the La Brea Zone Primary School Athletic Committee's Zonal Track and Field Championships.
- Youth – NEC contributed to the National Amateur Athletic Youth Team's participation in the World Youth Championship held in Bressanone, Italy.
- Education – The Company donated toward an interactive session on HIV/AIDS, Substance Abuse and Conflict Resolution hosted by the Vessigny Secondary School Parent/Teacher Association in conjunction with Hal Greaves and Associates and the Rape Crisis Association.
- Additionally, donations were also given to other activities and groups in education, culture and sport.

TABLE OF CONTENTS

1. CORPORATE INFORMATION

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

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

In 2009, National Energy Corporation was guided by the Vision and Mission of its parent company, the National Gas Company of Trinidad & Tobago Limited (NGC) which were 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 the National Energy Corporation includes:

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

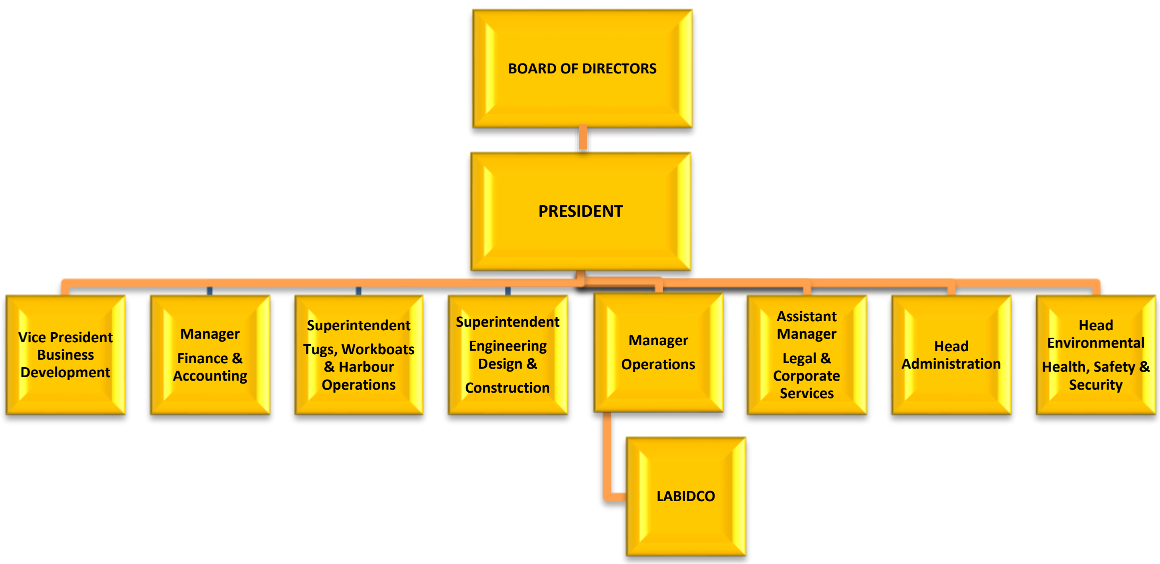
The National Energy Corporation was incorporated in 1979 to continue the work first started by the Coordinating Task Force in monetizing the country's natural gas resources and developing and managing industrial and marine infrastructure. National Energy Corporation was involved in the construction and 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 the National Gas Company of Trinidad & Tobago Limited (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 is comprised of eight (8) Departments as depicted in the Organisation Chart below:



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

ii. Engineering Design & Construction (EDC) - has a Government Mandate to build ports and industrial estates. The EDC Department is responsible for the physical design and construction of these projects. This involves several functions, which require substantial acreage of land and associated utilities and marine infrastructure, including the hiring of boat contractors and consultants and supervising of the contractors to ensure compliance with the mandate.

iii. Legal & Corporate Services (LCS) - provides legal and corporate secretariat services.

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

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

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

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

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

ix. Management of LABIDCO

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

Services at LABIDCO Estate include:

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

b. DELEGATION OF AUTHORITY

As a subsidiary of the National Gas Company of Trinidad and Tobago Limited (NGC), the 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 by the Board of Directors is required.

c. LEGISLATIVE AND REGULATORY FRAMEWORK

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 National Energy.

d. REPORTING FUNCTIONS

All Managers/Heads 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.

4. PROJECT HIGHLIGHTS & DEVELOPMENT INITIATIVES

Despite the challenges that resulted from the global financial crisis in 2009, National Energy Corporation continued to be at the forefront, conceptualizing and developing energy based industries in accordance with the mandate of the Government of the Republic of Trinidad and Tobago. Highlights of projects engaged in for 2009 are outlined in the table below:

	Project Title:	Detail of Project	Activities Undertaken in Year	Project Status
1.	Gas to Polypropylene Complex	NEC together with NGC and 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.	Project development activities continued in 2009. (Agreement on the site and plant layout.)	Project was stopped by investors as a result of the global economic downturn.
2.	MHTL UAN/Melamine Project	MHTL AUM I Project consists of the following plants in the complex: • 1850 t/d ammonia plant • 2100 t/d intermediate urea plant • 1500 t/d intermediate nitric acid plant • 1910 t/d intermediate ammonium nitrate plant • 4300 t/d Urea Ammonium Nitrate (UAN) plant • 2 x 90 t/d Melamine plants The final product outputs from this configuration are as follows: • 1.5 million tpy UAN • 60,000 tpy melamine	The Ammonia Plant was completed and brought into production in April 2009.	Construction of the complex continued.
3.	Essar Iron and Steel Project	Essar Iron and Steel Project consists of the establishment of a steel complex comprising the following plants: • Direct Reduced Iron and Hot Briquetted Iron Facility • Pellet Plant • Steel Making and Slab Caster • Hot Strip Mill	Project Development activities continued - (Discussions on various aspects of contracts).	The investor stopped the project based on the downturn in the global economy which started in 2008.

	Project Title:	Detail of Project	Activities Undertaken in Year	Project Status
4.	Alutrint Aluminium Smelter Project	Alutrint Aluminium Smelter Project consists of the construction of a 125,000tpy Aluminium Complex in Union Estate, La Brea.	Receipt of the CEC for Alutrint Aluminium Smelter project. Preparation activities for construction.	Development works in progress at end of year.
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	Receipt of Certificate of Environmental Clearance (CEC) and Town and Country Planning and Development (TCPD) approvals. Preparation activities for construction commenced.	Development works in progress at end of year.
6.	Westlake Ethylene Project	Integrated ethylene complex	Feasibility study completed.	This project was not pursued further.
7.	Isegen Maleic Anhydride Project	Isegen Maleic Anhydride Project involves the development of a plant to produce maleic anhydride.	Feasibility study completed.	This project was not pursued further.
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.	Completion of the Site Acceptance Test for the fermenter was completed in June 2009.	The construction of the Bio Chemical Lab continued.
9.	LNG expansion	Development of a new LNG Train	Feasibility Study for LNG expansion with Train X was completed with British Gas.	This project was not pursued further.
10.	Renewable Energy	Renewable Energy Policy	Development of a Renewable Energy Policy with the Ministry of Energy and Energy Industries (MEEI).	Draft submitted to Ministry.

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 NEC'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 the 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 open market operations (OMOs), together with bank term deposits with investment tenors of approximately ninety (90) days. This strategy seeks to ensure the availability of funds, in the event that some unforeseen financial obligation arises during the financial year.

INTERNAL AUDIT FUNCTIONS

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

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

6. FINANCIAL OPERATIONS

BUDGET FORMULATION

BUDGET AND FORECASTING PROCEDURES

The Company's Corporate Budget Document is prepared by the Finance Department.

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 Managers, Assistant Managers and Departmental/Cost Centre Heads are responsible for the development of inputs for the operating expenditure and capital expenditure budgetary provisions for their 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, then the first draft of the Corporate Budget Document is compiled for review by the President.

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

CASH BUDGET

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

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

BUDGET IMPLEMENTATION

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

FINANCIAL STATEMENTS

During the year 2009, National Energy Corporation recorded a net profit of $56.6M, 53% or $63.8M below the budgeted amount of $120.4M.

Total recorded revenue of $254.20M was 8.6% below the budgeted amount of $278.1M. The unfavourable variance resulted mainly as a result of lower income from the dismantling of Caroni Factory in the amount of $16M and lower income from marine infrastructure in the amount of $5.8M

Operating profit for 2009 was $184.8M which was $13.4M or 6.8% below the budgeted amount of $198.2M.

The deficit in operating profit was further compounded by bad debt charges ($40.9M) and higher interest costs ($15.9M) resulting in a Net Profit of $56.6M, which was $63.8M below the budgeted amount of $120.4M.

Capital expenditure of $113.9M was 74.7% below the budgeted amount of $450.7M. During the year the company undertook projects funded by the Public Sector Investment Programme (PSIP) in the amount of $219M.

Total asset for 2009 amounted to $1.5B compared to 2008, when total asset amounted to $1.4B. This increase resulted from an inter-company loan from the parent company to construct the Brighton Material Storage and Handling Facility. Cash and short-term investment as at December 31, 2009 amounted to $330.9M.

See copies of National Energy's Audited Income Statement & Balance Sheet and Management Accounts Income Statement for 2009 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 Head of Departments are as follows:

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

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

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

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

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

  - Assistant Manager – Legal & Corporate Services
    The provision of legal advice with a view to protecting the Company from legal liability in its commercial/business operations, safeguard the Company's assets from claims/litigations and ensure compliance to statutory and common-law requirements.

  - 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, to support the core business of the National Energy Corporation 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 and fostering the sustainability of a secure environment.

b. CATEGORY OF EMPLOYMENT

In 2009, the categories of employees of the National Energy Corporation were:

- Permanent Professional – Thirty-five (35)
- Permanent Non-Professional – Thirty-seven (37)
- Contract Professional – Three (3)

- Contract Non-Professional – Five (5)
- Temporary – Four (4)

The staff complement was eighty four (84) employees. The Company recruited three (3) new positions. They were: (i) Electrical Technician (ii) Accounting Technician (iii) Project Engineer II. One position of IT Service Analyst was promoted to IT Officer.

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 which supports 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 -

Families in Action 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. FIA treats clients' problems before more serious ones develop. Following completion of a thorough assessment, an EAP Counsellor or Consultant, either continues to see the client for short-term problem resolution or refers the client for long-term assistance if required.

iii. Workplace Support -

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

8. PROCUREMENT PROCEDURES

The procurement function is used to procure and dispose of Goods and Materials, as well as Works and Services for National Energy Corporation at the best value, in a timely manner, abiding by applicable laws while maintaining competitiveness and the highest ethical standards. As a subsidiary, the National Energy Corporation adheres to the policy and procedures of the NGC, its parent company.

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

When tenders are received they are forwarded to the user department for evaluation. Upon evaluation, the 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

Community Development - In National Energy Corporation's endeavour to promote capacity-building, the organization contributed to the renovation of the Sacred Heart Church Presbytery, as well as assisted in building a multipurpose complex where various outreach programmes would be held.

In continued partnership with its fence-line communities, The EHSS Department made presentations to the children and teachers of Milton Presbyterian School, and also inspected the school's premises for health and safety hazards.

Further, as part of National Energy Corporation's commitment to capacity-building and strengthening, the company held a training session, in collaboration with NEDCO, in its fence-line community of La Brea. The training session was titled "The A-Z of Running a Small Business" and was attended by approximately fifty (50) persons.

Sport – National Energy Corporation continued to encourage and support sporting events in its fence-line communities by co-sponsoring the La Brea Zone Primary School Athletic Committee's Zonal Track and Field Championships. This event is an important pillar in the development of athletics in South Trinidad.

Youth – In support of youth and youth development, National Energy Corporation contributed to the National Amateur Athletic Youth Team's participation in the World Youth Championship held in Bressanone, Italy.

Education – The Company donated towards an interactive session on HIV/AIDS, Substance Abuse and Conflict Resolution hosted by the Vessigny Secondary School Parent/Teacher Association in conjunction with Hal Greaves and Associates and the Rape Crisis Association.

Donations were also given to other activities and groups in education, culture and sport.

APPENDIX I

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2009

Ernst & Young

ERNST & YOUNG

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS

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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 statement of financial position as at 31 December 2009 and the statement of 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 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 2009 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:
10 December 2010

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009
(Expressed in Trinidad and Tobago dollars)

	Notes	2009 $'000	2008 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	443,993	517,170
Investment properties	4	507,853	294,430
Deferred taxation	5	3,115	683
		954,961	812,283
Current assets			
Cash and short-term deposits	7	302,014	248,228
Short-term investments		28,921	–
Trade and other receivables	6	229,648	291,449
Taxation receivable		10,789	9,362
Inventories		255	196
		571,627	549,235
Total assets		1,526,588	1,361,518

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

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009
(Expressed in Trinidad and Tobago dollars)
(Continued)

	Notes	2009 $'000	2008 $'000
EQUITY AND LIABILITIES			
Equity			
Stated capital	8	103,427	103,427
Capital contribution	8	97,223	97,223
Retained earnings		561,743	505,172
		762,393	705,822
Non-current liabilities			
Long-term debt	9	365,564	307,072
Deferred capital grant	10	24,901	–
Deferred taxation	5	42,238	38,403
		432,703	345,475
Current liabilities			
Creditors and accruals	11	164,358	180,063
Deferred capital grant	10	11,853	–
Deferred income	12	26,041	37,642
Due to parent company		121,838	55,003
Taxation payable		7	16,753
Current portion of long-term debt	9	7,395	20,760
		331,492	310,221
Total liabilities		764,195	655,696
Total liabilities and equity		1,526,588	1,361,518

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

_______________ : Director   _______________ : Director

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(Expressed in Trinidad and Tobago dollars)

	Notes	2009 $'000	2008 $'000
Income			
Marine infrastructure income	13	210,997	214,468
Lease land income		21,473	25,017
Project management fees - GORTT		8,309	15,963
Other operating income	14	7,927	7,693
Interest income		6,787	16,212
(Loss)/gain on disposal of property plant & equipment		(1,254)	13,684
Total income		254,239	293,037
Expenses			
Marine expenses	15	58,162	52,315
Administrative and general expenses	15	82,515	44,894
Impairment loss on investment property	4(a)	1,635	72,647
Other expenses	15	1,768	12,673
Finance costs	15	19,545	5,685
Loss on foreign exchange transaction		2,592	98
		166,217	188,312
Profit before taxation		88,022	104,725
Taxation	5	(31,451)	(52,425)
Profit for the year		56,571	52,300
Other comprehensive income		-	-
Total comprehensive income		56,571	52,300

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 2009
(Expressed in Trinidad and Tobago dollars)

	Stated capital $'000	Capital contribution $'000	Retained earnings $'000	Total equity $'000
Year ended 31 December 2008				
Balance at 1 January 2008	103,427	–	452,872	556,299
Capital contribution by parent (Note 8)	–	97,223	–	97,223
Total comprehensive income for the year	–	–	52,300	52,300
Balance at 31 December 2008	103,427	97,223	505,172	705,822
Year ended 31 December 2009				
Balance at 1 January 2009	103,427	97,223	505,172	705,822
Total comprehensive income for the year	–	–	56,571	56,571
Balance at 31 December 2009	103,427	97,223	561,743	762,393

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 2009
(Expressed in Trinidad and Tobago dollars)

	2009 $'000	2008 $'000
Cash flows from operating activities		
Net income for the year before taxation	88,022	104,725
Adjustments for:		
Depreciation	31,962	21,599
Impairment of investment property	1,635	72,647
Interest expense	19,545	4,391
Loss/(gain) on disposal of property, plant and equipment	1,254	(13,684)
Increase in parent company loan due to foreign currency conversion	3,638	–
Interest income	(6,787)	(16,212)
Operating profit before working capital changes	139,269	173,466
Decrease/(increase) in trade debtors and prepayments	60,452	(156,413)
(Increase)/decrease in inventories	(59)	615
Increase in deferred income	25,153	4,101
(Decrease)/increase in trade creditors and accruals	(15,659)	82,408
Cash generated from operations	209,156	104,177
Taxation paid	(48,221)	(28,027)
Interest paid	(3,195)	(4,794)
Interest received	8,136	17,198
Net cash generated from operating activities	165,876	88,554
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,605)	(62,984)
Purchase of investment properties	(166,492)	(35,624)
Net (increase)/decrease in short-term investments	(28,921)	79,246
Net proceeds from disposal of property, plant and equipment	–	13,684
Receipt of government grant	–	35,624
Net cash (used in)/generated from investing activities	(204,018)	29,946
Cash flows from financing activities		
Decrease/(increase) in advances from parent company	55,753	(130,107)
Repayment of loans	(15,967)	(22,003)
Issue of long-term debt	52,142	–
Net cash generated from/(used in) financing activities	91,928	(152,110)
Net increase/(decrease) in cash and cash equivalents	53,786	(33,610)
Cash and cash equivalents at beginning of year	248,228	281,838
Cash and cash equivalents at end of year (Note 7)	302,014	248,228

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) 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.

The financial statements of National Energy Corporation of Trinidad and Tobago Limited were authorized for issue by the Board of Directors on 10 December 2010.

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 accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company 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.

IAS 1 - Presentation of Financial Statements
IAS 23 - Borrowing Costs (Revised)
IAS 32 - Financial Instruments-Presentation and IAS 1 Puttable Financial Instrument and Obligations Arising on Liquidation
IFRS 2 - Share-based payment
IFRS 7 - Financial Instruments: Disclosures
IFRS 8 - Operating Segments
IFRIC 13 - Customer Loyalty Programmes
IFRIC 15 - Agreements for the Construction of Real Estate
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

1.2 Changes in accounting policy and disclosures (continued)

Improvements to IFRSs

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 other 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.

1.2. Changes in accounting policy and disclosures (continued)

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company. However, the following standards have impacted the presentation and disclosure in these financial statements and are described below:

IAS 1: Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

IAS 40: Investment property
The standard revised its scope to include investment property under construction. This has resulted in investment property under construction no longer being classified in property, plant and equipment but in investment property.

1.3. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

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

1.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

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

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

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

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

1.4 Summary of significant accounting policies

a) Cash and cash equivalents

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

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

b) Trade receivables

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

1.4 Summary of significant accounting policies (continued)

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 statement of financial position date.

Deferred tax
Deferred income tax is provided using the liability method on all temporary differences at the statement of financial position 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 statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Deferred tax assets arising from tax losses not yet recognized are only carried forward if it is probable that future taxable profit will be sufficient to allow the benefit of the tax losses to be realized.

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

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

1.4 Summary of significant accounting policies (continued)

e) Property, plant and equipment

Property, plant and equipment are stated at historical cost.

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

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

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

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

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

f) Investment properties

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

Development cost	3.33%

No depreciation is provided on freehold land.

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

1.4 Summary of significant accounting policies (continued)

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 statement of financial position 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.

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.

1.4 Summary of significant accounting policies (continued)

k) Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, (in the case of investments not at fair value through profit or loss), directly attributable transaction cost. The Company determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates this designation at each financial year end.

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial investments

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

1.4 Summary of significant accounting policies (continued)

k) Financial assets (continued)

Fair value

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

Amortised cost

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

l) Financial liabilities

Interest bearing loans and borrowings

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

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

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

m) Impairment of non-financial assets

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

1.4 Summary of significant accounting policies (continued)

m) Impairment of non-financial assets (continued)

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

As assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

n) Impairment of financial assets

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

1.4 Summary of significant accounting policies (continued)

o) Revenue recognition

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

Revenue associated with marine infrastructure income is recognized upon performance of the services.

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

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

Interest income is accounted for on the accruals basis.

p) Government grants

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

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

q) Capital grants

Capital grants represent amounts received from the government for specific capital expenditure purposes. 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 represents amounts expended on items of property plant and equipment. These amounts are amortised to the income statement on a systematic basis over the useful lives of the related assets.

1.4 Summary of significant accounting policies (continued)

r) 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.

s) Leases

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

t) 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.

1.4 Summary of significant accounting policies (continued)

t) Derecognition of financial assets and liabilities (continued)

Financial liabilities (continued)
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.

2. 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 periods beginning after 1 January 2009.

IAS 27 Consolidated and Separated Financial Statements (effective 1 July 2009) requires the effect of all transactions with non controlling interest (NCI) to be recorded in equity if there is no change in control and these transactions will not result in goodwill or gains or losses. Any remaining interest in the former subsidiary will be measured to fair value and a gain or loss recognised in comprehensive income. The standard also specifies the accounting treatment when control is lost.

IAS 38 Intangible Assets (effective 1 July 2009) was amended to reflect expenditure on advertising and promotional activities which is recognised as an expense when the Company either has the right to access the goods or has received the service. This amendment has no impact on the Company since it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method was still appropriate.

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.

IFRS 3 Business Combination was amended (effective from 1 July 2009). These 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.

2. Standards issued but not yet effective (continued)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective 1 July 2009) clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations.

IFRS 9 Financial Instrument Classification and Measurement (effective 1 January 2013) replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Financial assets are required to be classified into two measurement categories amortised cost and fair value.

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 the consequences of doing so.

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

In April 2009, 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 2010. The following table shows the IFRSs and topics addressed by these amendments:

IFRS	**Subject of Amendment**
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes**
IFRS 2	Scope of IFRS 2 and IFRS 3 Revised.
IFRS 5	Disclosures of non-current assets classified as held for sale and discontinued operations.
IFRS 8	Disclosure of information about segmental assets.
IAS 1	Current/non-current classification of convertible instruments.
IAS 7	Classification of expenditures on unrecognized assets.

2. Standards issued but not yet effective (continued)

IFRS	**Subject of Amendment**
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes**
IAS 17	Classification of leases of land and buildings.
IAS 18	Determining whether an entity is acting as a principal or as an agent.
IAS 36	Unit of accounting for goodwill impairment test.
IAS 38	Additional consequential amendments arising from IFRS 3 Revised. Measuring the fair value of an intangible asset acquired in a business combination.
IAS 39	Assessment of loan prepayment penalties as embedded derivatives. Scope exemption for business combination contract. Cash flow hedge accounting.
IFRIC 9	Scope of IFRIC 9 and IFRS 3 Revised.
IFRIC 16	Amendment on the restriction on the entity that can hold hedging instruments.

Embedded derivatives - Amendments to IFRIC 9 and IAS 39 (effective from 1 July 2009) addresses the reclassification of non-derivative financial assets out of fair value through profit or loss category, and the assessment of whether to separate embedded derivatives.

In July 2009, the IASB issued IFRS for Small and Medium-Sized Entities ("SMEs"), which may be adopted immediately and transition is based on the rules in IFRS 1. IFRS for SMEs is a stand-alone standard, with no fall back to full IFRS, and it covers all of the recognition, measurement, presentation and disclosure requirements for SMEs.

In November 2009, the IASB issued IFRS 9 Financial Instruments (which may be adopted immediately), with mandatory adoption from 1 January 2013.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Expressed in Trinidad and Tobago dollars)
(Continued)

3. Property, plant and equipment

2009	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	631,934	6,256	1,759	11,900	5,533	64,628	722,010
Additions at cost	3,917	487	–	970	1,081	2,150	8,605
Transfer	–	–	–	6,248	–	(64,628)	(58,380)
Disposal of assets	(1,751)	(1,291)	–	–	(1,687)	–	(4,729)
	634,100	5,452	1,759	19,118	4,927	2,150	667,506
Accumulated depreciation							
At beginning of year	193,739	5,370	423	1,164	4,144	–	204,840
Charge for year	20,707	271	169	386	615	–	22,148
Disposal of assets	(538)	(1,291)	–	–	(1,646)	–	(3,475)
	213,908	4,350	592	1,550	3,113	–	223,513
Net book value	420,192	1,102	1,167	17,568	1,814	2,150	443,993

As at 31 December 2009 capital work in progress included $1.2 million for the construction of the office building complex at La Brea. As at 31 December 2008 capital work in progress of $6.248 million related to the extension of the Company's administrative building and $58.38 million related to the construction of the Alutrint material and storage handling facility which was transferred to investment properties in 2009.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Expressed in Trinidad and Tobago dollars)
(Continued)

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

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 at cost	1,414	70	–	–	294	61,206	62,984
Transfer	95	–	–	–	128	(223)	–
Disposal of assets	(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

4. Investment properties

2009	Land $'000	Development cost $'000	Capital work in progress $'000	Total $'000
Cost				
At beginning of year	–	367,077	–	367,077
Additions	–	–	166,492	166,492
Transfer	–	–	58,380	58,380
	–	367,077	224,872	591,949
Accumulated depreciation/ impairment				
At beginning of year	–	72,647	–	72,647
Depreciation charge	–	9,814	–	9,814
Impairment loss	–	1,635	–	1,635
	–	84,096	–	84,096
Net book value	–	282,981	224,872	507,853
2008				
Cost				
At beginning of year	–	–	–	–
Additions	35,624	367,077	–	402,701
Government grant	(35,624)	–	–	(35,624)
	–	367,077	–	367,077
Accumulated depreciation/ impairment				
At beginning of year	–	–	–	–
Depreciation charge	–	–	–	–
Impairment loss	–	72,647	–	72,647
	–	72,647	–	72,647
Net book value	–	294,430	–	294,430

4. Investment properties (continued)

Investment properties comprise the Union Industrial Estate (UIE) and the material and handling storage facility at UIE.

a) Union Industrial Estate

As stated in Note 22, subsequent to the year end, the GORTT took the decision to discontinue the aluminum smelter project being undertaken by Alutrint Limited on lands leased from the Company at the Union Industrial Estate. The discontinuation of the project will result in no lease revenues from the Company's anchor tenant on the Union Industrial Estate until such time as another viable energy based project is identified by the GORTT.

The Company conducted an impairment review of its investment property at Union Industrial Estate. The recoverable amounts were based on a value in use calculation. In determining the value in use, the pre-tax cash flows were discounted at a rate of 5.86%. Pre-tax cash flows were based on management's assumptions that no revenues will be earned by the Company in 2011 and 2012 for the site currently occupied by Alutrint and that a new tenant will be in place from 2013. An impairment loss of $1.6 million has been recorded in 2009 (2008: $72.6 million).

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

b) Material and handling storage facility

The Company is constructing a material and handling storage facility for the aluminum smelter project. The facility is estimated to cost approximately $635.7 million (US$100 million) based on an Engineering Procurement contract (EPC). At 31 December 2009 the facility was in progress and costs expended on this project amounted to $212 million (2008: $58.4million).

As stated in Note 22, as a result of the discontinuation of the aluminum smelter project in September 2010, the Company is reviewing its options available for alternative use of the incomplete material and handling storage facility.

5. Taxation	**2009 $'000**	**2008 $'000**
The major components of the taxation expense were as follows:		
Current taxation – Corporation tax	29,802	43,400
– Green fund levy	246	276
Deferred tax	1,403	8,749
	31,451	52,425
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	88,022	104,725
Tax at the rate of 25%	22,006	26,181
Green fund levy	246	276
Non-deductible expenses	6,380	25,546
Permanent differences	2,496	–
Other differences	323	422
	31,451	52,425
Significant components of the deferred tax assets and liabilities are as follows:		
Assets:		
Accrued annual leave	274	277
Accrued interest payable	2,841	83
Other	–	323
	3,115	683
Liabilities:		
Property, plant and equipment	42,238	38,403

6. Trade and other receivables

	2009 $'000	2008 $'000
Trade receivables - related parties	52,572	44,079
Trade receivables - third parties	62,279	59,153
	114,851	103,232
Provision for doubtful debts (See Note a))	(23,140)	(3,213)
	91,711	100,019
Other receivables:		
Interest receivable	144	1,425
Prepaid expenses	2,340	1,316
Due from Government of Trinidad & Tobago - billed (Note b))	49,105	486
Due from Government of Trinidad & Tobago - unbilled	45,089	152,845
Due by Alutech Limited (See Note c))	–	18,091
Commissioner of Value Added Tax	40,130	16,345
Other	1,130	922
	229,648	291,449

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

a) The provision for doubtful debts includes a provision of $19.436 million for a related party, Alutrint Limited in relation to an amount under dispute.

b) Due from the Government of Trinidad and Tobago represents billed and unbilled project expenses to be reimbursed by the Government of Trinidad and Tobago.

c) The amount receivable from Alutech Limited was provided for during 2009.

As at 31 December 2009, trade receivables at a value of $23.140 million (2008: $3.213 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2009 $'000	2008 $'000
As at 1 January	3,213	3,747
Charge for year	19,927	72
	23,140	3,819
Provision reversed	–	(606)
At 31 December	23,140	3,213

6. Trade and other receivables (continued)

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

	Total	Neither past due nor impaired	Past due but not impaired				
			<30 days	31-60 days	61-90 days	91-120 days	>120 days
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009	91,711	56,017	4,675	2,428	537	357	27,697
2008	100,019	87,075	7,182	4,076	1,331	163	192

7. Cash and short-term deposits

	2009 $'000	2008 $'000
Cash at bank	276,607	37,641
Short-term deposits	39,788	224,968
	316,395	262,609
Less: Provision for impairment of short-term deposits (Note b))	(14,381)	(14,381)
	302,014	248,228

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 $302.014 million (2008: $248.228 million).

b) The Company held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of $14.381 million as at 31 December 2008.

CIB experienced financial and liquidity issues. On 31 January 2009 the Central Bank of Trinidad and Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79.02 assumed control of CIB. The Central Bank of Trinidad and Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates of $14.381 million and the related accrued interest of $67,900 were impaired at 31 December 2008 as there was no basis to determine the timing and quantum, if any, of recovery.

	2009 $'000	2008 $'000
8. Stated capital		
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

Capital contribution

NGC, the parent company provided the Company with a loan at an interest rate below market rate effective 31 December 2008. This resulted in the Company recognising a capital contribution of $97.223 million when the loan was recorded at fair value at 31 December 2008 (See Note 9 b)).

9. Long-term debt

		Long-term portion $'000	Current portion $'000	2009 $'000	2008 $'000
a)	NGC- Savonetta Pier IV loan	–	–	–	8,957
b)	NGC - UIE loan	278,743	–	278,743	269,854
c)	First Citizens Bank	34,679	7,395	42,074	49,021
d)	Loan advance from NGC	52,142	–	52,142	–
		365,564	7,395	372,959	327,832

a) On 1 January 2000, the Company acquired Savonetta Pier IV, which was constructed by the parent company on its behalf. The purchase consideration of $157.2 million was settled on or before 1 October 2009. The interest rate applicable for 2009 ranged between 5.42% and 5.32% (2008: 5.92% and 6.03%). This loan was discharged during the year.

b) On 12 April 2009, the Company was mandated by the Government of the Republic of Trinidad and Tobago (GORTT) to reimburse the parent company, NGC for the cost of the development of Union Industrial Estate, La Brea. The purchase consideration of US$58.518 million (TT$367.078 million) 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 principal is to be paid in equal semi-annual instalments commencing 1 January 2011. The effective date of this loan was 31 December 2008.

9. Long-term debt (continued)

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

i) Collateral Chattel Mortgage over two (2) tugboats - NEC Empress & NEC Majestic with carrying amounts totalling $45.291 million (2008: $47.151 million).

ii) Contractor's All Risk Assignment made between NEC, NGC and First Citizens Bank Limited.

iii) Marine Hull and Protection & Indemnity Insurance over the two (2) tugboats.

iv) Deed of Assignment and Notice of Assignment of the proceeds of two (2) Pier Usage contracts.

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

vi) 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.

vii) Registration of Ship's Mortgages over NEC Empress and Majestic made between NEC and FCB.

d) The Company has been entrusted with the construction of the Alutrint Material Storage and Handling Facility. NGC has agreed to provide financing of US$82 million for the construction of the facility. The loan agreement which was executed on 23 June 2010, provides for the Company to repay the principal over a period of not more than 15 years in equal semi-annual instalments with a rate thereon at a maximum rate of 7 %. The first principal instalment is due within two (2) years of the date of execution of the loan agreement. The Company is entitled to apply for an extension of the moratorium period where there is a delay in excess of the moratorium period, in the Company executing a tenancy agreement for the Material and Storage Handling Facility, such extension not to exceed a maximum of two (2) years.

9. Long-term debt (continued)

d) (continued)

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

At 31 December 2009, the Company had drawn down US$8.2 million of the facility.

Fair values

	Carrying amount		**Fair value**	
	2009	**2008**	**2009**	**2008**
	\$'000	**\$'000**	**\$'000**	**\$'000**
	372,959	327,832	400,746	321,604

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 Alutrint material and handling facility which approximates its carrying value.

Maturity profile of long-term debt	**2009** **\$'000**	**2008** **\$'000**
In one year or less	22,791	20,760
In more than one year but not more than two years	13,413	12,547
In more than two years but not more than three years	66,400	13,339
In more than three years but not more than four years	15,159	14,181
In more than four years but not more than five years	16,115	15,076
In more than five years	239,081	251,929
	372,959	327,832

10. **Deferred capital grant**	**2009 $'000**	**2008 $'000**
Balance at the start of the year	–	–
Received during the year	31,367	35,624
Transferred from Polyolefins project (See Note 12 b))	19,701	–
Utilised during the year	(12,802)	(35,624)
Grant utilised for VAT	(1,512)	–
Balance at the end of the year	36,754	–
Non-current	24,901	–
Current	11,853	–
	36,754	–

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

11. **Creditors and accruals**	**2009 $'000**	**2008 $'000**
Trade creditors	45,136	29,630
Sundry creditors and accruals	119,222	150,433
	164,358	180,063

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**	**2009 $'000**	**2008 $'000**
Billings in advance (Note a))	12,468	12,192
Deferred income - Polyolefins project (Note b))	–	19,701
Capital grant - Union Industrial Estate (Note c))	12,802	–
Deferred income - Other	771	5,749
	26,041	37,642

12. **Deferred income** (continued)

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

b) During 2009, the GORTT approved the use of the unspent funds relating to the Polyolefins project to be utilised on the UIE.

c) Capital grant - Union Industrial Estate:

	2009 $'000	2008 $'000
Capital expenditure incurred on depreciable property	12,802	–
Transfer to income	–	–
Balance at the end of the year	12,802	–

13. **Marine infrastructure income**

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

	2009 $'000	2008 $'000
ISCOTT dock	5,687	5,687
Savonetta piers	107,610	110,096
Point Lisas harbour	30,197	32,726
Tugs and workboats	67,503	65,959
	210,997	214,468

14. **Other operating income**

	2009	2008
Other - GORTT (See Note a))	–	926
- management fees - Labidco	495	810
- miscellaneous (See Note b))	7,432	5,957
	7,927	7,693

14. Other operating income (continued)

a) This amount relates to income released from deferred income to match related expenses incurred on the Polyolefin project (See Note 12).

b) Included in other miscellaneous income is an amount totalling $6.49 million (2008:$5.749 million) relating to income earned based on works performed for the dismantling of the Brechin Castle sugar factory.

15. Expenses

	2009 $'000	2008 $'000
Marine expenses:		
Depreciation	20,707	20,088
Insurance	2,438	2,400
Management fees - tugs & workboats	13,207	12,970
Sea bed lease rent	119	119
Salaries and related benefits	4,509	4,748
Maintenance - marine facilities	17,182	11,990
	58,162	52,315
Administrative and general expenses:		
Salaries and related benefits	18,737	16,791
Impairment of short-term deposits	96	14,497
Impairment of Alutech loan (Note 6 c))	18,234	–
Depreciation	11,255	1,511
Management fees - NGC	1,000	1,000
Government funded projects (Polyolefin project)	–	926
Insurance	1,932	2,655
Natural Gas Export Task Force expenses	–	19
Motor vehicle expense	1,425	1,389
Specific bad debts	22,657	–
Other	7,179	6,106
	82,515	44,894
Other expenses:		
Donation - other	247	218
Donation - Uni Bio project	1,521	12,455
	1,768	12,673

		2009	2008
15.	**Expenses** (continued)	**$'000**	**$'000**
	Finance costs:		
	Interest on debt and borrowings - related parties	16,581	994
	- third parties	2,964	3,397
	Net loss on financial asset	–	1,294
		19,545	5,685

16. Contingent liabilities

a) 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 indemnified against liabilities in this action.

b) 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 a company in which the GORTT holds an interest. As at 31 December 2009, the loan balance amounted to $1.9 million (2008: 1.9 million).

17. Related party transactions

The Company is a wholly owned subsidiary of The National Gas Company of Trinidad and Tobago, which is owned by the Government of Trinidad and Tobago. In the ordinary course of its business, the Company enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include Alutrint Limited, Alutech Limited, Trinidad Generation Unlimited (TGU), Petrotrin and First Citizens Bank Limited.

The sales to and from related parties are at arms length, with the exception of the interest rate on the loans from the parent company (See 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 with the exception of that relating to Alutech Limited (See Note 16 b)). For the year ended 31 December 2009, the Company has not made any provision for doubtful debts relating to amounts owed by related parties except for the amounts of $19.436 million and $18.234 million due by Alutrint Limited and Alutech Limited respectively. An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

17. Related party transactions

The following table provides the total amount of material transaction, which have been entered into with related parties as at or for the period ended 31 December 2009 and 31 December 2008.

		Income from related parties $'000	Purchase from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
The National Gas Company of Trinidad and Tobago	2009	–	–	–	121,838
	2008	–	–	–	55,003
Lease land	2009	1,498	–	–	–
	2008	1,500	–	–	–
Management fees	2009	–	1,000	–	–
	2008	–	1,000	–	–
Staff costs charged back	2009	–	24,395	–	–
	2008	–	22,382	–	–
Loans	2009	–	16,581	–	330,885
	2008	–	994	–	269,854
La Brea Industrial Company Limited	2009	495	–	5,439	–
	2008	810	–	16,232	–
Government of Trinidad & Tobago	2009	8,309	–	94,194	–
	2008	15,963	–	153,331	–
Capital grants	2009	31,367	–	–	–
	2008	35,624	–	–	–
Alutrint Limited Lease land	2009	12,601	–	42,617	–
	2008	24,021	–	27,732	–
Alutech Limited	2009	–	–	18,234	–
	2008	–	–	18,091	–
First Citizens Bank Limited	2009	–	2,963	–	42,074
	2008	–	3,397	–	49,021

17. Related party transactions (continued)

a) 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 and seconded to the Company. Staff costs are re-charged to the Company with the exception of pension costs which are not charged back to the Company by the parent.

	2009 $'000	2008 $'000
b) Compensation of key management personnel		
Short-term employee benefits	3,924	4,403

18. Commitments

a) Operating lease commitments

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

Future minimum rentals receivable under operating leases as at 31 December 2009 are as follows:

	2009 $'000	2008 $'000
Within one year	15,918	14,631
After one year but not more than five years	9,784	50,179
More than five years	58,926	300,109
	84,628	364,919

b) Capital commitments

Approved and contracted capital expenditure	1,346,253	1,638,260

19. Financial risk management objectives and policies

The Company has various financial assets such as trade receivables, cash and short-term deposits and short-term investments 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 short-term deposits and short-term investments, 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. As stated in Note 7 b), a provision was established in 2008 for this balance as the recoverability of this balance was doubtful.

Liquidity risk

The Company monitors its risks to a shortage of funds by considering the maturity of both its financial investments and financial assets (e.g. accounts receivables and 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.

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

Liquidity risk (continued)

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

As at 31 December 2009	**On demand $'000**	**Under 3-12 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Interest bearing debt	–	–	22,727	357,274	873,229	1,253,230
Trade creditors and accruals	–	139,906	23,076	–	–	162,982
Other liabilities	–	–	122	–	–	122
	–	139,906	45,925	357,274	873,229	1,416,334
As at 31 December 2008						
Interest bearing debt	–	–	19,199	127,038	471,425	617,662
Trade creditors and accruals	–	157,628	21,002	–	–	178,630
Other liabilities	–	–	55	–	–	55
	–	157,628	40,256	127,038	471,425	796,347

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.

19. Financial risk management objectives and policies (continued)

Interest rate risk (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 $'000
2009	+10%	–
	-10%	–
2008	+10%	(53)
	-10%	53

Foreign currency risk

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

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 2008.

The capital structure of the Company consists of share capital and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives policies or process during the years ended 31 December 2009 and 31 December 2008.

20. Financial instruments

Fair values

Short-term financial assets and liabilities

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

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 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 Alutrint material and handling facility which approximates its carrying value.

21. 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.

22. Events after the reporting period date

The General Elections held on 24 May 2010 resulted in a change in the Government of the Republic of Trinidad and Tobago (GORTT). In September 2010, the new Government took the decision to discontinue the Aluminium Smelter project at Union Industrial Estate, La Brea. NEC has been mandated by the GORTT to find viable energy based projects to replace the Aluminium Smelter project. Management has estimated that this will have an incubation period of at least two (2) years before visible change is observed.

Additionally, management is reviewing its options for alternative use of the Material Storage and Handling Facility that was being built by the Company for the Aluminium Smelter project (See Note 4 b)).