NATIONAL ENERGY CORPORATION
OF TRINIDAD AND TOBAGO LIMITED

Securing Energy for Tomorrow

ANNUAL ADMINISTRATIVE REPORT

2010

Executive Summary

Annual Administrative Report, 2010

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

During the period January 01, 2010 to December 31, 2010, the Board of Directors of NEC comprised of five Directors until October 2010. As a result of the change in government in 2010, Directors resigned at varying dates to facilitate the establishment of a new Board of Directors, as delineated below:

Mr. Errol Mc Leod – until April 28, 2010
Mr. Malcolm Jones – until June 01, 2010
Professor Kenneth Julien – until June 01, 2010
Mr. Barry Barnes – until October 30, 2010
Mr. Leroy Mayers – until October 30, 2010

Effective October 2010 the new board was established and the Directors were as listed below:

Mr. Larry Howai
Ms. Haseena Ali
Mr. Carlton Gibson
Mr. Cathal Healy-Singh
Mr. Rabindra Jaggernauth
Mr. Carlton Gibson
Mr. Clyde Ramkhalawan
Mr. Andrew Jupiter - until November 2010
Mr. Andrew Mc Intosh - until November 2010

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 2010 are as follows:

- Construction activities on the MHTL UAN/Melamine Project continued and was completed. The entire complex was successfully commissioned in October 2010.
- Development work on the Alutrint Aluminium Smelter Project ceased in 2010 and the project was not pursued further.
- The Lands and Surveys Department approved survey plans for the Carisal Calcium Chloride/Caustic Soda Project in March 2010. Development works continued.
- An agreement highlighting NEC and UTT was prepared and signed by NEC and UNIBIO for the Natural Gas Protein Manufacturing Project. Construction continued during the year. Work on the pilot plant including the building, infrastructure and the U-loop fermenter was completed.
- NEC issued Request for Proposals (RFP) to shortlisted companies to provide services in the development of an Energy Efficiency Policy. The Proposals were evaluated by a cross-functional teams and a preferred bidder was selected.
- NEC worked in conjunction with MHTL and the MEEI to host a national Melamine Conference, with the aim of developing energy-based downstream manufacturing industries, using melamine as a raw material. Members of the public were invited and the Conference was held in November 2010.
- NEC worked with various stakeholders to develop a framework for Sustainable Energy Services. The Policy Framework document was completed and submitted to the Minister of MEEI in August 2010.

During the year 2010, National Energy recorded a Net Loss of $204.5M, $296.1M below the budgeted Profit of $91.6M. A favourable operating performance was eroded by impairments of $309.7M and bad debt of $8.2M. Total Revenue was recorded at $273.3M, 2.3% the budgeted amount. Operating Profit was $203.9M. Capital expenditure was $367.8M. Total Assets for 2010 amounted to $1.6B.

The staff complement at NEC for the year 2010 amounted to Ninety-one (91) employees.

In 2010, NEC's Public and Community Relations continued. At the start of the year, NEC began meeting with stakeholders in each community to gather information about the project being undertaken in those areas and the possibility of future partnerships. A strategic Corporate Social Responsibility Plan was developed in collaboration with stakeholders in the company's fence-line communities of La Brea, Mayaro/Guayaguayare, and Point Lisas South and East, which focused on the pillars of Sport Development, Youth Development, and Capacity Building.

- NEC Supported the La Brea Sports Foundation in sporting initiatives which include, South West 20/20 Cricket League, The La Brea Community Netball League Games and the Energy All Stars Football Team Exhibition Games.

- NEC donated text books, school bags and other school supplies to students and installed a Public Address system for the School of Milton Presbyterian School. NEC also provided financial assistance for school infrastructural improvements.
- Twenty-four (24 youths from throughout Trinidad and Tobago were hosted at NEC's Head Office as part of the Maritime Mentorship Program some of whom were from the Mayaro area.
- NEC also provided financial aid to groups including, 'Advocates for Safe Parenthood' and 'La Brea Progressive Women in Harmony', which focused on family development in the La Brea community.

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1. CORPORATE INFORMATION

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

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

In 2010, 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 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

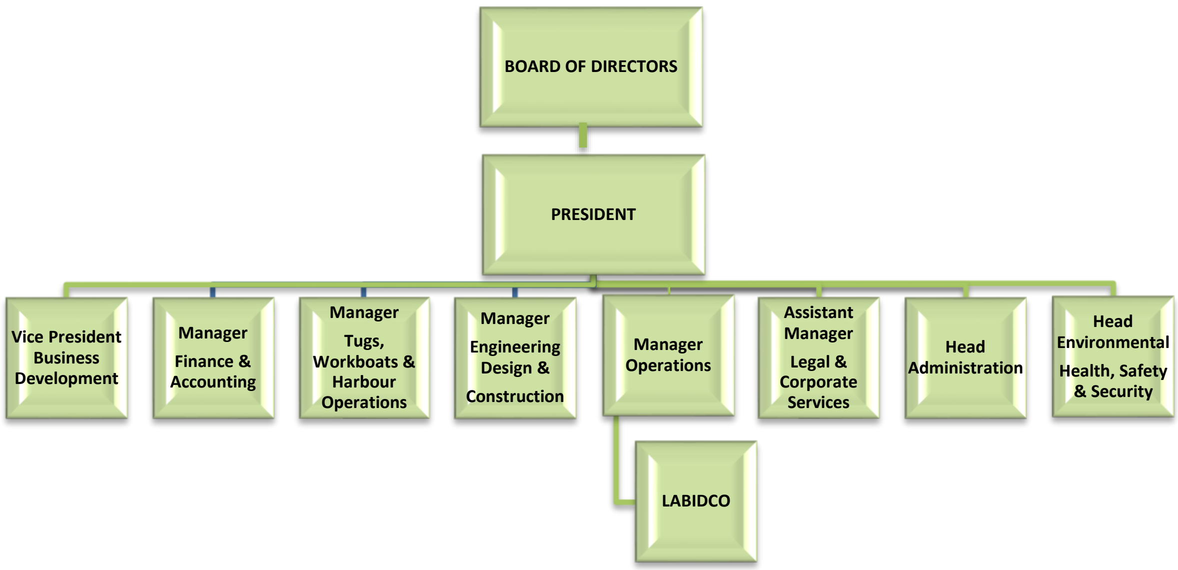
National Energy Corporation was incorporated in 1979 to continue the work first started by the Coordinating Task Force in monetizing the country's natural gas resources and developing and managing industrial and marine infrastructure. National Energy Corporation was involved in the construction and operation 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 consists 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 does 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. This Department is responsible for the physical design and construction of these projects.

Fulfilment of the mandate of the EDC Division 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 operate 24 hours a day, seven days a week and provides services to all the major ports in Trinidad & Tobago; the offshore gas and oil exploration/production platforms of the east and north coasts and the regional towage market. .

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

ix. Management of LABIDCO

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

Services at LABIDCO Estate include:

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

b. DELEGATION OF AUTHORITY

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

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

c. LEGISLATIVE AND REGULATORY FRAMEWORK

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

d. REPORTING FUNCTIONS

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

4. PROJECT HIGHLIGHTS & DEVELOPMENT INITIATIVES

As the world economy recovered from a recession in 2010, National Energy Corporation continued to work assiduously to further develop the energy industry in Trinidad and Tobago.

Given its mandate from the Ministry of Energy and Energy Industries (MEEI), the company focused on several key projects including the following:

	Project Title:	Details of Project	Activities Undertaken in Year	Project Status
1.	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	Construction activities continued and was completed in year.	The entire complex was successfully commissioned in October 2010.
2.	Alutrint Aluminium Smelter Project	Alutrint Aluminium Smelter Project consists of the construction of a 125,000tpy Aluminium Complex in Union Estate, La Brea.		This project was not pursued further.
3.	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	The Lands and Surveys Department approved survey plans in March 2010.	Development works continued.

	Project Title:	Details of Project	Activities Undertaken in Year	Project Status
4.	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 metre (100,000 tpy) protein production plant to manufacture SCP from a fermentation process using methanol or natural gas as the substrate.	An agreement highlighting the NEC and UTT was prepared and signed by NEC and UNIBIO. Construction continued during the year.	Work on the pilot plant including the building, infrastructure and the U-loop fermenter was completed.
5.	Energy Efficiency Policy	Development of an Energy Efficiency Policy Framework, which included the development of an Energy Management Programme for plants on the Point Lisas Industrial Estate.	NEC issued Requests for Proposals (RFP) to shortlisted companies to provide the services.	The proposals were evaluated by a cross-functional team and a preferred bidder was selected.
6.	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 plant The final product outputs from this configuration are as follows: • 1.5 million tpy UAN • 60,000 tpy melamine	Worked in conjunction with the MEEI and MHTL to host a national Melamine Conference, with the aim of developing energy-based downstream manufacturing industries, using melamine as a raw material	Members of the public were invited and Conference was held in November 2010
7.	Sustainable Energy Services	Development of a framework for the creation of a sustainable energy services sector in Trinidad and Tobago, through consultation with other State Agencies, the Energy Chamber of Trinidad and Tobago and the other stakeholders.	Worked with various stakeholders to develop the framework.	The policy framework document was completed and submitted to the Minister of MEEI in August 2010.

5. POLICIES & PROCEDURES

DEBT POLICY

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

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

INVESTMENT POLICY

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

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

Investments are usually in short term Government Paper s Treasury Bills and OMOs together with bank term deposits with investment tenors of approximately 90 days. This strategy seeks to ensure the availability of funds, 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 and includes input from all Departments.

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

- Operating Revenue and Expenditure
- Capital Expenditure
- Cash Budget

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

BUDGET PREPARATION PROCESS

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

BUDGET REVIEW AND APPROVAL PROCESS

Upon 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 2010, National Energy Corporation recorded a net loss of $204.5M, $296.1M below the budgeted profit of $91.6M

Total recorded revenue of $273.3M was 2.3% above the budgeted amount of $267.1M. The favourable performance resulted mainly from increased revenues from marine operations.
Operating profit for 2010 was $203.9M, $27.3M or 15.4% above the budgeted amount of $176.6M.

The favourable operating performance was eroded by impairment ($309.7M) and bad debt ($8.2M) provisions resulting in a Net Loss of $204.5M, which was $296.1M below the budgeted amount of $91.6M.

Capital expenditure of $367.8M was 32.9% below the budgeted amount of $551.0M. During the year the company undertook projects funded by the Public Sector Investment Programmes (PSIP) of $99M.

Total assets for 2010 amounted to $1.6B compared to the period 2009 when total asset amounted to $1.5B. Total asset increase resulted from inter-company loan with parent company to fund the construction of Brighton Material Storage and Handling Facility. This was partially offset by impairment charges of $309.7M. Cash and short-term investment as at December 31, 2010 amounted to $343.9M.

See copies of National Energy Corporation's Audited Income Statement & Balance Sheet and Management Accounts Income Statement for 2010 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 ten (10) board members.

The key roles of the President and Heads of Department are as follows:

- **President**
  To provide effective leadership and direction to ensure that the National Energy Corporation and LABIDCO, achieve their strategic goals. This entails working with the Board of Directors, Senior National Energy Corporation and 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**
  The ensure the provision of accurate, comprehensive and timely financial and accounting information to facilitate decision making at the corporate level for the achievement of the company's business objectives.

- Manager – Engineering Design & Construction
  To manage the design and construction of infrastructure and port facilities. To ensure that adequate site and port facilities are identified and made available in a timely manner for use by investors in gas based projects.
- Manager – Operations
  To provide effective leadership and direction, to ensure that the Marine Terminal at Point Lisas, as well as the Port and Estate in La Brea, achieve their strategic goals.

- Manager –Towage & Harbour Operations
  To add value to National Energy Corporation by leading in the development and management of all aspects of National Energy's Towage and Harbour business unit, including its; strategic planning; sales and marketing.

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

- Head – Administration
  To provide efficient and effective Administrative Services in the areas of Office Facilities Management, Human Resource Management, Information Technology and Public Relations, which supports the core business of National Energy 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 risk and loss and sustainability of a secure environment.

b. CATEGORY OF EMPLOYMENT

In 2010, the categories of employees of National Energy Corporation were:

- Permanent Professional - Thirty-six (36)
- Permanent Non-Professional – Forty-three (43)
- Contract Professional – Three (3)

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

The staff complement was ninety-one (91) employees. The company recruited seven (7) new employees. They were (i) Health & Safety Officer (ii) IT Technician (iii) ISM Coordinator (iv) Field Assistant (v) Facilities Clerk (vi) Community Relations Liaison (vii) Assistant Marine Coordinator. There was one lateral transfer from Mechanical Technician to the position of Preventative Maintenance System Administrator. The position of Superintendent Towage & Harbour Operations was upgraded to Manager Towage & Harbour Operations.

c. CAREER PATH SYSTEMS

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

d. PERFORMANCE ASSESSMENT/MANAGEMENT STRATEGIES

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

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

f. EMPLOYEE SUPPORT SERVICES

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

i. Employee Assistance –

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

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

ii. Counselling -

FIA provides individual and family counselling sessions to employees, and/or their eligible dependent. 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 programme goes far beyond helping the employees resolve their personal problems; it also focuses on organisational development. FIA provides consultation on workplace policies and procedures that are instrumental in helping employers and employees 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 obtain and dispose of goods and materials, as well as works and services for National Energy Corporation at the best value, in a timely manner, abiding by applicable laws while maintaining competitiveness and the highest ethical standards. As a subsidiary, National Energy Corporation adheres to the policy and procedures of NGC.

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

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

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

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

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

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

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

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

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

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

9. PUBLIC & COMMUNITY RELATIONS

Corporate Social Responsibility Report 2010

Starting in 2010, National Energy Corporation began meeting with stakeholders in each community to gather information about the projects being undertaken in those areas and the possibility of future partnerships. As a result of this approach, the company was able to solidify existing partnerships and establish new stakeholder relationships.

Stakeholder relationships and partnerships are integral to National Energy Corporation's project development and sustainability. With this in mind a strategic Corporate Social Responsibility Plan was developed in collaboration with stakeholders in the company's fence-line communities of La Brea, Mayaro/Guayaguayare and Pt. Lisas South and East which focused on the following pillars:

- Sport development
- Youth development
- Cultural integration
- Capacity building

Key 2010 CSR Projects
Sport Development
Pt. Lisas South and East

The Pranz Village Sports Club received donations from the National Energy Corporation which allowed its members to compete in the Central Council Cricket Competition League. The club also participated in several friendly matches within and external to the central zone. One of these matches, coordinated by National Energy Corporation, was played against the Rousillac Sports Club.

Pranz Gardens Cricket Club

La Brea

National Energy Corporation supported several initiatives hosted by The La Brea Sports Foundation including the 'South West 20/20 Cricket League,' the 'La Brea Community Netball League Games' and the 'Energy All Stars Football Team Exhibition Games.' Beyond cricket. The Foundation also has academies in cricket, track and field, netball and basketball, which the National Energy Corporation also supported.

Youth Development

Pt. Lisas South and East

National Energy Corporation donated text books, school bags and other school supplies to students of the Milton Presbyterian School and provided financial assistance for school infrastructural improvements. The company also donated and installed a Public Address (PA) System for the school which was used for the first time during the 2010 graduation ceremony for standard 5 students. For the third consecutive year the company donated school supplies to students who successfully completed the Secondary Examination Assessment (SEA).

The company also promoted overall health and wellness by making its Safety Workshops available to the students and by supporting over 20 children from the school in their participation in the "Learn to Swim" Program at the Couva Swimming Pool.

La Brea

National Energy Corporation partnered with Jizelle and Randy Promotions to host a fund raising concert for children in La Brea.

Mayaro/Guayaguayare

Twenty four (24) youths from throughout T&T were hosted at National Energy Corporation's Head Office as part of the Maritime Mentorship Program. Of the twenty-four students National Energy Corporation sponsored three (3) youths from the Mayaro area.

Capacity Building

La Brea

National Energy Corporation provided financial aid to groups including, 'Advocates for Safe Parenthood' and 'La Brea Progressive Women in Harmony' in the La Brea community. The groups focused on overall family development.

APPENDIX I

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2010

Ernst & Young

ERNST & YOUNG

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

We have audited the accompanying financial statements of National Energy Corporation of Trinidad and Tobago Limited (the "Company") which comprise the statement of financial position as at 31 December 2010, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2010 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:
2 September 2011

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010
(Expressed in Trinidad and Tobago dollars)

	Notes	2010 $'000	2009 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	422,732	443,993
Investment properties	4	514,854	507,853
Deferred taxation	5	1,744	3,115
Deferred expenses		654	–
		939,984	954,961
Current assets			
Cash and short-term deposits	6	333,951	320,975
Restricted cash	6	9,960	9,960
Trade and other receivables	7	271,600	229,648
Taxation receivable		13,791	10,789
Deferred expenses		209	–
Inventories		384	255
		629,895	571,627
Total assets		1,569,879	1,526,588

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 2010
(Expressed in Trinidad and Tobago dollars)
(Continued)

	Notes	2010 $'000	2009 $'000
EQUITY AND LIABILITIES			
Equity			
Stated capital	8	103,427	103,427
Capital contribution	9	101,479	97,223
Retained earnings		357,278	561,743
		562,184	762,393
Non-current liabilities			
Long-term debt	10	688,727	365,564
Deferred capital grant	11	–	24,901
Deferred taxation	5	44,944	42,238
		733,671	432,703
Current liabilities			
Current portion of long-term debt	10	7,873	7,395
Creditors and accruals	11	150,191	164,358
Deferred capital grant	12	23,438	11,853
Deferred income	13	40,066	26,041
Due to parent company		52,444	121,838
Taxation payable		12	7
		274,024	331,492
Total liabilities		1,007,695	764,195
Total liabilities and equity		1,569,879	1,526,588

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

The financial statements of National Energy Corporation of Trinidad and Tobago Limited were authorized for issue by the Board of Directors on 2 September 2011.

Haseena Ali : Director

: Director

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010
(Expressed in Trinidad and Tobago dollars)

	Notes	2010 $'000	2009 $'000
Income			
Marine infrastructure income	14	250,027	210,997
Lease land income		17,270	21,473
Project management fees - GORTT		2,278	8,309
Other operating income	15	2,157	7,927
Interest income		3,006	6,787
Total income		274,738	255,493
Expenses			
Marine expenses	16	56,454	58,162
Administrative and general expenses	16	55,200	82,515
Impairment loss on investment properties	4	309,691	1,635
Other expenses	16	218	1,768
Finance costs	16	11,070	19,545
Loss on foreign exchange transaction		1,001	2,592
Loss on disposal of property plant & equipment		1,471	1,254
		435,105	167,471
(Loss)/profit before taxation		(160,367)	88,022
Taxation	5	(44,098)	(31,451)
(Loss)/profit for the year		(204,465)	56,571
Other comprehensive income		-	-
Total comprehensive (loss)/income		(204,465)	56,571

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 2010
(Expressed in Trinidad and Tobago dollars)

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

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 2010
(Expressed in Trinidad and Tobago dollars)

	2010 $'000	2009 $'000
Cash flows from operating activities		
Cash generated from operations (Note 17)	138,736	209,156
Taxation paid	(44,775)	(48,221)
Taxation received	1,757	–
Interest paid	(8,098)	(3,195)
Interest received	3,116	8,136
Net cash generated from operating activities	90,736	165,876
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,639)	(8,605)
Additions to investment properties	(319,076)	(166,492)
Net increase/(decrease) in short-term investments	28,921	(28,921)
Net cash used in investing activities	(292,794)	(204,018)
Cash flows from financing activities		
(Increase)/decrease in advances from parent company	(73,321)	55,753
Repayment of borrowings	(12,520)	(15,967)
Proceeds from borrowings	329,796	52,142
Net cash generated from financing activities	243,955	91,928
Net increase in cash and cash equivalents	41,897	53,786
Cash and cash equivalents at beginning of year	292,054	238,268
Cash and cash equivalents at end of year (Note 6 d))	333,951	292,054
Non-cash transactions		
Interest capitalised to investment properties	9,528	–

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

1. Corporate information

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

1.1 Basis of preparation

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

Statement of compliance

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

1.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

IAS 27 – Consolidated and Separate Financial Statements
IAS 39 – Financial Instruments: Recognition and Measurement - Eligible Hedged Items
IFRS 2 – Share-based payment (revised)
IFRS 3 – Business Combinations (revised)
IFRIC 17 – Distribution of Non-cash Assets to Owners
IFRIC 18 – Transfers of Assets from Customers
Improvements to IFRSs (April 2009)
Embedded derivatives - Amendments to IFRIC 9 and IAS 39 (effective from 1 July 2009)

The Company has chosen to early adopt IAS 24 Related Party Disclosures (Amendment) which is effective for annual periods beginning on or after 1 January 2011. The amendment clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

1.2. Significant accounting judgements, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

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

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

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

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.

1.2 Significant accounting judgements, estimates and assumptions (continued)

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.

1.3 Summary of significant accounting policies

a) Cash and cash equivalents

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

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

b) Trade receivables

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

c) Inventories

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

d) Taxes

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

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

1.3 Summary of significant accounting policies (continued)

d) Taxes (continued)

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

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

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

e) Property, plant and equipment

Property, plant and equipment are stated at historical cost.

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

Marine infrastructure assets	3 - 20%
Tugs & 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

1.3 Summary of significant accounting policies (continued)

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 recognized in the statement of comprehensive income in the year of retirement or disposal.

g) Long-term debt

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

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

h) Foreign currencies

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

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

1.3 Summary of significant accounting policies (continued)

i) Borrowing costs

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

j) Creditors and accruals

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

k) Financial assets

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

Held-to-maturity investments

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

Loans and receivables

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

1.3 Summary of significant accounting policies (continued)

k) Financial assets (continued)

Available-for-sale financial investments

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

Fair value

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

Amortised cost

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

l) Financial liabilities

Interest bearing loans and borrowings

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

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

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

1.3 Summary of significant accounting policies (continued)

m) Impairment of non-financial assets

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

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

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

n) Impairment of financial assets

The Company assesses at each 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.

1.3 Summary of significant accounting policies (continued)

o) Revenue recognition

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

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

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

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

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

p) Government grants

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

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

q) Capital grants

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

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

1.3 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.

1.3 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 the statement of comprehensive income.

u) Comparative information

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year. An amount of TT$28.921 million was reclassified from short-term investments to cash and short-term deposits and an amount of TT$9.960 million representing restricted cash was reclassified from cash and short-term deposits and disclosed separately (See Note 6d)). These reclassifications had no effect on the statement of comprehensive income for the current and previous year.

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 2010.

IAS 32 Financial Instruments (effective 1 February 2010) amended the definition of a financial liability to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instrument, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

IFRS 9 Financial Instruments: 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 14 Prepayments of a Minimum Funding Requirement (effective 1 January 2011 retrospectively) provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010) clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

2. Standards issued but not yet effective (continued)

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 July 2010 or 1 January 2011.

IFRS	**Subject of Amendment**
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 1	Current/Non-current Classification of Convertible Instruments
IAS 27	Consolidated and Separate Financial Statements
IFRIC 13	Customer Loyalty Programmes

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Expressed in Trinidad and Tobago dollars)
(Continued)

3. Property, plant and equipment

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

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

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

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

4. Investment properties

2010	Development cost $'000	Capital work in progress $'000	Total $'000
Cost			
At beginning of year	367,077	224,872	591,949
Additions	–	328,604	328,604
Transfer	21,509	(21,509)	–
	388,586	531,967	920,553
Accumulated depreciation/ impairment			
At beginning of year	84,096	–	84,096
Depreciation charge	11,912	–	11,912
Impairment (reversal)/charge	(55,540)	365,231	309,691
	40,468	365,231	405,699
Net book value	348,118	166,736	514,854
2009			
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 charge	1,635	–	1,635
	84,096	–	84,096
Net book value	282,981	224,872	507,853

Interest capitalised for the year amounted to $12.8 million (2009: $Nil).

4. **Investment properties** (continued)	**2010 $'000**	**2009 $'000**
Amounts recognised in profit or loss		
Rental income from investment properties	17,270	21,473
Direct operating expenses	1,752	1,250

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

In 2008 the company began the construction of a material and handling storage facility (the facility) for the aluminum smelter project which was to be built on the UIE. The facility was estimated to cost approximately US$100 million based on an Engineering Procurement contract. The discontinuation of the aluminum smelter project in September 2010 by the Government, resulted in the design and use of the material and handling storage facility changed to a general purpose warehousing facility. At 31 December 2010, the costs incurred on the facility was $529 million (2009: $212 million) inclusive of capitalized interest of $12.8 million.

An impairment review was performed on the UIE and the facility at 31 December 2010. The recoverable amounts were based on value-in-use. In determining the value-in-use, the pre-tax cash flows were discounted at a rate of 5.41%. Projected revenues were based on cash flows from identified tenants/specific projects for the UIE and estimated cash flows for the facility.

A net impairment charge of $309.7 million has been recorded in the statement of comprehensive income, representing a reversal of $55.5 million for the UIE and an impairment charge of $365.2 million for the facility.

	2010 $'000	2009 $'000
5. Taxation		
The major components of the taxation expense were as follows:		
Current taxation – Corporation tax	38,238	29,802
– Green fund levy	270	246
Prior year over-provision	1,511	–
Deferred tax	4,079	1,403
	44,098	31,451
A reconciliation of the expected income tax expense determined using the statutory tax rate of 25% to the effective income tax expense is as follows:		
(Loss)/profit before tax	(160,367)	88,022
Tax at the rate of 25%	(40,092)	22,006
Non-deductible expenses	78,628	6,380
Prior year over-provision	1,511	–
Permanent differences	3,021	2,496
Other differences	760	323
Green fund levy	270	246
	44,098	31,451
Significant components of the deferred tax assets and liabilities are as follows:		
Assets:		
Accrued vacation leave	316	274
Accrued interest payable	1,428	2,841
	1,744	3,115
Liabilities:		
Property, plant and equipment	44,944	42,238

6. Cash and short-term deposits	**2010 $'000**	**2009 $'000**
Cash at bank	310,736	266,647
Short-term deposits	37,596	68,709
	348,332	335,356
Less: Provision for impairment of short-term deposits (Note b)	(14,381)	(14,381)
	333,951	320,975

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 $333.951 million (2009: $320.975 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.

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

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

	2010 $'000	**2009 $'000**
Cash at banks and on hand	310,736	266,647
Short-term deposits (with an original maturity date of less than three months)	23,215	25,407
	333,951	292,054

7. Trade and other receivables

	2010 $'000	2009 $'000
Trade receivables - related parties	57,867	52,572
Trade receivables - third parties	52,700	62,279
	110,567	114,851
Provision for doubtful debts (See Note a))	(26,916)	(23,140)
	83,651	91,711
Other receivables:		
Interest receivable	34	143
Prepaid expenses	2,638	2,340
Due from Government of Trinidad & Tobago - billed (Note b))	88,623	49,105
Due from Government of Trinidad & Tobago - unbilled (Note b))	60,524	45,089
Value Added Tax recoverable	35,649	40,130
Other	481	1,130
	271,600	229,648

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

a) The provision for doubtful debts includes a provision of $22.419 million for a related party, Alutrint Limited in relation to an amount under dispute (2009:$19.436 million).

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.

As at 31 December 2010, trade receivables at a value of $26.916 million (2009: $23.140 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2010 $'000	2009 $'000
As at 1 January	23,140	3,213
Charge for year	3,915	19,927
	27,055	23,140
Provision reversed	(139)	-
At 31 December	26,916	23,140

7. **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
2010	83,651	69,558	8,577	2,847	603	56	2,010
2009	91,711	56,017	4,675	2,428	537	357	27,697

8. **Stated capital**

	2010 $'000	2009 $'000
Authorized		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
1,034,270 ordinary shares of no par value	103,427	103,427

9. **Capital contribution**

The parent company, NGC provided the Company with a loan at an interest rate below market rate effective 31 December 2008. This resulted in the Company recognising a capital contribution of $97.223 million when the loan was recorded at fair value at 31 December 2008. (See Note 10 b)).

As at 31 December 2010 an additional fair value adjustment was recorded on the loan from the parent due to a deferral of the commencement of loan instalments to 1 January 2012. This has resulted in the Company recognising an additional capital contribution of $4.256 million at 31 December 2010. (See Note 10 b).

10. Long-term debt

	Long-term portion $'000	Current portion $'000	2010 $'000	2009 $'000
First Citizens Bank (Note a)	26,806	7,873	34,679	42,074
NGC - UIE loan (Note b)	278,837	–	278,837	278,743
NGC advance (Note c)	383,084	–	383,084	52,142
	688,727	7,873	696,600	372,959

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

i) Collateral Chattel Mortgage over two (2) tugboats - NEC Empress & NEC Majestic with carrying amounts totalling $43.434 million (2009: $45.291 million).

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

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

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

10. Long-term debt (continued)

b) On 12 April 2009, the Company was mandated by the Government of the Republic of Trinidad and Tobago (GORTT) to reimburse the parent company, NGC for the cost of the development of Union Industrial Estate, La Brea. The purchase consideration of US$58.518 million (TT$367.078 million) was to be settled in 50 equal semi-annual payments of principal and interest. The effective date of this loan was 31 December 2008. The principal is to be paid in equal semi-annual instalments commencing 1 January 2012 with interest rate of 3.0% per annum.

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

Effective 31 December 2010, the commencement of the instalments on the loan has been deferred to 1 January 2012. This has resulted in a fair value adjustment of the loan as at 31 December 2010 totalling $4.256 million. (Note 9)

c) As a result of the discontinuance of the aluminum smelter during 2010, the scope of works regarding the construction of the material, handling and storage facility was changed. This change resulted in a reduction in the amount of financing required from NGC to US $66.0 million. The loan agreement which was executed on 23 June 2010 provides for the Company to repay the principal over a period of not more than 15 years in equal semi-annual instalments with a rate thereon at a maximum of 7 %. The first principal instalment is due within two (2) years of the date of execution of the loan agreement. The Company is entitled to apply for an extension to the moratorium period where there is a delay in executing a tenancy agreement for the Facility. This extension is not to exceed a maximum of two (2) years.

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

At 31 December 2010, the Company had drawn down US$60.076 million (2009: US$8.2 million) of the funds.

Fair values	**Carrying amount**		**Fair value**	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
	696,600	372,959	681,215	400,746

10. Long-term debt (continued)

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

Maturity profile of long-term debt	2010 $'000	2009 $'000
In one year or less	7,873	22,791
In more than one year but not more than two years	44,584	13,413
In more than two years but not more than three years	45,432	66,400
In more than three years but not more than four years	46,332	15,159
In more than four years but not more than five years	37,176	16,115
In more than five years	515,203	239,081
	696,600	372,959

11. Creditors and accruals

Trade creditors	9,959	45,136
Sundry creditors and accruals	140,232	119,222
	150,191	164,358

Terms and conditions of significant financial liabilities above:

a) Trade payables are non-interest bearing and are normally settled on 30-day terms.

b) Interest payable is normally settled in accordance with the terms and conditions of the respective loans - See Note 10.

c) Accrued materials/service amounts and retentions are non-interest bearing.

d) Employee related accruals are normally settled monthly throughout the year.

12. Deferred capital grant	**2010 $'000**	**2009 $'000**
Balance at the start of the year	36,754	–
Received during the year	–	31,367
Transferred from Polyolefins project	–	19,701
Utilised during the year	(11,981)	(12,802)
Grant utilised for VAT	(1,335)	(1,512)
Balance at the end of the year	23,438	36,754
Non-current	–	24,901
Current	23,438	11,853
	23,438	36,754

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

13. Deferred income

Billings in advance (Note a)	15,230	12,468
Capital grant - Union Industrial Estate (Note b)	24,066	12,802
Deferred income - Other	770	771
	40,066	26,041

Notes

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

b) Capital grant - Union Industrial Estate:	**2010 $'000**	**2009 $'000**
Balance at 1 January	12,802	–
Capital expenditure incurred on depreciable property	11,981	12,802
Amount released to income	(717)	–
Balance at 31 December	24,066	12,802

14. Marine infrastructure income

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

	2010 $'000	2009 $'000
ISCOTT dock	5,687	5,687
Savonetta piers	132,977	107,610
Point Lisas harbour	36,076	30,197
Tugs and workboats	75,287	67,503
	250,027	210,997

15. Other operating income

Management fees - Labidco	582	495
Miscellaneous (Note)	1,575	7,432
	2,157	7,927

Included in other miscellaneous income is an amount totalling $0.717 million relating to the amortisation of deferred income (See Note 13 b)).

16. Expenses

	2010 $'000	2009 $'000
Marine expenses:		
Depreciation	20,860	20,707
Maintenance - marine facilities	16,189	17,182
Salaries and related benefits	12,590	4,509
Management fees - tugs & workboats	4,282	13,207
Insurance	2,414	2,438
Sea bed lease rent	119	119
	56,454	58,162

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
(Expressed in Trinidad and Tobago dollars)
(Continued)

16.	**Expenses** (continued)	**2010 $'000**	**2009 $'000**
	Administrative and general expenses:		
	Salaries and related benefits	27,779	18,737
	Impairment of Alutech loan (Note 6 c))	2,075	18,234
	Depreciation	13,474	11,255
	Management fees - NGC - current year	1,000	1,000
	- prior years	(5,787)	–
	Insurance	1,859	1,932
	Insurance refund - prior years	(4,578)	–
	Motor vehicle expense	1,759	1,425
	Specific bad debts	8,190	22,657
	Security	1,395	470
	Conferences and seminars	1,317	472
	Advertising and communications	1,235	582
	Legal and professional fees	1,218	466
	Other	4,264	5,285
		55,200	82,515
	Other expenses:		
	Donation - other	218	247
	Donation - Uni Bio project	–	1,521
		218	1,768
	Finance costs:		
	Interest on debt and borrowings - related parties	8,559	16,581
	- third parties	2,511	2,964
		11,070	19,545
	Staff costs:		
	Included under marine expenses	12,590	4,509
	Included under administrative and general expenses	27,779	18,737
		40,369	23,246

The Company's employees are members of the parent company's pension plan. Pension costs incurred are not re-charged to the Company by the parent.

17. Cash flows from operations	**2010 $'000**	**2009 $'000**
Net (loss)/profit for the year before taxation	(160,367)	88,022
Adjustments for:		
Depreciation	34,336	31,962
Impairment of investment properties	309,691	1,635
Amortisation of deferred expenses	181	–
Interest expense	11,070	19,545
Interest income	(3,006)	(6,787)
Loss on disposal of property, plant and equipment	1,471	1,254
Increase in parent company loan due to foreign currency translation	2,004	3,638
Operating profit before working capital changes	195,380	139,269
(Increase)/decrease in trade debtors and prepayments	(41,952)	60,452
Increase in inventories	(129)	(59)
Decrease in deferred income and deferred capital grant	709	25,153
Increase in deferred expense	(1,044)	–
Increase in trade creditors and accruals	(63,126)	(15,659)
Cash generated from operations	138,736	209,156

18. Related party transactions

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

The sales to and purchases from related parties are at arm's length, with the exception of the interest rate on the UIE loan from the parent company (See Note 10 b)). Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables with the exception of that relating to Alutech Limited (See Note 18). At 31 December 2010, the Company has recorded a provision for doubtful debts relating to amounts owed by related parties of $22.419 million (2009: $19.436 million) and $20.309 million (2009: $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.

18. Related party transactions (continued)

The following table provides the total amount of material transaction, which have been entered into with related parties as at or for the period ended 31 December 2010 and 31 December 2009.

		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	2010	–	–	–	63,254
	2009	–	–	–	121,838
Lease land	2010	1,500	–	–	–
	2009	1,498	–	–	–
Management fees	2010	–	(4,787)	–	–
	2009	–	1,000	–	–
Loans	2010	–	8,559	–	661,921
	2009	–	16,581	–	330,885
La Brea Industrial Company Limited	2010	582	–	33,755	–
	2009	495	–	5,439	–
Government of Trinidad & Tobago	2010	2,277	–	149,147	–
	2009	8,309	–	94,194	–
Capital grants	2010	–	–	–	–
	2009	31,367	–	–	–
Alutrint Limited Lease land	2010	12,713	–	22,074	–
	2009	12,601	–	42,617	–
Alutech Limited	2010	–	–	20,309	–
	2009	–	–	18,234	–
First Citizens Bank Limited	2010	–	2,511	–	34,679
	2009	–	2,963	–	42,074
Trinidad Generation Unlimited	2010	2,123	–	2,038	–
	2009	3,811	–	4,383	–

	2010 $'000	2009 $'000
18. Related party transactions (continued)		
Compensation of key management personnel		
Short-term employee benefits	5,485	3,924

19. 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 2010, the loan balance outstanding by Alutech was settled (2009: $1.9 million).

20. Commitments and contingencies

a) Operating lease commitments

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

Future minimum rentals receivable under operating leases as at 31 December 2010 are as follows:

	2010 $'000	2009 $'000
Within one year	3,212	15,918
After one year but not more than five years	9,814	9,784
More than five years	56,650	58,926
	69,676	84,628

b) Capital commitments

	2010 $'000	2009 $'000
Approved and contracted capital expenditure	437,133	1,346,253

These commitments include contractual commitments of $375.6 million (2009: $929.9 million) entered into by the Company on behalf of the GORTT.

20. Commitments and contingencies (continued)

c) Litigation matters

The Company has been named as a defendant in a litigation matter for which the outcome cannot be reasonably ascertained as at the year-end. No provision has been made in the financial statements as it is management's opinion that there is no obligation on the part of the Company.

21. Financial risk management objectives and policies

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

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

Credit risk

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

The Company has $14.4 million in investment note certificates with Clico Investment Bank Limited. As stated in Note 6 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 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.

21. 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 2010	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Interest bearing debt	–	–	47,560	334,615	794,127	1,176,302
Trade creditors and accruals	–	110,170	36,601	–	–	146,771
Other liabilities	–	–	971	–	–	971
	–	110,170	85,132	334,615	794,127	1,324,044

As at 31 December 2009	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Interest bearing debt	–	–	22,727	357,274	873,229	1,253,230
Trade creditors and accruals	–	139,784	23,076	–	–	162,860
Other liabilities	–	–	122	–	–	122
	–	139,784	45,925	357,274	873,229	1,416,212

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).

21. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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

	Increase/ decrease in exchange rate (cents)	**Effect on profit before tax $'000**
2010	0.01	(803)
	(0.01)	803
2009	0.01	(952)
	(0.01)	952

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 2009.

The capital structure of the Company consists of share capital and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or process for managing capital during the years ended 31 December 2010 and 31 December 2009.

22. 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 reporting date for debt on similar terms, credit risk and remaining maturities, with the exception of the loan from NGC for the construction of the Material, Handling and Storage Facility which approximates its carrying value (Note 10 c)).

23. 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.