NATIONAL ENERGY CORPORATION
OF TRINIDAD AND TOBAGO LIMITED
Securing Energy for Tomorrow

ANNUAL ADMINISTRATIVE REPORT

2012

Executive Summary

Annual Administrative Report, 2012

National Energy Corporation of Trinidad and Tobago Limited (NEC) was incorporated in Trinidad and Tobago on 07 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, 2012 to December 31, 2012, the Board of Directors of NEC comprised of seven members namely, Mr. Roop Chan Chadeesingh, Mr. Premchand Beharry, Ms. Haseena Ali, Mrs. Cathal Healy-Singh, Mr. Clyde Ramkhalawan, Dr. Utam Maharaj and Mr. Larry Howai who resigned as Chairman on June 25, 2012. Mr. Indar Maharaj was installed as a Director effective July 24, 2012.

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

All Vice Presidents and Manager of Legal and Corporate Secretariat Services report to the President, who then reports to the Boards of Directors. The company also reports directly and indirectly (through the NGC) to the Ministry of Finance, Investment Division, and the Ministry of Energy and Energy Industries (MEEI).

During the reporting period, several projects have progressed in support of the company's mandate. Significant events that occurred in 2012 are as follows:

- The allocation of gas by the Cabinet for the Carisal Calcium Chloride/Caustic Soda Project.
- Testing activities continued on the Unibio Natural Gas to Animal Protein Project.
- A consultant was selected to conduct a nationwide Wind Resource Assessment Programme.
- NEC collaborated with the Energy Chamber to complete a draft Energy Efficiency Policy for the Point Lisas Industrial Estate. The draft policy was submitted to MEEI in October 2012.
- On-going development with Chemtech Ltd for the establishment of an Integrated Melamine/Formaldehyde Resins Cluster in Trinidad and Tobago.
- Project development works continued on the Mitsubishi Methanal to Di Methyl Ether Project.
- An inorganics chemicals market study was completed. This project was discontinued.

- A Project Monitoring Agreement was signed between NEC and MHTL for MHTL's AUM II complex.
- Completion of a feasibility study for the development of a vertically integrated iron and steel complex (Metaldom). The Standing Committee on Energy agreed to the execution of a Project Development Agreement between NEC and project sponsors.
- NEC/NGC provided Technical Services to the Tanzania Petroleum Development Corporation.
- An MOU was signed with Gasfin for the development of a mid-scale LNG plant and the feasibility study for this project was completed.
- NEC procured services for the installation of solar induction lighting in community centres throughout Trinidad, on behalf of the MEEI.
- Proposals were invited for small-scale renewable processing facilities at Union Industrial Estate.

The staff compliment for the year 2012 consisted of One Hundred and Thirteen (113) employees.

During the year 2012, NEC recorded a Net Loss of $8.8M, $58M below budgeted profit of $49.2M. The unfavourable variance was mainly as a result of impairment of Brighton Material and Storage Facilities and Union Industrial Estate in the sum of $34.8M, Bad Debt Provisions of $12.6M and higher interest charges of $7M. Revenue was recorded at $273.8M. Total Expenditure amounted to $123.4M, 1.9% below the budgeted amount. Operating Profit for 2012 was $150.4M. Capital Expenditure was $24.2M. Total Assets for 2012 amounted to $1.6B.

The staff complement at NEC for the year 2012 amounted to One Hundred and Thirteen (113) employees.

In 2012, NEC's Public and Community Relations continued. This year, the Company's theme of "Energy Efficiency" was incorporated into many of its CSR programmes. Concentrating on the main focus areas of Youth Development, Public Education, Culture and Capacity Building, NEC structured programmes that influenced diverse audiences.

- NEC partnered with MEEI to host a series of school information sessions at primary schools in La Brea and Guayagyayare environs.
- NEC turned the sod for the Energy port at Point Galeota and officially opened the Fish Landing Facility at Guayaguayare.
- NEC in partnership with The Central Bank hosted a Financial Literacy session for 4th form students at Vessigny High School and held a form on how to manage finances to ensure a smooth transition for retirement to the residents of La Brea and Guayaguayare.
- NEC Together with members of the community in La Brea a skills Bank for the communities was developed and distributed.

- The company launched "Pan in the Village" on June 30th, in the community of Sobo with the support of the La Brea Nightingales and hosted six other concerts over a six week period.

TABLE OF CONTENTS

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

VISION STATEMENT

To be a global leader in the development of sustainable energy-based industries.

MISSION STATEMENT

We leverage our expertise through:

- Ownership and operation of assets
- Innovation
- Strategic alliances
- Market intelligence

for the benefit of all citizens.

MANDATE

The Mandate of National Energy Corporation includes:

i. The conceptualization, promotion, development and facilitation of new energy-based and downstream industries in Trinidad and Tobago.
ii. Identification of new industrial estates and associated deep-water ports.
iii. Ownership and operation of marine and other infrastructural assets to facilitate all gas-based petrochemical and metal plants.
iv. Development and management of La Brea and Union Industrial Estates.
v. Towage and Harbour Operations.
vi. Sustainable Management of the environment.

CORE VALUES

National Energy Corporation's core values are as follows:

Team work – We encourage camaraderie and honest communication.

Flexibility – We must maintain an adaptable and proactive approach in the timely execution of our duties.

Integrity – We demonstrate technical competence, efficiency and professionalism in the execution of our duties.

Respect – We value and appreciate each other's views and contributions.

Transparency – We govern our operations through transparent practices and adherence to all policies and procedures.

Discipline – We operate as trustees for national energy development to ensure delivery of the shareholders' expectations.

Safety and Environment – We are committed to conducting our operations in a safe and environmentally sustainable manner.

Corporate Social Responsibility – We create opportunities for developing better communities in which we operate, by working in harmony with all stakeholders.

Customer Focus – We are committed to seeking the customers' interest by consistently delivering excellent service within the shortest possible time.

NATIONAL ENERGY CORPORATION'S PROFILE

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

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

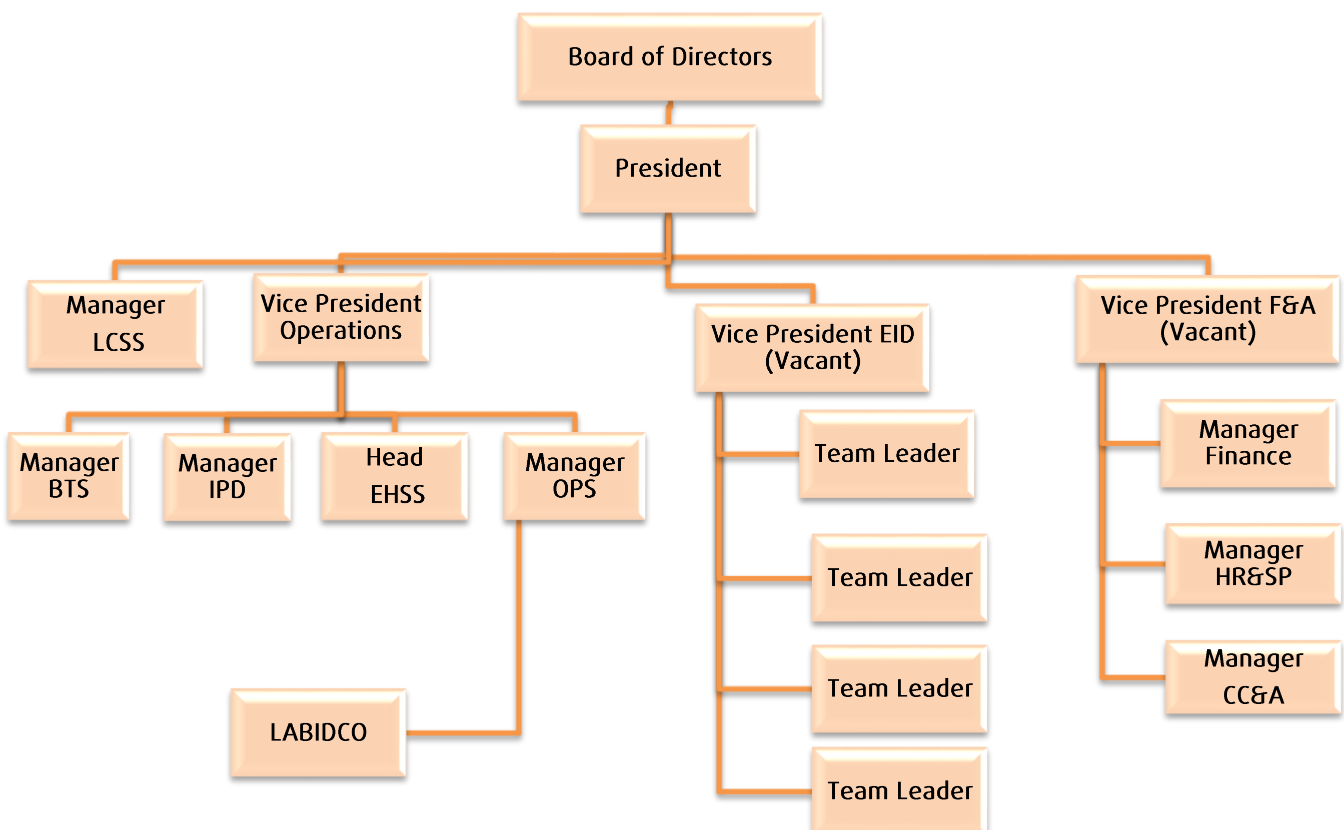
3. ORGANISATION STRUCTURE

a. CORPORATE STRUCTURE

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

The Executive Staff is comprised of:

1. President
2. Vice Presidents – three (3)
3. Managers/Heads of Departments – nine (9)



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

ii. **Infrastructure Planning & Development (IPD)** is responsible for the implementation of strategies, initiatives and plans for achieving the Infrastructure Planning and Development goals, objectives and key targets of the Operations Group.

iii. **Business & Technical Support (BTS)** provides strategic technical and business advice to the Vice President - Operations Team. This Division leads in the delivery of Project Controls and Contract Administration activities in accordance with Industry Standards and Company Policy and Procedure

iv. **Legal & Corporate Secretariat Services (L&CSS)** provides legal and corporate secretariat services.

v. **Environmental, Health, Safety & Security (EHSS)** provides health, safety and security services.

vi. **Finance, Accounting & Treasury Services (FA&TS)** provides finance/treasury management and financial operations services.

vii. **Corporate Communication & Administration (CC&A)** provides support services in the areas of Human Resource, Procurement, Facilities Management, and Information Technology.

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

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

Services at LABIDCO Estate include:

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

b. DELEGATION OF AUTHORITY

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

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

c. LEGISLATIVE AND REGULATORY FRAMEWORK

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

Articles of Association were adopted as the By-Laws of the National Energy Corporation.

d. REPORTING FUNCTIONS

All Managers/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

Business Development

National Energy Corporation continued its multi-pronged approach to business development in 2012 with emphasis on strategic focus areas for potential growth. Accomplishments are shown in table below:

	Project Title:	Detail of Project	Activities Undertaken in Year/Status	Status
1.	Calcium Chloride/Caustic soda Project (Carisal)	Carisal Calcium Chloride/Caustic soda Project proposes to construct a plant to produce: • calcium chloride • caustic soda • sodium hypochlorite • hydrochloric acid	The allocation of gas by Cabinet for Carisal Calcium Chloride Plant.	
2.	Natural Gas to Animal Protein (Unibio)	Natural Gas Protein Manufacturing Project involves the development of a commercial single cell protein (SCP) plant in Trinidad and Tobago. The proposal is for the construction of a 3200 cubic meter (100,000 tpy) protein production plant to manufacture SCP from a fermentation process using methanol or natural gas as the substrate.	Testing activities continued.	Project remained active.

	Project Title:	Detail of Project	Activities Undertaken in Year/Status	Status
3.	Wind Resource Assessment Programme (WRAP)	NEC with the Ministry of Energy and Energy Industries, commenced the development of a Request for Proposal (RFP), to conduct a wind resource assessment.	A consultant was selected to conduct a nationwide Wind Resource Assessment Programme.	Project remained active
4.		Development of an Energy Efficiency Policy as directed by the MEEI.	NEC collaborated with The Energy Chamber to complete a draft Energy Efficiency Policy for the Point Lisas Industrial Estate.	The draft policy was submitted to MEEI in October 2012.
5.		The project is an integrated melamine/formaldehyde cluster	Ongoing development with Chemtech Ltd for the establishment of an Integrated Melamine/Formaldehyde Resins Cluster in Trinidad and Tobago.	Project development work continued.
6.	Methanol to Di Methyl Ether (Mitsubishi)	A Project Development Agreement was drafted between NEC and the Mitsubishi Consortium for the production of methanol and DME for a methanol-to-petrochemicals plant to be located at Union Industrial Estate (UIE), La Brea.	Project development work continued.	Project remained active.
7.	Inorganic Chemicals	Inorganic chemicals are being explored simultaneously along with traditional hydrocarbon-based industries	An inorganic chemicals market study was completed.	Project closed
8.	Ammonia, Urea, Melamine (MHTL AUM II)	MHTL AUM II Project consists of production of the following • Granulated urea – 934,467 tpa • Melamine – 27,139 tpa • Ammonium Sulphate – 247,500 tpa Melamine Urea Formaldehyde - 10,350 tpa	A Project Monitoring Agreement was signed between NEC and Methanol Holdings (Trinidad) Limited (MHTL) for MHTL's AUM II complex.	Development works continued

	Project Title:	Detail of Project	Activities Undertaken in Year/Status	Status
9.	Iron and Steel (Severstall)	The project consisted of the following: • HBI (Hot Briquetted Iron) – 750,000 tpa • Cold DRI (Direct Reduced Iron) – 750,000 tpa • Steel Billets – 235,000 tpa	NEC signed a Memorandum of Understanding with the Consortium of Severstall US Holdings LLC, Complejo <etalurgico Domiicano S.A. and Neal and Massy Holdings Limited to jointly undertake a feasibility study of the establishment of a vertically integrated Iron and Steel Complex in Trinidad & Tobago.	Project discontinued.
10.	Iron and Steel (Metaldom)	The Metaldom Project consists of: • 300,000 steel billets • 200,000 steel bars, round and square steel	Completion of a feasibility study for the development of a vertically integrated iron and steel complex. The project was reconfigured to include just a steel manufacturing complex. The Standing Committee on Energy agreed to the execution of a Project Development Agreement between NEC and project sponsors.	Project development activities continued
11.	Consulting Technical Services (Tanzania Petroleum Development Corporation)	This forms part of the Africa Initiative which seeks to capitalise on opportunities in the African region.	NEC/NGC provided Technical Services to the Tanzania Petroleum Development Corporation (TPDC).	Project completed
12.	Mid- Scale LNG (Gasfin)	The Gasfin project consists of 500,000 tpa LNG	An MOU was signed with Gasfin for the development of a mid-scale LNG Plant and the feasibility study for this project was completed.	Project development work continued.
13.	Renewable Energy Technologies (MEEI)	The provision of procurement services for renewable energy technology projects on behalf of the MEEI	NEC procured services for the installation of solar induction lighting in community centres throughout Trinidad on behalf of MEEI.	The installation of solar lights in nine Community Centres in the North/East and South/Central were completed.

	Project Title:	Detail of Project	Activities Undertaken in Year/Status	Status
14.	Renewable Energy Technologies	This project involves the development of small scale renewable processing facilities at UIE.	Proposals were invited for small-scale renewable processing facilities at UIE.	The RFP process was terminated due to the lack of response by the interested parties for the provision of further information and clarification of the proposals submitted.

5. POLICIES & PROCEDURES

DEBT POLICY

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

INVESTMENT POLICY

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

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

Investments are usually in short term Government Paper, including Treasury Bills and open market operations (OMOs), together with bank term deposits with investment tenors of approximately ninety (90) days. This strategy seeks to ensure the availability of funds, in the event that some unforeseen financial obligation arises during the financial year.

INTERNAL AUDIT FUNCTIONS

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

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

6. FINANCIAL OPERATIONS

BUDGET FORMULATION

BUDGET AND FORECASTING PROCEDURES

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

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

- Operating Revenue and Expenditure
- Capital Expenditure
- Cash Budget

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

BUDGET PREPARATION PROCESS

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

BUDGET REVIEW AND APPROVAL PROCESS

Upon submission and completion of the departmental budgets, the Finance/Treasury Department reviews and recommends changes if necessary, before compiling the first draft of the Corporate Budget document for review by the President.

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

CASH BUDGET

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

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

BUDGET IMPLEMENTATION

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

FINANCIAL STATEMENTS

During the year 2012, National Energy Corporation recorded a net loss of $8.8M, $58M below budgeted profit of $49.2M. The unfavourable variance was mainly as a result of impairment of Brighton Material and Storage Facilities and Union Industrial Estate in the sum of $34.8M, bad debt provisions of $12.6M and higher interest charges of $7M.

Total recorded revenue of $273.8M was 0.3% below the budget amount of $274.5M. The decrease in income from marine operations was offset by higher investment income.

Total expenditure of $123.4M was 1.9% below budgeted amount of $125.8M. Lower salaries cost from non-implementation of planned market adjustments was offset by higher maintenance costs.

Operating profit for 2012 was $150.4 or 1.2% above budgeted amount of $148.7M. Capital expenditure of $24.2M was 52.2% below budgeted amount of $50.6M. This resulted mainly from the deferral of expenditure on Savonetta Pier 1 and 2 in the sum of $8.6M and purchase of marine vessels at $13.3M.

Total assets for 2012 amounted to $1.6B compared to that of 2011 which amounted to $1.5B. Cash and short-term investment as at December 31, 2012 amounted to $509.8M.

See copies of National Energy's Audited Income Statement & Balance Sheet and Management Accounts Income Statement for 2012 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 seven (7) Board Members.

The key role of the President, Vice Presidents and Managers/Heads of Department are as follows:

President

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

Vice President – Energy Industry Development

To ensure the development and utilization of the assets of the company for the realisation of optimum benefits to the country from the gas-based industry.

Vice President – Operations

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

Vice President – Finance & Administration

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

Manager – Finance & Accounting

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

Manager – Engineering Design & Construction

To manage the design and construction of infrastructure and port facilities. To ensure that 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 implement strategies, initiatives and plans for achieving the Asset Management goals, objectives and key targets of the Operations Group.

Manager – Legal & Corporate Secretariat Services

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

Manager - Corporate Communication and Administration

To provide leadership and effective and efficient corporate communications and functional general management services in support of the Company's strategic initiatives.

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

b. CATEGORY OF EMPLOYMENT

In 2012, the categories of employees of National Energy Corporation were:

- Permanent Professional – Forty (40)
- Permanent Non-Professional – Forty-nine (49)
- Contract Professional – Twelve (12)
- Contract Non-Professional – Eight (8)
- Temporary – Four (4)

The staff compliment was One Hundred and Thirteen (113) employees. The company recruited new positions, which were (i) Security Coordinator; (ii) Head, Human Resource; (iii) Marketing Officer; (iv) Health & Safety Officer; (v) Two (2) Business Analysts and (vi) Corporate Secretariat Assistant. The person who held the position of Manager - Energy Industry Development was promoted to Vice President - Operations. In addition, seven (7) persons were recruited, on contract, in various positions throughout the company.

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

i. Employee Assistance
ii. Counselling
iii. Workplace Support

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

L0 – President
L1 – Vice President
L2 – Managers
L3 – Assistant Managers/Section Heads
L4 - Supervisors
L5 – Individual Staff

e. PROMOTION – SELECTION PROCEDURES

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

i. Qualifications
ii. Capabilities
iii. Experience
iv. Attitude
v. Performance
vi. Work 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 dependents. The service is not intended for long-term, on-going treatment. FIA assumes a pro-active approach, with prevention being the primary goal. It treats clients' problems before more serious ones develop. Following completion of a thorough assessment, an EAP Counsellor or Consultant, either continues to see the client for short-term problem resolution or refers the client for long-term assistance if required.

iii. Workplace Support -

FIA provides specialised services - each one designed to meet specific areas of concern within the organisation. The Workplace Support goes far beyond helping the employees resolve their personal problems; they are also focused on organisational development. FIA provides consultation on workplace policies and procedures that are instrumental in helping employers and employees maintain a safe and productive workplace. Some areas of consultation are for e.g. Critical Incident Management, Promoting Wellness, a Drug Free Workplace and Workplace Violence Prevention etc. 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 the 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 the NGC.

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

	Works & Services	Goods & Equipment
Manager	Up to $50,000	Up to $250,000
Vice Presidents	Up to $250,000	Up to $500,000
Management Tenders Committee	$250,001 - $750,000	$500,001- $1,000,000
Management Tenders Evaluation Committee	$750,001- $3,000,000	$1,000,001-$3,000,000
Board Tenders Committee	$3,000,001-$5,000,000	$3,000,001-$5,000,000
Board of Directors	>$5,000,000	>$5,000,000

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

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

9. PUBLIC & COMMUNITY RELATIONS

Corporate Social Responsibility Report 2012

National Energy Corporation incorporated the company's theme- "**Energy Efficiency**"- in many of its Corporate Social Responsibility (CSR) programs. Capitalizing on already existing partnerships, while establishing new collaborations with stakeholders, National Energy Corporation promoted the idea of using less energy to provide products and services or alternatively, increasing the quantity and quality of goods and services produced from the same amount of energy. Concentrating on the main focus areas of Youth Development, Public Education, Culture and Capacity Building, National Energy Corporation structured programs that influenced diverse audiences.

KEY 2012 CSR PROJECTS:
YOUTH DEVELOPMENT-

La Brea-

- National Energy Corporation partnered with members of the La Brea community through its employees to continue the upgrade of a Home Work Centre run by Ms. Sherry Francis. At a focus group meeting (held in September 2012) National Energy was informed that Ms. Sherry Francis, had been actively hosting a "Homework Center" at her home at no cost to participants. Every afternoon Monday to Friday, the children would gather at her home on Queen Street, La Brea, where they were assisted with their school assignments and given additional work for revision purposes. On average, there were approximately twenty children, per day, between the ages of five and thirteen years of age.

- Upon visiting Ms. Francis' home, it was observed that her house was severely dilapidated and posed serious safety risks to the children. National Energy Corporation immediately took a decision to construct and outfit a six by sixteen feet structure at the side of Ms. Francis' home for use by the children as a Homework Center. National Energy Corporation purchased the materials for construction which amounted to over Twenty six Thousand Dollars ($26,000). The company engaged its employees and several small contractors from the area who donated their time and labour in moving the project forward. On Saturday January 7, 2012 the team painted the structure and furnished it with tables and chairs.

- National Energy Corporation hosted a track and field clinic featuring international Track & Field star, Mr. Ato Boldon. Youths from La Brea and environs participated in the clinic which began with a motivational speech by Mr. Boldon, followed by practical coaching.

Mayaro/Guayaguayare-

National Energy Corporation hosted its second Primary School Football Tournament. The objectives of this tournament were:

- To foster community development
- To encourage youth sporting activities
- To develop skill in the youth including leadership, self-discipline, respect for authority, sportsmanship and self-confidence.

- National Energy Corporation hosted a 'Youth Day' at the Mayaro Resource Centre. Through this initiative National Energy Corporation hoped to inspire young persons between the ages of fifteen to eighteen from the community of Mayaro/Guayaguayare, to "D.R.E.A.M. Your Own Life":

  D – Do your best
  R – Realize your full potential
  E – Encourage others
  A – Aim high
  M – Make a difference

  The interactive program featured a motivational speaker as well as the presentation of a segment on Drug Prevention. The Civilian Conservation Corps and the National Energy Skills Centre also made presentations on the benefits of involvement in their programs.

Motivational Speaker Don La Foucade addresses students

La Brea and Guayaguayare

- National Energy Corporation partnered with the Ministry of Energy and Energy Affairs to host a series of school information sessions at primary schools in La Brea and environs and Guayaguayare and environs. The sessions focused on informing young people about energy efficiency and energy conservation.

CAPACITY BUILDING-

Mayaro/Guayaguayare-

- National Energy Corporation turned the sod for the Energy Port at Point Galeota and officially opened the Fish Landing Facility at Guayaguayare under the patronage of the Honourable Minister of Energy and Energy Industries, Senator Kevin Ramnarine.

La Brea-

- National Energy Corporation in partnership with The Central Bank hosted a Financial Literacy session for 4th form students at Vessigny High School
- National Energy Corporation, together with members of the community developed, a Skills Bank for the communities in La Brea, which was distributed
- National Energy hosted Stimulating Entrepreneurial Spirit 2 on April 25th, for persons in the La Brea community interested in cosmetology and photography. These sessions stemmed from workshops held in 2011, educating persons on how they could operate businesses from their homes. Participants expressed interest in learning more about those two areas. Twelve persons were trained in the area of cosmetology and eleven, in photography.
- National Energy Corporation collaborated with The Central Bank to provide information on retirement to residents of La Brea and Guayaguayare. Twenty-five participants altogether learned how to manage their finances to ensure a smooth transition into retirement.
- National Energy Corporation participated for the second time in the International Coastal Cleanup at both the Rustville and Station Beach sites. NGC joined NEC team at the Station Beach location.
- National Energy Corporation in partnership with the National Energy Skill Centre (NESC) hosted Roustabout Training for residents of both La Brea and Guayaguayare.
- The commemoration of Trinidad and Tobago's 50th anniversary of Independence was included as part of the 2012 CSR calendar. National Energy Corporation celebrated the auspicious occasion by hosting several key events in the Company's fence-line communities.

CULTURE
Mayaro/Guayaguayare-
Fish Broth Competition

- National Energy Corporation, in collaboration with the Guayafest Committee, hosted the first annual Fish-broth competition at the Fish landing Facility in Guayaguayare.

Winners of the 2012 Fish-broth Competition

- National Energy Corporation celebrated Trinidad and Tobago's 50th anniversary at the Mayaro Recreational Grounds on August 31st. Fifty promising youths from the community were honoured for their contributions to the community.

- La Brea-

  The company launched "Pan in the Village" on June 30th in the community of Sobo with the support of the La Brea Nightingales and hosted six other concerts over a six week period.

- National Energy Corporation joined with the community of La Brea to commemorate Trinidad and Tobago's Golden Anniversary with a cultural gala event and awards ceremony. Fifty (50) stalwarts from the community were recognized for their contributions in four main areas-: education, sport, community development and culture.
-

YOUTH DEVELOPMENT-
La Brea-

- National Energy Corporation officially launched its 50th anniversary Jubilee celebrations in the La Brea community on June 4th with an Energy Quiz for Primary Schools at the Pt. Fortin Town Hall. The quiz focused on the Energy Sector.

Participants in the Energy Quiz

- Seven competitors from schools in the South-Western Peninsula competed.

APPENDIX I

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

Ernst & Young

ERNST & YOUNG

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONTENTS

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

We have audited the accompanying financial statements of National Energy Corporation of Trinidad and Tobago Limited (the "Company") which comprise the statement of financial position as at 31 December 2012, 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 2012 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:
30 April 2013

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012
(Expressed in Trinidad and Tobago dollars)

	Notes	2012 $'000	2011 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	399,119	410,503
Asset held for sale	3	473	-
Investment properties	4	473,666	520,619
Deferred taxation	5	1,101	1,821
Deferred expenses		5,178	2,844
		879,537	935,787
Current assets			
Cash and short-term deposits	6	499,843	409,304
Restricted cash	6 (c)	9,956	9,956
Trade and other receivables	7	218,330	153,719
Taxation recoverable		15,824	24,197
Deferred expenses		1,714	831
Inventories		240	246
		745,907	598,253
Total assets		1,625,444	1,534,040

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 2012
(Expressed in Trinidad and Tobago dollars)
(Continued)

	Notes	2012 $'000	2011 $'000
EQUITY AND LIABILITIES			
Equity			
Stated capital	8	103,427	103,427
Capital contribution	9	119,514	119,514
Retained earnings		312,803	321,650
		535,744	544,591
Non-current liabilities			
Long-term debt	10	706,680	713,901
Deferred income	13	39,617	18,331
Deferred taxation	5	39,939	41,338
		786,236	773,570
Current liabilities			
Creditors and accruals	11	154,936	84,557
Current portion of long term debt	10	8,924	8,382
Deferred income	13	19,147	18,292
Deferred capital grant	12	–	23,438
Due to parent company		120,443	81,186
Taxation payable		14	24
		303,464	215,879
Total liabilities		1,089,700	989,449
Total liabilities and equity		1,625,444	1,534,040

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 30 April 2013.

____________________ : Director ____________________ : Director

NATIONAL ENERGY CORPORATION OF TRINIDAD AND TOBAGO LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012
(Expressed in Trinidad and Tobago dollars)

	Notes	2012 $'000	2011 $'000
Income			
Marine infrastructure income	14	248,893	243,874
Other operating income	15	9,694	5,057
Lease land income		6,970	3,704
Interest & other investment income		1,283	1,441
Gain on foreign exchange transaction		1,891	–
Project management fees - Government		5,874	3,228
Total income		274,605	257,304
Expenses			
Marine expenses	16	97,011	96,696
Administrative and general expenses	16	81,838	96,171
Impairment charge on investment properties	4	34,832	47,322
Other expenses	16	246	982
Finance costs	16	49,996	30,296
Loss on foreign exchange transactions		–	2,914
Loss on disposal of property plant and equipment		798	66
		264,721	274,447
Profit/ (loss) before taxation		9,884	(17,143)
Taxation	5	(18,731)	(18,485)
Loss for the year		(8,847)	(35,628)
Other comprehensive income		–	–
Total comprehensive loss		(8,847)	(35,628)

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 2012
(Expressed in Trinidad and Tobago dollars)

	Stated Capital $'000	Capital contribution $'000	Retained earnings $'000	Total equity $'000
Year ended 31 December 2011				
Balance at 1 January 2011	103,427	101,479	357,278	562,184
Capital contribution by parent (Note 9)	–	18,035	–	18,035
Total comprehensive profit for the year	–	–	(35,628)	(35,628)
Balance at 31 December 2011	103,427	119,514	321,650	544,591
Year ended 31 December 2012				
Balance at 1 January 2012	103,427	119,514	321,650	544,591
Total comprehensive loss for the year	–	–	(8,847)	(8,847)
Balance at 31 December 2012	103,427	119,514	312,803	535,744

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 2012
(Expressed in Trinidad and Tobago dollars)

	2012 $'000	2011 $'000
Cash flows from operating activities		
Cash generated from operations (Note 17)	139,824	148,857
Taxation paid	(15,154)	(32,557)
Interest paid	(48,417)	(40,973)
Interest received	1,250	1,347
Net cash generated from operating activities	77,503	76,674
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,930)	(10,006)
Additions to investment properties	(6,940)	(58,395)
Net increase in short-term investments	(63,853)	(57,866)
Net cash used in investing activities	(84,723)	(126,267)
Cash flows from financing activities		
Increase in advances from parent company	42,324	38,244
Repayment of borrowings	(8,419)	(7,920)
Proceeds from borrowings	-	36,754
Net cash generated from financing activities	33,905	67,078
Net increase in cash and cash equivalents	26,685	17,485
Cash and cash equivalents at beginning of year	351,436	333,951
Cash and cash equivalents at end of year (Note 6 d))	378,121	351,436

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 for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012.

- IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters
- IFRS 7 Financial Instruments : Disclosures – Enhanced DE recognition Disclosure Requirements

1.3 Significant accounting judgements, estimates and assumptions

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

1.3 Significant accounting judgements, estimates and assumptions (continued)

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.

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

1.4 Summary of significant accounting policies

a) Cash and cash equivalents

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

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

b) Trade receivables

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

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.

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.

1.4 Summary of significant accounting policies (continued)

d) Taxes (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the 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 and workboats	15%
Machinery and 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.

1.4 Summary of significant accounting policies (continued)

f) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset of disposal group is availanle for immediate sale in its present condition. Property, plant and equipment and intangible assets ince classified as held for sale are not depreciated or amortised.

g) 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%
Buildings	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.

h) 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.

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.

1.4 Summary of significant accounting policies (continued)

j) 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.

k) 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.

l) 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.

1.4 Summary of significant accounting policies (continued)

l) 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.

m) 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.

1.4 Summary of significant accounting policies (continued)

n) 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 a revalue amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

o) Impairment of financial assets

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

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

1.4 Summary of significant accounting policies (continued)

p) 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.

q) Employee benefits

The Company's employees are members of the Parent Company's defined benefit plan, the assets of which are held in separate trustee administered funds. The pension plan is funded by payments from employees and by the Company taking account of the recommendations of independent qualified actuaries.

The Company's contributions are included in the employee benefit expense of these financial statements. Any assets and liabilities in relation to this defined contribution plan are recorded by the Parent Company. There is no contractual agreement or stated policy for charging the net defined benefit costs of the plan to the separate financial statements of the individual subsidiaries included in the Plan.

r) 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.

1.4 Summary of significant accounting policies (continued)

s) 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.

t) 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.

u) Leases

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

v) 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.

1.4 Summary of significant accounting policies (continued)

v) Derecognition of financial assets and liabilities (continued)

Financial assets (continued)
When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

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

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

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

w) Comparative changes

Certain classification changes have been made in the presentation of the financial statements. These changes have no effect on the profit for the year for the current/previous years

2. Future changes in accounting policies

The Company has chosen not to early adopt the following standards and interpretations that were issued and relevant but not yet effective for accounting periods beginning after 1 January 2012.

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Company's first annual report after becoming effective.

2. Future changes in accounting policies (continued)

IAS 19 Employee Benefits (Revised)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and has no impact on the Company.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013 and has no impact on the Company.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 1 Government Loans - Amendments to IFRS 1
These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Company.

2. Future changes in accounting policies (continued)

IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation.*

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 10 Consolidated Financial Statements,* IAS 27 *Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation —Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. These amendments will not impact the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2. Future changes in accounting policies (continued)

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This amendment will not impact the Company's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013, and is to be applied retrospectively for joint arrangements held at the date of initial application.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Company.

Annual Improvements May 2012

These improvements will not have an impact on the Company, but include:

IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

2. Future changes in accounting policies (continued)

IAS 16 Property Plant and Equipment
This improvement clarifies that major spare parts and servicing equipment that meet the definition of property; plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation
This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.

IAS 34 Interim Financial Reporting
The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures. These improvements are effective for annual periods beginning on or after 1 January 2013.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(Expressed in Trinidad and Tobago dollars)
(Continued)

3. Property, plant and equipment

2012	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	637,151	5,579	2,062	18,698	7,185	5,583	676,258
Additions at cost	6,924	1,554	–	–	1,821	3,631	13,930
Transfer	5,464	112	–	–	–	(5,576)	–
Transfer to asset held for sale	(1,053)	–	–	–	–	–	(1,053)
Disposal	(1,055)	(35)	–	–	(313)	–	(1,403)
	647,431	7,210	2,062	18,698	8,693	3,638	687,732
Accumulated depreciation							
At beginning of the year	255,428	2,765	963	2,297	4,302	–	265,755
Charge for the year	21,360	654	199	389	1,470	–	24,072
Transfer to asset held for sale	(580)	–	–	–	–	–	(580)
Disposal	(307)	(35)	–	–	(292)	–	(634)
	275,901	3,384	1,162	2,686	5,480	–	288,613
Net book value	371,530	3,826	900	16,012	3,213	3,638	399,119

Note:

(a) In 2012 a decision was taken by management to dispose of the Robert M vessel which has a net book value of $0.473 million at 31 December 2012. Management has identified a potential buyer for this asset. The asset has been reclassified to non-current assets held for sale as at 31 December 2012. No gain or loss has been recognized as the carrying value of the vessel is lower than the fair value less cost to sell.

(b) The lease agreement for the land on which the Company leasehold property is situated has not yet been finalized at the reporting date.

3. Property, plant and equipment (continued)

2011	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	634,342	6,219	2,062	19,139	5,598	635	667,995
Additions at cost	958	1,150	–	(441)	1,899	6,440	10,006
Transfer	3,271	(1,779)	–	–	–	(1,492)	–
Disposal	(1,420)	(11)	–	–	(312)	–	(1,743)
	637,151	5,579	2,062	18,698	7,185	5,583	676,258
Accumulated depreciation							
At beginning of the year	234,532	4,420	763	1,936	3,612	–	245,263
Charge for the year	20,149	488	200	361	971	–	22,169
Transfer	2,132	(2,132)	–	–	–	–	–
Disposal	(1,385)	(11)	–	–	(281)	–	(1,677)
	255,428	2,765	963	2,297	4,302	–	265,755
Net book value	381,723	2,814	1,099	16,401	2,883	5,583	410,503

4. Investment properties

2012	Buildings $'000	Development cost $'000	Capital work in progress $'000	Total $'000
Cost				
At beginning of year	571,512	388,586	31,455	991,553
Additions	–	–	6,940	6,940
	571,512	388,586	38,395	998,493
Accumulated depreciation/ Impairment				
At beginning of year	421,274	49,660	–	470,934
Depreciation charge for year	5,142	13,919	–	19,061
Impairment charge	30,480	4,352	–	34,832
	456,896	67,931	–	524,827
Net book value	114,616	320,655	38,395	473,666

2011	Buildings $'000	Development cost $'000	Capital work in progress $'000	Total $'000
Cost				
At beginning of year	–	388,586	531,967	920,553
Additions	–	–	71,000	71,000
Transfer	571,512	–	(571,512)	–
	571,512	388,586	31,455	991,553
Accumulated depreciation/ Impairment				
At beginning of year	–	40,468	365,231	405,699
Depreciation charge for year	4,011	13,902	–	17,913
Impairment charge/ (reversal)	52,032	(4,710)	–	47,322
Transfer	365,231	–	(365,231)	–
	421,274	49,660	–	470,934
Net book value	150,238	338,926	31,455	520,619

4. Investment properties (continued)

Amounts recognised in profit or loss	**2012 $'000**	**2011 $'000**
Rental income from investment properties	6,970	3,704
Direct operating expenses	2,232	2,518

Investment properties comprise the land at Union Industrial Estate (UIE) and a warehousing facility which is situated 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 discontinuation of the aluminum smelter project in September 2010 resulted in the design and use of the material and handling storage facility being changed to a general purpose warehousing facility. At 31 December 2012, the costs incurred on the facility was $571 million (2011: $571 million) inclusive of capitalized interest of $25.4 million.

An impairment review was performed on the UIE and the facility at 31 December 2012. 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 5.33%. Projected revenues were based on cash flows from existing tenants and specific future projects for the UIE and estimated cash flows for the facility.

A net impairment charge of $34.8 million has been recorded in the statement of comprehensive income, representing a charge of $4.3 million for the land at UIE and an impairment charge of $30.5 million for the facility.

The Company has applied for a reclamation licence in respect of the land on which the warehouse facility is situated.

	2012 $'000	2011 $'000
5. Taxation		
The major components of the taxation expense were As follows:		
Corporation tax – current year	13,258	17,263
– prior year	5,883	4,641
Green fund levy	267	266
Deferred tax	(677)	(3,685)
	18,731	18,485
A reconciliation of the expected income tax expense Determined using the statutory tax rate of 25% to the Effective income tax expense is as follows:		
Profit/(loss) before tax	9,884	(17,143)
Tax at the rate of 25%	2,471	(4,286)
Non-deductible expenses	1,389	9,888
Permanent differences	8,731	8,818
Prior year adjustment	5,883	4,641
Other differences	(10)	(842)
Green fund levy	267	266
	18,731	18,485
Significant components of the deferred tax assets and liabilities are as follows:		
Assets:		
Accrued vacation leave	457	400
Accrued interest payable	644	1,421
	1,101	1,821
Liabilities:		
Property, plant and equipment	39,939	41,338

6. **Cash and short-term deposits**	**2012 $'000**	**2011 $'000**
Cash at bank	371,121	302,811
Short-term deposits	128,722	106,493
	499,843	409,304
Investment held with Clico (Note b)	14,381	14,381
Less: Provision for impairment of short-term deposits (Note b)	(14,381)	(14,381)
	-	-
	499,843	409,304

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 $499.843 million (2011: $409.304 million).

b) The Company holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of $14.381 million.

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 in CIB 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 installments with the bank at all times. (See Note 10 a)).

6. Cash and short-term deposits (continued)

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

	2012 $'000	2011 $'000
Cash at banks and on hand	371,121	302,811
Short-term deposits (with an original maturity date of less than three months)	7,000	48,625
	378,121	351,436

7. Trade and other receivables

	2012 $'000	2011 $'000
Trade receivables - related parties	57,280	35,716
Trade receivables - third parties	91,065	74,874
	148,345	110,590
Provision for doubtful debts	(43,986)	(27,699)
	104,359	82,891
Other receivables:		
Due from Government of Trinidad & Tobago - billed	73,798	54,002
Due from Government of Trinidad & Tobago - unbilled	10,977	9,862
Value Added Tax recoverable	10,719	4,382
Prepaid expenses	10,417	962
Interest receivable	161	127
Wire transfers recoverable (note 7(b))	3,669	–
Other	4,230	1,493
	218,330	153,719

Notes:

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

7. **Trade and other receivables** (continued)

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

The Company has been successful in negotiating an interim settlement of $3.669 million for one of the wire transfers. At 31 December 2012, in the absence of objective evidence of the return of the balance of the funds, the Company continues to hold a provision of $28.219 million.

(c) As at 31 December 2012, trade receivables at a value of $43.986 million (2011: $27.699 million) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2012 $'000	2011 $'000
As at 1 January	27,699	26,916
Charge for year	18,169	817
Provision reversed	(1,882)	(34)
At 31 December	43,986	27,699

The provision for doubtful debts includes a provision of $22.361 million for a related party, Alutrint Limited in relation to an amount under dispute (2011: $22.361 million).

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
2012	104,359	76,436	8,943	2,347	9,646	734	6,253
2011	82,891	54,174	23,373	2,500	973	380	1,491

		2012 $'000	2011 $'000
8.	**Stated capital**		
	Authorized		
	An unlimited number of ordinary shares of no par value		
	Issued and fully paid		
	1,034,270 ordinary shares of no par value	103,427	103,427
9.	**Capital contribution**		
	1,034,270 ordinary shares of no par value	119,514	119,514

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)). At 31 December 2010 and 2011 additional fair value adjustments of $4.256 million and $18.035 million were recorded on the loan from the parent due to a deferral of the commencement of loan instalments to 1 January 2012 and 1 January 2015 respectively.

10. Long-term debt

	Long-term Portion $'000	Current portion $'000	2012 $'000	2011 $'000
First Citizens Bank (Note a)	9,500	8,924	18,424	26,806
NGC - UIE loan (Note b)	277,155	–	277,155	273,620
NGC - facility loan (Note c)	420,025	–	420,025	421,857
	706,680	8,924	715,604	722,283

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 $39.658 million (2011: $41.576 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 set up as a loan with an effective date of 31 December 2008. The principal was to be repaid in equal semi-annual instalments originally commencing 1 July 2009 with interest at a rate of 3.0% per annum. In 2011, the loan repayment was re-scheduled to commence from 1 January 2015.

Interest for 2011 and 2010 has been capitalized with the loan. Interest payments commenced in 2012.

As the parent company provided the 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. Additional capital contributions were recorded when the loan was further re-scheduled in 2010 and 2011.

c) As a result of the discontinuance of the aluminium smelter during 2010, the scope of works regarding the construction of the material, handling and storage facility was changed. This change resulted in a reduction in the amount of financing required from NGC to US$66.0 million. The loan agreement which was executed on 23 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. In 2011 the loan repayments were rescheduled to commence in June 2014.

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

Fair values	**Carrying amount**		**Fair value**	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**
At 31 December	715,604	722,283	715,705	722,525

10. Long-term debt (continued)

Fair values (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	2012 $'000	2011 $'000
In one year or less	8,924	8,382
In more than one year but not more than two years	25,910	8,922
In more than two years but not more than three years	22,663	41,950
In more than three years but not more than four years	24,224	37,645
In more than four years but not more than five years	25,894	37,961
In more than five years	607,989	587,423
	715,604	722,283

11. Creditors and accruals

Trade creditors	100,442	34,240
Sundry creditors and accruals	54,494	50,317
	154,936	84,557

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

	2012 $'000	2011 $'000
Balance at the start of the year	23,438	23,438
Transfer to deferred income	(23,438)	-
Balance at the end of the year	-	23,438

12. **Deferred capital grant** (continued)	**2012 $'000**	**2011 $'000**
Non-current	–	–
Current	–	23,438
	–	23,438

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

13. **Deferred income**	**2012 $'000**	**2011 $'000**
Billings in advance (Note a)	16,413	15,821
Deferred income - Union Industrial Estate (Note b)	41,768	20,481
Deferred income - Other	583	321
	58,764	36,623
Non-current	39,617	18,331
Current	19,147	18,292
	58,764	36,623

Notes

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

b) Deferred income - Union Industrial Estate:	**2012 $'000**	**2011 $'000**
Balance at 1 January	20,481	24,066
Transferred from deferred Capital Grant	23,438	–
Amount released to income	(2,151)	(3,585)
Balance at 31 December	41,768	20,481

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:

	2012 $'000	2011 $'000
ISCOTT dock	5,687	5,687
Savonetta piers	132,074	131,534
Point Lisas harbour	34,071	35,002
Tugs and workboats	71,549	70,052
Dock fees – Berth 3	5,512	1,599
	248,893	243,874

15. Other operating income

Management fees - Labidco	578	673
Amortisation of deferred capital grant	2,151	3,585
Miscellaneous	6,965	799
	9,694	5,057

16. Expenses

	2012 $'000	2011 $'000
Marine expenses:		
Depreciation and amortisation	38,540	32,066
Maintenance - marine facilities	25,869	27,936
Salaries and related benefits	8,995	14,931
Management fees - tugs & workboats	21,523	19,582
Insurance	1,965	2,062
Sea bed lease rent	119	119
	97,011	96,696

16. **Expenses** (continued)	**2012 $'000**	**2011 $'000**
Administrative and general expenses:		
Salaries and related benefits	34,427	29,882
Depreciation and amortisation	4,593	8,015
Management fees - NGC - current year	1,000	1,000
Penalties	4,424	702
Insurance	683	1,534
Specific bad debt	16,286	783
Motor vehicle expense	1,995	2,034
General business travel	2,066	910
Fraudulent wire transfers (note 7(b))	(3,669)	31,888
Security	1,888	1,743
Advertising and communications	2,791	1,959
Legal and professional fees	2,921	5,437
Other	12,433	10,284
	81,838	96,171
Other expenses:		
Donation - other	246	982
Finance costs:		
Interest on debt and borrowings - related parties	43,786	28,266
- third parties	1,521	2,030
Notional interest on related party loan	4,689	-
	49,996	30,296
Staff costs:		
Included under marine expenses	8,995	14,931
Included under administrative and general expenses	34,427	29,883
	43,422	44,814

17. **Cash flows from operations**	**2012 $'000**	**2011 $'000**
Profit/ (loss) for the year before taxation	9,884	(17,143)
Adjustments for:		
Depreciation	43,133	40,082
Impairment of investment properties	34,832	47,322
Amortisation of deferred expenses	1,335	301
Interest expense	49,996	30,296
Non-cash offset of penalties	4,104	–
Loss on disposal of property, plant and equipment	798	(1,441)
Interest income	(1,283)	65
Amortisation of deferred income	(2,151)	(3,584)
Increase in parent company loan due to foreign currency translation	(2,986)	3,401
Operating profit before working capital changes	137,662	99,299
(Increase)/decrease in trade debtors and prepayments	(64,578)	117,975
Decrease in inventories	6	138
Increase in deferred income and deferred capital grant	854	140
Increase in deferred expense	(4,552)	(3,113)
Increase/(decrease) in trade creditors and accruals	70,432	(65,582)
Cash generated from operations	139,824	148,857

18. Related party transactions

The Company is a member of The National Gas Company of Trinidad and Tobago Limited Group, which is owned by the Government of Trinidad and Tobago Limited Group. 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.

18. Related party transactions (continued)

Outstanding balances at the year-end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables with the exception of that relating to Alutech Limited. At 31 December 2012, the Company has recorded a provision for doubtful debts relating to amounts owed by related parties of $22.419 million (2011: $22.419 million) and $20.309 million (2011: $20.309 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.

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 2012 and 31 December 2011.

		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	2012	–	–	–	120,443
	2011	–	–	–	81,186
Lease land	2012	–	–	–	–
	2011	758	–	–	–
Management fees	2012	–	1,000	–	–
	2011	–	1,000	–	–
Loans	2012	–	43,786	–	697,180
	2011	–	28,266	–	695,477
La Brea Industrial Company Limited	2012	578	–	9,250	10,767
	2011	673	–	9,435	–
Government of Trinidad & Tobago	2012	5,874	–	84,774	–
	2011	3,228	–	63,864	–
Alutrint Limited Lease land	2012	–	–	23,844	–
	2011	–	–	23,844	–

18. Related party transactions (continued)

		Income from related parties $'000	Purchase from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Alutech Limited	2012	–	–	20,309	–
	2011	–	–	20,309	–
First Citizens Bank Limited	2012	–	1,521	–	18,424
	2011	–	2,030	–	26,806
Trinidad Generation Unlimited	2012	2,140	–	2,038	–
	2011	2,129	–	2,038	–

	2012 $'000	2011 $'000
Compensation of key management personnel		
Short-term employee benefits	9,536	8,900

19. 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 2012 are as follows:

	2012 $'000	2011 $'000
Within one year	7,348	2,466
After one year but not more than five years	13,060	9,864
More than five years	51,777	54,475
	72,185	66,805

	2012	2011
19. Commitments and contingencies (continued)	**$'000**	**$'000**
b) Capital commitments		
Approved and contracted capital expenditure	142,407	328,196

These commitments include contractual commitments of $119.036 million (2011: $324.5 million) entered into by the Company on behalf of the GORTT.

20. 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 $14.381 million in investment note certificates with Clico Investment Bank Limited. As stated in Note 6 b), a provision was first established in 2008 for this balance as the recoverability of this balance was doubtful.

20. Financial risk management objectives and policies (continued)

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.

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

As at 31 December 2012	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Interest bearing debt	–	–	51,086	271,404	993,910	1,316,400
Trade creditors and accruals	–	127,589	8,615	–	–	136,204
Other liabilities	–	–	10,767	–	–	10,767
	–	127,589	70,468	271,404	993,910	1,463,371

As at 31 December 2011	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Over 5 years $	Total $
Interest bearing debt	–	–	51,757	296,878	961,507	1,310,142
Trade creditors and accruals	–	65,475	7,842	–	–	73,317
Other liabilities	–	–	3,867	–	–	3,867
	–	65,475	63,466	296,878	961,507	1,387,326

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).

20. 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
2012	0.01	(1,695)
	(0.01)	1,695
2011	0.01	(1,550)
	(0.01)	1,550

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 2012.

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 2012 and 31 December 2011.

21. 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.

21. Financial instruments (continued)

Fair values (continued)

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)).

22. 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.