



TRINIDAD NITROGEN CO., LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

(Expressed in Trinidad and Tobago Dollars)

Ernst & Young

 **ERNST & YOUNG**

TRINIDAD NITROGEN CO., LIMITED
(Expressed in Trinidad and Tobago Dollars)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
TRINIDAD NITROGEN CO., LTD.

We have audited the accompanying financial statements of Trinidad Nitrogen Co., Limited which comprise the statement of financial position as at 31 December 2011, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain
TRINIDAD
8 March 2012

TRINIDAD NITROGEN CO., LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)

	Notes	2011 \$'000	2010 \$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	302,907	305,328
Deferred tax asset	12(a)	<u>40,550</u>	<u>33,082</u>
		<u>343,457</u>	<u>338,410</u>
Current assets			
Inventories	7	143,807	98,625
Trade receivables and prepayments		16,335	23,142
Amounts due from related companies	8(a) & (b)		
Trade		255,791	206,498
Other		100,205	230,176
Income tax recoverable		20,460	17,716
Cash and cash equivalents	10	<u>78,185</u>	<u>99,572</u>
		<u>614,783</u>	<u>675,729</u>
Total assets		<u>958,240</u>	<u>1,014,139</u>

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

TRINIDAD NITROGEN CO., LIMITED


STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
 (Expressed in Trinidad and Tobago Dollars)
 (Continued)

	Notes	2011 \$'000	2010 \$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	11	156,150	156,150
Retained earnings		298,915	163,601
Translation difference reserve	11	<u>18,311</u>	<u>14,800</u>
		<u>473,376</u>	<u>334,551</u>
Non-current liabilities			
Pension liability	6(a)	74,306	56,095
Deferred tax liability	12(a)	45,198	47,498
Post retirement healthcare liability	6(a)	<u>23,317</u>	<u>22,656</u>
		<u>142,821</u>	<u>126,249</u>
Current liabilities			
Trade and other payables	9(a)	41,810	45,461
Amounts due to related companies	8(a) & (b)		
Trade		270,925	230,196
Other		29,308	21,145
Dividends payable	8(c)	-	189,891
Income tax payable		<u>-</u>	<u>66,646</u>
		<u>342,043</u>	<u>553,339</u>
Total liabilities		<u>484,864</u>	<u>679,588</u>
Total equity and liabilities		<u>958,240</u>	<u>1,014,139</u>

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

On 8 March 2012, the Company's Board of Directors authorised these financial statements for issue.

L. Lethbridge : Director

Director: 

TRINIDAD NITROGEN CO., LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)

	Notes	2011 \$'000	2010 \$'000
Sale of goods			
To affiliated company	8(a)	2,723,466	2,248,699
To third parties		<u>25,939</u>	<u>15,481</u>
		2,749,405	2,264,180
Direct selling costs	8(a)	<u>(110,707)</u>	<u>(92,061)</u>
Net sales revenue		2,638,698	2,172,119
Cost of products sold and operating expenses	13	<u>1,767,169</u>	<u>(1,335,141)</u>
Operating profit		<u>871,529</u>	<u>836,978</u>
Finance income	14	17,837	20,244
Finance cost	15	<u>(18,628)</u>	<u>(17,744)</u>
Finance cost/(income)-net		<u>(791)</u>	<u>2,500</u>
Profit before tax		870,738	839,478
Income tax expense	12(b) & (c)	<u>(308,226)</u>	<u>(295,445)</u>
Profit for the year		<u>562,512</u>	<u>544,033</u>

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

TRINIDAD NITROGEN CO., LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)

	Notes	2011 \$'000	2010 \$'000
Profit for the year		<u>562,512</u>	<u>544,033</u>
Other comprehensive loss			
Translation difference		3,511	(479)
Actuarial loss	6(a)	(18,419)	(31,444)
Deferred tax effect	12(a)	<u>6,447</u>	<u>11,005</u>
Other comprehensive loss for the year, net of tax		<u>(8,461)</u>	<u>(20,918)</u>
Total comprehensive income for the year, net of tax		<u>554,051</u>	<u>523,115</u>

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

TRINIDAD NITROGEN CO., LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)

	Share capital \$'000	Retained earnings \$'000	Translation difference reserve \$'000	Total \$'000
At 1 January 2010	156,150	241,329	15,279	412,758
Profit for the year	—	544,033	—	544,033
Other comprehensive loss for the year	—	<u>(20,439)</u>	<u>(479)</u>	<u>(20,918)</u>
Net comprehensive income for the year	—	523,594	(479)	523,115
Dividends (\$1,002.20 per share) (note 8(c))	—	<u>(601,322)</u>	—	<u>(601,322)</u>
At 31 December 2010	<u>156,150</u>	<u>163,601</u>	<u>14,800</u>	<u>334,551</u>
At 1 January 2011	156,150	163,601	14,800	334,551
Profit for the year	—	562,512	—	562,512
Other comprehensive loss for the year	—	<u>(11,972)</u>	<u>3,511</u>	<u>(8,461)</u>
Net comprehensive income for the year	—	550,540	3,511	554,051
Dividends (\$692.04 per share) (note 8(c))	—	<u>(415,226)</u>	—	<u>(415,226)</u>
At 31 December 2011	<u>156,150</u>	<u>298,915</u>	<u>18,311</u>	<u>473,376</u>

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

TRINIDAD NITROGEN CO., LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)

	Notes	2011 \$'000	2010 \$'000
Operating activities			
Profit before tax		870,738	839,478
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Movement in pension and post retirement benefit		453	(3,871)
Depreciation	5	55,006	44,237
Loss on disposal of property, plant and equipment		<u>116</u>	<u>—</u>
		926,313	879,844
Working capital adjustments:			
(Increase)/decrease in inventories		(44,239)	19,264
Decrease in trade receivables and prepayments		7,016	6,561
Decrease/(increase) in amounts due from related companies		84,642	(211,562)
(Decrease)/increase in trade and other payables		(4,075)	96,873
Increase in amounts due to related companies		<u>46,542</u>	<u>7,168</u>
Net cash flows from operations		1,016,199	798,148
Income tax paid		<u>(380,934)</u>	<u>(248,718)</u>
Net cash flows from operating activities		<u>635,265</u>	<u>549,430</u>
Investing activity			
Purchase of property, plant and equipment	5	<u>(49,884)</u>	<u>(66,834)</u>
Net cash flows used in investing activity		<u>(49,884)</u>	<u>(66,834)</u>
Financing activity			
Dividends paid	8(c)	<u>(606,870)</u>	<u>(411,431)</u>
Net cash flows used in financing activity		<u>(606,870)</u>	<u>(411,431)</u>
(Decrease)/increase in cash and cash equivalents		(21,488)	71,165
Net foreign exchange difference		101	299
Cash and cash equivalents at 1 January		<u>99,572</u>	<u>28,108</u>
Cash and cash equivalents at 31 December	10	<u>78,185</u>	<u>99,572</u>

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

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (Expressed in Trinidad and Tobago Dollars)

1. **Incorporation and principal activity**

Trinidad Nitrogen Co., Limited (the Company) is a limited liability company domiciled and incorporated in the Republic of Trinidad and Tobago on 28 June 1974. The registered office is located at Savonetta, Trinidad.

The Company was continued under the provisions of The Companies Act, 1995 on 9 October 1998. It is owned by National Enterprises Limited (51%) and Yara Caribbean (2002) Ltd (49%) which are incorporated in the Republic of Trinidad and Tobago. Yara Caribbean (2002) Ltd's ultimate parent company is Yara International ASA (incorporated in Oslo), which was established as a result of the demerger of the Agri Division of Norsk Hydro ASA in 2004.

The Company manufactures anhydrous ammonia in two independent production plants known as Tringen I and Tringen II. All production from Tringen I and II are sold through Sales Agency Agreements, with a related party, on the open market.

The Company is managed and operated by Yara Trinidad Ltd., a wholly owned subsidiary of Yara Caribbean (2002) Ltd under the terms of a Management and Operating Agreement dated 6 May 1976, as amended. The Agreement was renewed for five years and will expire on 31 December 2013. Under the terms of the Agreement, the Company reimburses Yara Trinidad Ltd. for all direct costs and 66.67% of the total indirect costs incurred in carrying out its obligations. This Agreement also allows Yara Trinidad Ltd. to provide the services of its employees as it deems necessary for the management and operations of the Company. The net reimbursements amounted to approximately \$149,832,000 in 2011 (2010: \$113,765,000) (Note 8(a)).

The Company has also entered into agreements with various agencies of the Government of the Republic of Trinidad and Tobago for the supply of natural gas, electricity and water.

2. **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 **Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention.

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)
(Continued)

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.2 Foreign currency translation

(a) Functional and presentation currency

The Company's functional currency is the United States dollar, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company. The financial statements prepared in the Company's functional currency have been authorised for issue on 8 March 2012.

These financial statements are presented in Trinidad and Tobago dollars (the presentation currency) on the following basis:

- (i) Assets and liabilities have been translated at the rate prevailing at the end of the reporting period of US\$1.00 = TT\$6.3881 (2010 = TT\$6.3297).
- (ii) Income and expense items have been translated at US\$1.00 = TT\$ 6.3833 (2010 = TT\$6.3266). This rate approximates the actual exchange rates at the dates of the transactions.
- (iii) Exchange differences arising from translation have been recognized in other comprehensive income and are shown as a separate component of equity.

(b) Transactions and balances

Transactions in foreign currencies are initially translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses arising on the settlement of such transactions and on translating monetary assets and liabilities denominated in foreign currencies at the rates prevailing at the end of the reporting period are recognised in the income statement.

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)
(Continued)

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment

(a) Property, plant and equipment in service

All property, plant and equipment are stated at historical cost less accumulated depreciation, with the exception of land. Historical cost includes expenditure that is directly attributable to the acquisition of the items of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are depreciated on the straight-line basis at rates estimated to write-off the cost of the assets over their useful lives.

Turnaround costs comprise costs incurred on planned major maintenance projects. These are currently performed every six years in Tringen I and every five years in Tringen II. These costs are capitalised when incurred and are amortised over the anticipated period until the next scheduled turnaround.

The estimated useful lives of the assets are as follows:

Buildings	-	20 years
Plant and machinery	-	5 to 15 years
Catalysts	-	2 to 9 years
Turnaround costs	-	5 or 6 years

Land is measured at cost and not depreciated as it is deemed to have an indefinite useful life.

The assets' residual value, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Trinidad and Tobago Dollars)

(Continued)

2. Summary of significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

(b) Projects under construction

Property, plant and equipment under construction are recorded as projects under construction (PUC) until they are ready for their intended use. Thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. The cost of PUC includes allocation of labour and overhead which are directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management in accordance with IAS 16 - *Property, Plant and Equipment*. The total costs recorded as PUC for the year amounted to \$25,820,000 (2010:\$52,320,000) (Note 5).

2.4 Inventories

a) Finished goods

Finished goods are stated at the lower of cost and net realisable value. Cost of finished goods comprises direct production costs and a proportion of attributable production overheads. Cost is determined using the first in, first out (FIFO) method.

b) Consumable spares and supplies

Consumable spares and supplies are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

c) Catalysts

Catalysts not yet installed are valued at the lower of cost and net realisable value.

2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments, with original maturities of three months or less.

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Trinidad and Tobago Dollars)

(Continued)

2. Summary of significant accounting policies (continued)

2.6 Trade receivables

Trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of sale. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognized in the income statement. When an account receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

2.7 Trade and other payables

Liabilities for trade and other amounts which are normally settled on 30 - 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

2.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a finance cost.

2.9 Taxation

Current tax

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 at the end of the reporting period.

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)
(Continued)

2. Summary of significant accounting policies (continued)

2.9 Taxation (continued)

Deferred tax

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

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The principal temporary differences arise from depreciation on property, plant and equipment and other provisions including those for pension and other post retirement benefits.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period 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 relating to items in other comprehensive income is recognized directly in other comprehensive income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 end of the reporting period.

2.10 Employee benefits

The Company shares with Yara Trinidad Ltd. the costs associated with operating a defined benefit pension plan (The Hydro Agri Trinidad Ltd. Pension Plan), and a post retirement healthcare plan (Yara Trinidad Ltd. Post Retirement Healthcare Plan).

The allocation of costs, liabilities and benefits between the Company and Yara Trinidad Ltd. is based on the following:

1. Retirees and deferred pensioners before 31 December 2000: Amounts were allocated equally between the companies.
2. After 31 December 2000: Actual costs are allocated for individual active members, retirees and deferred pensioners

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Trinidad and Tobago Dollars)

(Continued)

2. Summary of significant accounting policies (continued)

2.10 Employee benefits (continued)

Contributions to the plan were allocated in the ratio of salaries between the Company and Yara Trinidad Limited.

The pension plan is administered by independent Trustees and the post retirement healthcare plan by an independent insurance company.

A defined benefit pension plan is a plan that defines the amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation upon retirement.

The pension plan is funded by payments from employees and the Company, taking account of the recommendations of independent qualified actuaries. The post retirement healthcare plan is unfunded.

The costs of providing benefits under the plans are determined separately for each plan using the projected unit credit actuarial valuation method. Under this method, the cost of providing benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries, who carry out a full valuation of the plans every three years. Roll forward valuations, which are less detailed than full valuations, are performed annually. The benefit obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses for both defined benefit plans are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to profit or loss in subsequent periods.

Vested past service cost is recognized immediately in the income statement.

2.11 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. With the sale of ammonia, revenue is recognised on a Free On Board (FOB) basis, as evidenced by the bill of lading.

Interest income is recognised as it accrues unless collectability is in doubt.

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)
(Continued)

2. Summary of significant accounting policies (continued)

2.12 Dividends

Dividends are recorded in the Company's financial statements in the period in which they are declared by the Board of Directors.

2.13 Financial instruments

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, amounts due from/to related companies, trade payables and accruals. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.14 Share capital

Ordinary shares with discretionary dividends are classified as equity.

2.15 Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.16 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC effective 1 January 2011:

- IAS 32 Financial Instruments: Presentation (amendment) effective 1 January 2011
- IFRIC 14 Prepayments of a minimum Funding Requirement (amendment) effective 1 January 2011.
- Improvements to IFRSs (May 2010)

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Trinidad and Tobago Dollars)

(Continued)

2. **Summary of significant accounting policies** (continued)

2.16 **Changes in accounting policies** (continued)

The adoption of the standards or interpretations is described below:

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these types of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements in Trinidad and Tobago, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following relevant amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Company.

▪ **IFRS 7 Financial Instruments — Disclosures**

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The disclosure requirements of this amendment are reflected in Notes 3 and 9.

▪ **IAS 1 Presentation of Financial Statements**

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The components of other comprehensive income are the translation reserve and actuarial gains and losses. An analysis is shown in the statement of changes in equity of the translation reserve is shown in the statement of equity. Refer to Note 6.

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Expressed in Trinidad and Tobago Dollars)
(Continued)

2. **Summary of significant accounting policies** (continued)

2.16 **Changes in accounting policies** (continued)

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. 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.

IAS 19 Employee Benefits (Amendment)

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. The Company does not expect this amendment to have a significant impact to the Company's financial statements.

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 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 determine the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

TRINIDAD NITROGEN CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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(Expressed in Trinidad and Tobago Dollars)

(Continued)

2. Summary of significant accounting policies (continued)

2.16 Changes in accounting policies (continued)

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.

3. Financial risk management policies and objectives

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the potentially adverse effects on the Company's financial performance while maintaining the liquidity needs of the Company.

Risk management is carried out by management under policies approved by the Board of Directors. Management identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, commodity price risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, commodity price risk and interest rate risk. Financial instruments affected by market risk include trade and other receivables, amounts due from/to related parties, trade and other payables and accruals.

TRINIDAD NITROGEN CO., LIMITED

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(Continued)

3. Financial risk management policies and objectives (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) *Foreign exchange 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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company's exposure to foreign exchange risk arises primarily from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Company's functional currency.

(ii) *Commodity price risk*

The Company manufactures and sells ammonia and is therefore exposed to the volatility of ammonia prices as it is traded on the international market.

(iii) *Interest rate risk*

The interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company does not have any exposure to the risk of changes in market interest rates.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Company's credit risk arises from trade receivables and cash and cash equivalents.

The Company has no significant concentration of credit risk, as the majority of sales are made to a related company. At year end, the Company's trade receivables are current.

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NOTES TO THE FINANCIAL STATEMENTS
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3. Financial risk management policies and objectives (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash and cash equivalents are placed with reputable financial institutions. Credit risk from balances with banks and financial institutions is managed in accordance with the Company's investment policy. Investment of surplus funds is made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Board of Directors on a semi-annual basis. The limits are set to minimise the concentrations of risks and therefore mitigate the financial loss through potential counterparty's failure.

The maximum exposure on these financial instruments is equivalent to their carrying amounts at year end.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and short term investment and/or the availability of funding from an adequate amount of credit facilities in order to meet operational needs.

3.2 Capital risk management

Capital includes equity attributable to the owners of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company is un-g geared as it has no borrowings or bank overdrafts.

4. Significant accounting estimates, judgements and assumptions

The preparation of the Company's 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 liabilities, at the end of the reporting period. These estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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4. **Significant accounting estimates, judgements and assumptions** (continued)

The accounting policies applied by the Company in which judgements, estimates and assumptions may significantly differ from actual results are discussed below:

a) **Income taxes**

Some judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

b) **Site restoration and other environmental expenditure**

The Company's future cost for environmental cleanup depends on a number of uncertain factors, such as the extent and type of remediation required. Due to uncertainties inherent in the estimation process, it is possible that such estimates could be revised in the near term. Such future costs are not determinable due to the unknown timing and extent of corrective actions that may be required. The company's operations are subject to environmental laws and regulations. These laws and regulations are subject to change, and such changes may require that the Company makes investments and/or incur costs to meet more stringent emissions standards or to take remedial actions.

No provision is made in the financial statements for these costs, due to the factors stated above and management's view that no present legal or constructive obligation exists with regard to such liabilities.

c) **Provision for spares inventory obsolescence**

Some judgement is required in determining the Company's provision for obsolescence on its spares inventories. A combination of factors are considered such as the ageing and movement of the underlying inventories, the results of technical reviews conducted by in-house personnel, the expected replacement of items based on planned maintenance programmes and industry/market conditions.

d) **Employee benefits**

The cost of the defined benefit pension plan and post retirement healthcare benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. All assumptions are reviewed at the end of each reporting period.

TRINIDAD NITROGEN CO., LIMITED

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5. Property, plant and equipment	Land and buildings \$'000	Plant and machinery \$'000	Catalysts \$'000	Turnaround costs \$'000	Projects under construction \$'000	Total \$'000
Net book value						
At 1 January 2011	2,588	183,614	15,304	36,433	67,389	305,328
Exchange loss on translation of opening balances	24	1,694	141	336	622	2,817
Additions	-	23,048	1,016	-	25,820	49,884
Transfers	1,124	26,255	1,840	-	(29,219)	-
Cost of disposed assets	-	(6,292)	-	-	-	(6,292)
Depreciation	(262)	(33,341)	(6,996)	(14,407)	-	(55,006)
Accumulated depreciation of disposed assets	-	6,176	-	-	-	6,176
At 31 December 2011	<u>3,474</u>	<u>201,154</u>	<u>11,305</u>	<u>22,362</u>	<u>64,612</u>	<u>302,907</u>
At 31 December 2011						
Cost	70,825	2,452,451	43,418	82,207	64,612	2,670,513
Accumulated depreciation	(67,351)	(2,251,297)	(32,113)	(59,845)	-	(2,367,606)
Net book value	<u>3,474</u>	<u>201,154</u>	<u>11,305</u>	<u>22,362</u>	<u>64,612</u>	<u>302,907</u>
Net book value						
At 1 January 2010	2,821	176,365	18,535	52,017	33,511	283,249
Exchange gain on translation of opening balances	(5)	(323)	(34)	(95)	(61)	(518)
Additions	-	14,514	-	-	52,320	66,834
Transfers	-	16,628	1,753	-	(18,381)	-
Cost of disposed assets	-	(1,468)	-	-	-	(1,468)
Depreciation	(228)	(23,570)	(4,950)	(15,489)	-	(44,237)
Accumulated depreciation of disposed assets	-	1,468	-	-	-	1,468
At 31 December 2010	<u>2,588</u>	<u>183,614</u>	<u>15,304</u>	<u>36,433</u>	<u>67,389</u>	<u>305,328</u>
At 31 December 2010						
Cost	69,063	2,344,819	46,497	81,456	67,389	2,609,224
Accumulated depreciation	(66,475)	(2,161,205)	(31,193)	(45,023)	-	(2,303,896)
Net book value	<u>2,588</u>	<u>183,614</u>	<u>15,304</u>	<u>36,433</u>	<u>67,389</u>	<u>305,328</u>

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(Continued)

6. **Employee benefits**

As discussed in Note 2.10, the Company accounts for its share of the assets, liabilities, benefits and expenses of the Hydro Agri Trinidad Ltd. Pension Plan and Yara Trinidad Ltd. Post Retirement Healthcare Plan. The Company's involvement in these plans is described in Note 6a and the results of the entire plans are shown in Note 6b. This arrangement is considered a related party transaction.

(a) **Pension plan/post retirement healthcare plan**

	2011		2010	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
Amounts recognised in the statement of financial position				
Present value of funded obligation	320,655	-	279,963	-
Fair value of plan assets	(246,349)	-	(223,868)	-
Present value of unfunded obligation		23,586	-	23,325
Unrecognised past service cost	-	(269)	-	(669)
Benefit liability in the statement of financial position	<u>74,306</u>	<u>23,317</u>	<u>56,095</u>	<u>22,656</u>
Movement in the present value of the defined benefit obligation during the year				
Defined benefit obligation at 1 January	279,963	23,325	232,543	22,858
Interest cost (Note 15)	17,012	1,391	16,115	1,596
Current service cost – employer	4,797	444	2,781	444
Current service cost – employee	2,569	-	2,285	-
Past service cost	9,558	-	-	-
Benefit payments	(10,040)	(705)	(9,714)	(813)
Actuarial losses on obligation assumption changes	-	-	41,820	-
Actuarial losses/(gains) on obligation experience	16,796	(869)	(5,867)	(760)
Defined benefit obligation at 31 December	<u>320,655</u>	<u>23,586</u>	<u>279,963</u>	<u>23,325</u>

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(Continued)

6. Employee benefits (continued)

(a) Pension plan/post retirement healthcare plan (continued)

	2011		2010	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
Movements in the fair value of plan assets during the year				
Fair value of plan assets at 1 January	223,868	—	203,154	—
Expected return on plan assets (Note 14)	13,768	—	15,299	—
Actuarial gains on assets	(2,492)	—	3,749	—
Employer contributions	18,677	—	9,095	—
Employee contributions	2,568	—	2,285	—
Benefit payments	<u>(10,040)</u>	<u>—</u>	<u>(9,714)</u>	<u>—</u>
Fair value of plan assets at 31 December	<u>246,349</u>	<u>—</u>	<u>223,868</u>	<u>—</u>
Amounts recognised in the income statement				
Current service cost	4,797	444	2,781	444
Interest cost on benefit obligation (Note 15)	17,012	1,391	16,115	1,596
Expected return on plan assets (Note 14)	(13,768)	—	(15,299)	—
Past service cost	<u>9,558</u>	<u>400</u>	<u>—</u>	<u>400</u>
Net benefit expense	<u>17,599</u>	<u>2,235</u>	<u>3,597</u>	<u>2,440</u>
Actual return on plan assets	<u>11,275</u>	<u>—</u>	<u>19,048</u>	<u>—</u>

Of the total benefit expense charged to the income statement of \$19,834,000 (2010: \$6,037,000), \$15,199,000 (2010: \$3,625,000) was charged to cost of goods sold, \$13,768,000 (2010: \$15,299,000) was included in finance income (Note 14) and \$18,403,000 (2010: \$17,711,000) was included in finance cost (Note 15).

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(Continued)

6. **Employee benefits** (continued)

(a) **Pension plan/post retirement healthcare plan** (continued)

As mentioned in Note 2.10, actuarial gains or losses are recognized in full in the period in which they occur through the statement of other comprehensive income. They are recognized immediately in retained earnings as they are not permitted to be reclassified to profit or loss in a subsequent period. The cumulative actuarial losses recognized in retained earnings as at 31 December 2011 amounted to \$56,445,000 (2010:\$44,473,000).

The principal actuarial assumptions used in determining the pension and post retirement healthcare benefit obligations for the Company's plans were:

	2011	2010
Discount rate – pension plan	6.00%	6.00%
Return on pension plan assets	6.00%	6.00%
Future salary increases	6.00%	6.00%
Discount rate – post retirement healthcare plan	6.00%	6.00%
Healthcare cost increases	6.00%	6.00%

The major categories of plan assets, as a percentage of the fair value of the total plan assets are as follows:

	2011		2010	
	\$'000	%	\$'000	%
Bank deposits	17,148	7	36,387	16
Equity instruments	66,455	27	48,260	22
Debt instruments	121,939	49	98,715	44
Other assets	<u>40,807</u>	<u>17</u>	<u>40,506</u>	<u>18</u>
	<u>246,349</u>	<u>100</u>	<u>223,868</u>	<u>100</u>

The plan assets do not include any of the Company's financial instruments, nor any property controlled, or other assets used by the Company.

The overall expected rate of return on the plan assets is determined based on the market expectations prevailing, applicable to the period over which the obligation is to be settled. This is reflected on the assumptions above.

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(Continued)

6. Employee benefits (continued)

(a) Pension plan/post retirement healthcare plan (continued)

The effects of a 1% change in the assumed rate of increase in healthcare costs in the post retirement healthcare plan are as follows:

	Increase \$'000	Decrease \$'000
Effect on the aggregate current service cost and interest cost	399	(307)
Effect on the defined benefit obligation	4,098	(3,279)

The best estimate of expected pension plan contributions and post retirement healthcare premiums to be paid by the Company for the period 1 January 2012 to 31 December 2012 amounts to approximately \$11,212,000 and \$747,000 respectively.

Experience history for the current and previous four annual periods are as follows:

	Pension plan				
	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Defined benefit obligation	320,655	279,963	232,543	197,232	183,798
Plan assets	(246,349)	(223,868)	(203,154)	(193,576)	(209,969)
Deficit/(surplus)	74,306	56,095	29,389	3,656	(26,171)
Experience adjustments- (gains)/losses:					
- Plan liabilities	16,796	(5,867)	3,402	2,644	(3,283)
- Plan assets	2,492	(3,749)	(1,932)	29,726	7,186
	Post retirement healthcare plan				
	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Defined benefit obligation	23,586	23,325	22,858	23,780	23,343
Experience adjustments on plan liabilities – gain	(869)	(760)	(2,517)	(1,403)	(4,192)

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(Continued)

6. Employee benefits (continued)

(b) Pension plan/post retirement healthcare plan-combined plan (continued)

	2011		2010	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
Amounts recognised in the statement of financial position				
Present value of funded obligation	504,907	–	441,086	–
Fair value of plan assets	(387,946)	–	(352,728)	–
Present value of unfunded obligation	–	37,037	–	36,993
Unrecognised past service cost	–	(398)	–	(993)
Benefit liability in the statement of financial position	<u>116,961</u>	<u>36,639</u>	<u>88,358</u>	<u>36,000</u>
Movement in the present value defined benefit obligation during the year				
Defined benefit obligation at 1 January	441,086	36,993	360,276	36,830
Interest cost	26,773	2,204	24,940	2,570
Current service cost – employer	7,238	698	3,979	694
Current service cost – employee	4,000	–	3,552	–
Past Service cost	15,773	–	–	–
Benefit payments	(15,960)	(1,189)	(15,500)	(1,188)
Actuarial loss on obligation assumption changes	–	–	65,942	–
Actuarial loss/(gain) on obligation experience	<u>25,997</u>	<u>(1,669)</u>	<u>(2,103)</u>	<u>(1,913)</u>
Defined benefit obligation at 31 December	<u>504,907</u>	<u>37,037</u>	<u>441,086</u>	<u>36,993</u>

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(Continued)

6. Employee benefits (continued)

(b) Pension plan/post retirement healthcare plan-combined plan (continued)

	2011		2010	
	Pension plan \$'000	Post retirement healthcare plan \$'000	Pension plan \$'000	Post retirement healthcare plan \$'000
Movements in the fair value of plan assets during the year				
Fair value of plan assets at 1 January	352,728	—	314,765	—
Expected return on plan assets	21,677	—	23,689	—
Actuarial (loss)/ gain on assets	(3,584)	—	12,085	—
Employer contributions	29,085	—	14,137	—
Employee contributions	4,000	—	3,552	—
Benefit payments	<u>(15,960)</u>	<u>—</u>	<u>(15,500)</u>	<u>—</u>
Fair value of plan assets at 31 December	<u>387,946</u>	<u>—</u>	<u>352,728</u>	<u>—</u>
Amounts recognised in the income statement				
Current service cost	7,238	698	3,979	694
Interest cost on benefit obligation	26,773	2,204	24,940	2,570
Expected return on plan assets	(21,677)	—	(23,689)	—
Past service cost	<u>15,773</u>	<u>1,595</u>	<u>—</u>	<u>595</u>
Net benefit expense	<u>28,107</u>	<u>3,497</u>	<u>5,230</u>	<u>3,859</u>
Actual return on plan assets	<u>18,093</u>	<u>—</u>	<u>35,774</u>	<u>—</u>

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(Continued)

6. **Employee benefits** (continued)

(b) **Pension plan/post retirement healthcare plan-combined plan** (continued)

The major categories of plan assets, as a percentage of the fair value of the total plan assets are as follows:

	2011		2010	
	\$'000	%	\$'000	%
Bank deposits	27,005	7	57,332	16
Equity instruments	104,652	27	76,039	22
Debt instruments	192,028	49	155,537	44
Other assets	<u>64,261</u>	<u>17</u>	<u>63,820</u>	<u>18</u>
	<u>387,946</u>	<u>100</u>	<u>352,728</u>	<u>100</u>

The plan assets do not include any of the financial instruments of the Company and Yara Trinidad Ltd., nor any property controlled, or other assets used by the Company and Yara Trinidad Ltd.

The overall expected rate of return on the plan assets is determined based on the market expectations prevailing, applicable to the period over which the obligation is to be settled. This is reflected on the assumptions above.

The effects of a 1% change in the assumed rate of increase in healthcare cost in the post retirement healthcare plan are as follows:

	Increase \$'000	Decrease \$'000
Effect on the aggregate current service cost and interest cost	625	(481)
Effect on the defined benefit obligation	6,393	(5,112)

The best estimate of expected pension plan contributions and post retirement healthcare premiums to be paid by the Company and Yara Trinidad Ltd. for the period 1 January 2012 to 31 December 2012 amount to approximately \$17,055,000 and \$1,260,000, respectively.

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(Continued)

6. **Employee benefits (continued)**

(b) **Pension plan/post retirement healthcare plan-combined plan (continued)**

Experience history for the current and previous four annual periods are as follows:

	Pension plan				
	2011	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation	504,907	441,086	360,276	312,921	285,030
Plan assets	<u>(387,946)</u>	<u>(352,728)</u>	<u>(314,765)</u>	<u>(307,120)</u>	<u>(312,314)</u>
Deficit/(surplus)	116,961	88,358	45,511	5,801	(27,284)
Experience adjustments - (gains)/losses					
- Plan liabilities	25,997	(2,103)	(1,932)	12,525	(4,979)
- Plan assets	3,584	(12,085)	3,776	23,927	23,491
	Post retirement healthcare plan				
	2011	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation	37,037	36,993	36,830	38,429	37,575
Experience adjustments on plan liabilities –gain	<u>(1,669)</u>	<u>(1,913)</u>	<u>(4,332)</u>	<u>(1,950)</u>	<u>(5,909)</u>

7. **Inventories**

	2011	2010
	\$'000	\$'000
Finished products	47,376	1,143
Spare parts and supplies	113,666	115,934
Less: provision for obsolescence on spare parts	<u>(17,235)</u>	<u>(18,452)</u>
	<u>143,807</u>	<u>98,625</u>

8. **Related party disclosures**

Transactions with related parties are conducted at terms equivalent to those that prevail in arm's length transactions.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2011, the Company has not recorded any impairment of receivables relating to amounts owed by related parties nor has a provision been established.

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(Continued)

8. Related party disclosures (continued)

(a) Transactions with entities under Yara International ASA

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
Yara Balderton Ltd (formerly Yara Switzerland Ltd.) (Note 1) *				
2011	2,723,466	110,705	255,791	7,850
2010	2,248,699	92,061	206,498	6,392
Yara Trinidad Ltd. (Note 2)				
2011	37,959	187,791	2,806	26,131
2010	32,148	145,913	2,683	17,208
Yara International ASA (Note 3)				
2011	—	601	97,399	—
2010	—	—	227,493	12
Yara Belgium SA				
2011	766	4,223	—	3,177
2010	—	3,184	—	3,436
Other				
2011	—	—	—	—
2010	—	—	—	489
Total				
2011	<u>2,762,191</u>	<u>303,320</u>	<u>355,996</u>	<u>37,158</u>
2010	<u>2,280,847</u>	<u>241,158</u>	<u>436,674</u>	<u>27,537</u>

* Represents transactions of a trade nature.

Note 1

The amounts due from this related party are due one month after the invoice date and are unsecured, interest free and settlement occurs in cash. The direct selling costs are not offset against revenue because the transactions are treated separate and distinct and the amounts are not offset upon settlement.

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(Continued)

8. Related party disclosures (continued)

(a) Transactions with entities under Yara International ASA (continued)

Note 2

Amounts due to Yara Trinidad Ltd., mainly arose from reimbursable costs paid by Yara Trinidad Ltd. on behalf of the Company and for services provided by Yara Trinidad Ltd.'s employees. Amounts due from Yara Trinidad Ltd. arose from reimbursable costs paid by the Company on behalf of Yara Trinidad Ltd.

Note 3

This amount represents funds in a treasury system operated by a related company.

(b) Transaction with government-owned entities

The National Enterprises Limited (NEL), the majority shareholder of the Company, is owned by the Government of the Republic of Trinidad and Tobago and as such, NEL, and its related subsidiaries, are related to other government-owned entities. The Company has entered into agreements with various agencies of the Government for the supply of natural gas, electricity and water.

	Sales to related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
The National Gas Company of Trinidad and Tobago *				
2011	—	1,526,588	—	260,168
2010	—	1,084,417	—	221,120
The Water and Sewerage Authority*				
2011	—	23,146	—	2,085
2010	—	25,085	—	1,855
Trinidad and Tobago Electricity Commission *				
2011	—	11,624	—	822
2010	—	10,635	—	829
Total				
2011	—	<u>1,561,358</u>	—	<u>263,075</u>
2010	—	<u>1,120,137</u>	—	<u>223,804</u>

* Represents transactions of a trade nature.

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8. **Related party disclosures (continued)**

(c) **Transactions with owners**

There were no transactions with the shareholders of the Company except for the declaration and payment of dividends as follows:

	2011	2010
	\$'000	\$'000
Dividends payable to shareholders at 1 January	189,891	-
Exchange difference on beginning balance	1,753	-
Dividend proposed and approved:		
In respect of prior year	63,881	158,243
In respect of current year	<u>351,345</u>	<u>443,079</u>
Total dividend declared	415,226	601,322
Dividend paid to shareholders during the year	<u>(606,870)</u>	<u>(411,431)</u>
Dividends payable to shareholders at 31 December	<u> -</u>	<u>189,891</u>

(d) **Key management compensation**

Short-term employee benefits	9,164	7,354
Post-employment benefits	<u>843</u>	<u>778</u>
	<u>10,007</u>	<u>8,132</u>

9. **Financial instruments**

a) **Financial instruments by category**

The accounting policies for financial instruments have been applied to the line items below:

	2011	2010
	\$'000	\$'000
Financial assets		
Amounts due from related companies		
Trade	255,791	206,498
Other	100,205	230,176
Trade receivables	613	1,632
Cash and cash equivalents	<u>78,185</u>	<u>99,572</u>
Total	<u>434,794</u>	<u>537,878</u>

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(Continued)

8. Related party disclosures (continued)

a) Financial instruments by category (continued)

	2011 \$'000	2010 \$'000
Financial liabilities		
Trade payable	36,281	39,717
Accrued liabilities	5,529	5,744
Amounts due to related parties		
Trade	270,925	230,196
Other	<u>29,308</u>	<u>21,145</u>
Total	<u>342,043</u>	<u>296,802</u>

b) Fair values of financial instruments

The carrying amounts of the above financial instruments approximate their fair values due to the short-term nature of these instruments.

c) Credit quality of financial assets

Trade and other receivables

Trade receivables comprise of amounts due from related parties – trade and other trade receivables.

Trade receivables that are less than three months past due are not considered impaired. As at 31 December 2011, there were no trade receivables that were past due. There has been no history of default from related parties.

The aging analysis of trade receivables is as follows:

	2011 \$'000	2010 \$'000
Up to 3 months	<u>256,406</u>	<u>208,130</u>

The aging analysis of other receivables is as follows:

Up to 3 months	<u>100,205</u>	<u>230,176</u>
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The other receivables are due from related parties – Yara International ASA and Yara Trinidad Ltd. (Note 8). There has been no history of default.

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NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

9. **Financial instruments** (continued)

c)	Credit quality of financial assets (continued)	2011 \$'000	2010 \$'000
	Cash and cash equivalents		
	Group 1	172	177
	Group 2	<u>78,012</u>	<u>99,395</u>
	Total	<u>78,185</u>	<u>99,572</u>

Group 1 - Trinidad and Tobago based banking institutions. There has been no history of default.

Group 2 - Regional and international banking institutions. There has been no history of default.

10.	Cash and cash equivalents	2011 \$'000	2010 \$'000
	Cash on hand and at banks	<u>78,185</u>	<u>99,572</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates.

11. **Share capital and translation difference reserve**

Share capital **\$'000**

The authorised, issued and fully paid capital of the Company consists of:

Class "A" shares –no par value held by National Enterprises Limited

At 1 January 2011	306,000 shares	79,636
At 31 December 2011	306,000 shares	79,636

Class "B" shares –no par value held by Yara Caribbean (2002) Ltd.

At 1 January 2011	294,000 shares	76,514
At 31 December 2011	294,000 shares	76,514

Total

At 1 January 2011		<u>156,150</u>
At 31 December 2011		<u>156,150</u>

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(Continued)

11. Share capital and translation difference reserve (continued)

Translation difference reserve

This reserve is used to record exchange differences arising from the translation of the functional currency (US\$) financial statements to the presentation currency. Refer to Note 2.2 a).

12. Taxation

(a) **Deferred tax**

	At 1 January 2011 \$'000	Exchange (loss)/gain \$'000	Recognised in other comprehensive income \$'000	(Charge)/ credit to income statement \$'000	At 31 December 2011 \$'000
Deferred tax asset					
Pension asset	19,638	—	6,751	(374)	26,015
Provision for vacation	682	—	—	1,258	1,940
Provision for inventory obsolescence	4,775	—	—	(390)	4,385
Accrued severance	55	—	—	—	55
Post retirement healthcare plan	<u>7,932</u>	<u>—</u>	<u>(304)</u>	<u>527</u>	<u>8,155</u>
	<u>33,082</u>	<u>—</u>	<u>6,447</u>	<u>1,021</u>	<u>40,550</u>
Deferred tax liability					
Accelerated tax depreciation	<u>(47,498)</u>	<u>—</u>	<u>—</u>	<u>2,300</u>	<u>45,198</u>

(b) **Details of income tax expense are as follows:**

	2011 \$'000	2010 \$'000
Current tax charge	311,547	296,930
Deferred tax credit	<u>(3,321)</u>	<u>(1,485)</u>
Income tax expense	<u>308,226</u>	<u>295,445</u>

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	2011	2010
	\$'000	\$'000
12. Taxation (continued)		
(c) The effective tax rate varies from the statutory rate as a result of the differences shown below:		
Profit before tax	<u>870,738</u>	<u>839,478</u>
Corporation tax at statutory rate @ 35%	304,758	293,817
Green fund levy	2,808	2,319
Effect of disallowable expenses and tax allowances	259	61
Prior year under provision	29	(3)
Other differences	<u>372</u>	<u>(749)</u>
Income tax expense	<u>308,226</u>	<u>295,445</u>
13. Cost of products sold and operating expenses		
Changes in inventory of finished goods	(45,921)	21,358
Raw materials and consumables used	1,575,521	1,120,420
Repairs and maintenance	24,065	22,175
Labour expenses (excluding storage and shipping and president's office expenses)	101,749	77,051
Depreciation	55,006	44,237
Insurance costs	19,073	19,207
Other operating expenses	<u>23,116</u>	<u>19,071</u>
Cost of sales - ammonia	1,752,609	1,323,519
Storage and shipping expenses	11,975	9,490
President's office expenses	<u>2,585</u>	<u>2,132</u>
Total production costs and operating expenses	<u>1,767,169</u>	<u>1,335,141</u>
14. Finance income		
Expected return on pension plan assets (Note 6 (a))	13,768	15,299
Interest income	496	1,050
Net foreign exchange gain	<u>3,573</u>	<u>3,895</u>
Total finance income	<u>17,837</u>	<u>20,244</u>

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15. Finance cost	2011 \$'000	2010 \$'000
Interest cost – pension plan (Note 6 (a))	17,012	16,115
Interest cost – post retirement healthcare plan (Note 6 (a))	<u>1,391</u>	<u>1,596</u>
Interest cost – employee benefit plans	18,403	17,711
Other	<u>225</u>	<u>33</u>
Total finance cost	<u>18,628</u>	<u>17,744</u>

16. Commitments and contingencies

a) Purchasing commitments

The Company has purchase commitments for electricity, water, nitrogen and natural gas, in accordance with contractual obligations, for varying periods ranging up to 15 years.

b) Capital commitments

Amounts committed relating to projects under construction at 31 December 2011 was approximately \$30,915,000 (2010: \$21,578,000).

c) Contingent liabilities

i) Under the terms of the supply contract with the National Gas Company (NGC) of Trinidad and Tobago Limited, there are certain minimum purchase obligations for natural gas. If these quantities are not taken, the Company is obligated to pay NGC for the undrawn quantities at specified prices, which can be utilised in subsequent periods. At the end of the reporting period, there are no circumstances which indicate that minimum quantities will not be consumed in 2012.

ii) The Board of Inland Revenue has conducted audits in respect of fiscal years 2002, 2003, 2004 and 2005, and has raised additional assessments for corporation tax. The Company has filed notices of appeal with the Tax Appeal Board for 2002 and 2003. Until the matters are determined, the assessments raised are not considered final. No material unrecorded additional liabilities are expected to crystallise.