



Chartered Accountants  
& Business Advisors

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Trinidad and Tobago Dollars)

**31 DECEMBER 2010**



Chartered Accountants  
& Business Advisors

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Trinidad and Tobago Dollars)

	31 December	
	2010 (\$'000)	2009 (\$'000)
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash at bank	48,296	9,987
Restricted cash	204,100	443,855
Trade and other receivables	33,496	75,469
Current portion of deferred charges	14,647	12,708
Total Current Assets	300,539	542,019
<b>Non-Current Assets:</b>		
Non-current portion of deferred charges	-	8,735
Property, plant and equipment	4,202,319	3,575,809
<b>Total Assets</b>	<b>4,502,858</b>	<b>4,126,563</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities:</b>		
Trade and other liabilities	256,312	522,203
Amounts due to related parties	23,950	14,838
Total Current Liabilities	280,262	537,041
<b>Non-Current Liabilities:</b>		
Deferred Taxation	25	25
Total Liabilities	280,287	537,066
<b>Equity:</b>		
Stated capital	6	6
Capital contributions	4,288,370	3,631,322
Accumulated losses	(59,271)	(37,675)
Capital and reserves attributable to equity holders	4,229,105	3,593,653
Non-controlling interest	(6,534)	(4,156)
Total Equity	4,222,571	3,589,497
<b>Total Liabilities and Equity</b>	<b>4,502,858</b>	<b>4,126,563</b>

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Trinidad and Tobago Dollars)

	For the year ended 31 December	
	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b>Revenue:</b>		
Total Revenue	_____ -	_____ -
<b>Expenditure:</b>		
Effect of currency conversion	(167)	(511)
Administrative expenses	(24,049)	(6,413)
Finance cost	_____ -	_____ (1,401)
Operating loss before interest income	(24,216)	(8,325)
Interest income	_____ 242	_____ 429
Net loss before taxation	(23,974)	(7,896)
Taxation	_____ -	_____ (25)
Net loss for the year	<u><u>(23,974)</u></u>	<u><u>(7,921)</u></u>
<b>Attributable to:</b>		
Equity holders	(21,596)	(7,132)
Non-controlling interest	_____ (2,378)	_____ (789)
Net loss for the year	<u><u>(23,974)</u></u>	<u><u>(7,921)</u></u>

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

(Expressed in Trinidad and Tobago Dollars)

	Stated Capital (\$'000)	Capital Contributions (\$'000)	Accumulated Losses (\$'000)	Non- Controlling Interest (\$'000)	Total Equity (\$'000)
<b>Year ended 31 December 2009</b>					
Balance as at 1 January 2009	6	1,374,574	(30,543)	(3,367)	1,340,670
Net loss for the year	-	-	(7,132)	(789)	(7,921)
Capital contributions	-	<u>2,256,748</u>	-	-	<u>2,256,748</u>
Balance as at 31 December 2009	<u>6</u>	<u>3,631,322</u>	<u>(37,675)</u>	<u>(4,156)</u>	<u>3,589,497</u>
<b>Year ended 31 December 2010</b>					
Balance as at 1 January 2010	6	3,631,322	(37,675)	(4,156)	3,589,497
Net loss for the year	-	-	(21,596)	(2,378)	(23,974)
Capital contributions	-	<u>657,048</u>	-	-	<u>657,048</u>
Balance as at 31 December 2010	<u>6</u>	<u>4,288,370</u>	<u>(59,271)</u>	<u>(6,534)</u>	<u>4,222,571</u>

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in Trinidad and Tobago Dollars)

	For the year ended 31 December	
	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b><u>OPERATING ACTIVITIES</u></b>		
Net loss before taxation	(23,974)	(7,896)
Adjustment for:		
Depreciation	178	63
Interest income	<u>(242)</u>	<u>(429)</u>
Net loss before changes in working capital	(24,038)	(8,262)
Net change in deferred charges	6,797	(16,200)
Net change in trade and other receivables	41,973	(75,469)
Net change in amounts due from related parties	9,112	12,291
Net change in trade payables	<u>(265,891)</u>	<u>513,158</u>
	(232,047)	425,518
Interest received (net)	<u>242</u>	<u>429</u>
Cash (used in)/provided by Operating Activities	<u>(231,805)</u>	<u>425,947</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Additions to property, plant and equipment	(626,688)	(2,668,576)
Net change in restricted cash	<u>239,754</u>	<u>(4,728)</u>
Cash used in Investing Activities	<u>(386,934)</u>	<u>(2,673,304)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Net change in capital contributions	<u>657,048</u>	<u>2,256,748</u>
Cash provided by Financing Activities	<u>657,048</u>	<u>2,256,749</u>
Net change in cash resources	38,309	9,391
Net cash resources, beginning of year	<u>9,987</u>	<u>596</u>
Net cash resources, end of year	<u><u>48,296</u></u>	<u><u>9,987</u></u>
<b>Represented by:</b>		
Cash at bank	<u><u>48,296</u></u>	<u><u>9,987</u></u>



Chartered Accountants  
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**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**



Chartered Accountants  
& Business Advisors

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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# UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

Building 5, Christina Courts, 33 – 35 Boisierre No. 1, Maraval,  
Republic of Trinidad and Tobago

## Statement of Management Responsibilities

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It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for the year. It is also management's responsibility to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

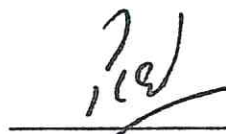
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

  
\_\_\_\_\_  
Director

Date: November 19, 2014

  
\_\_\_\_\_  
Director

Date: November 19, 2014

Directors: David D'Andrade - Chairman • Soraya Nanan • Phil Achan • Selvon Ramroop



Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITORS' REPORT

### The Shareholder Union Estate Electricity Generation Company Limited

We have audited the accompanying consolidated financial statements of Union Estate Electricity Generation Company Limited, which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standard, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Union Estate Electricity Generation Company Limited as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard.

Port of Spain  
19 November 2014

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**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Expressed in United States Dollars)

	<u>Notes</u>	<u>31 December</u> <u>2010</u> (S'000)	<u>2009</u> (S'000)
<b><u>ASSETS</u></b>			
<b>Current Assets:</b>			
Cash at bank	5	7,574	1,571
Restricted cash	6	32,008	69,817
Trade and other receivables	7	5,253	11,871
Current portion of deferred charges	8	<u>2,297</u>	<u>1,999</u>
Total Current Assets		47,132	85,258
<b>Non-Current Assets:</b>			
Non-current portion of deferred charges	8	-	1,374
Property, plant and equipment	9	<u>659,027</u>	<u>562,464</u>
Total Assets		<u><u>706,159</u></u>	<u><u>649,096</u></u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current Liabilities:</b>			
Trade and other liabilities	10	40,196	82,141
Amounts due to related parties	11	<u>3,756</u>	<u>2,334</u>
Total Current Liabilities		43,952	84,475
<b>Non-Current Liabilities:</b>			
Deferred Taxation	12	<u>4</u>	<u>4</u>
Total Liabilities		<u>43,956</u>	<u>84,479</u>
<b>Equity:</b>			
Stated capital	13	1	1
Capital contributions	14	672,522	571,196
Accumulated losses		<u>(9,295)</u>	<u>(5,926)</u>
Capital and reserves attributable to equity holders		663,228	565,271
Non-controlling interest		<u>(1,025)</u>	<u>(654)</u>
Total Equity		<u>662,203</u>	<u>564,617</u>
Total Liabilities and Equity		<u><u>706,159</u></u>	<u><u>649,096</u></u>

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 19 November 2014 and signed on their behalf by:

Director  Director: 

(The accompanying notes are an integral part of these consolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(Expressed in United States Dollars)

		For the year ended 31 December	
	<u>Notes</u>	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b>Revenue:</b>			
Total Revenue		\$ _____ -	\$ _____ -
<b>Expenditure:</b>			
Administrative expenses	15	(3,778)	(1,016)
Finance cost	16	_____ -	_____ (222)
Operating loss before interest income		(3,778)	(1,238)
Interest income		_____ 38	_____ 68
Net loss before taxation		(3,740)	(1,170)
Taxation		_____ -	_____ (4)
Net loss for the year		<u>(3,740)</u>	<u>(1,174)</u>
<b>Attributable to:</b>			
Equity holders		(3,369)	(1,057)
Non-controlling interest		_____ (371)	_____ (117)
Net loss for the year		<u>(3,740)</u>	<u>(1,174)</u>

(The accompanying notes form an integral part of these consolidated financial statements)

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010  
(Expressed in United States Dollars)

	Stated Capital (\$'000)	Capital Contributions (\$'000)	Accumulated Losses (\$'000)	Non- Controlling Interest (\$'000)	Total Equity (\$'000)
<b>Year ended 31 December 2009</b>					
Balance as at 1 January 2009	1	219,136	(4,869)	(537)	213,731
Net loss for the year	-	-	(1,057)	(117)	(1,174)
Capital contributions	-	352,060	-	-	352,060
Balance as at 31 December 2009	<u>1</u>	<u>571,196</u>	<u>(5,926)</u>	<u>(654)</u>	<u>564,617</u>
<b>Year ended 31 December 2010</b>					
Balance as at 1 January 2010	1	571,196	(5,926)	(654)	564,617
Net loss for the year	-	-	(3,369)	(371)	(3,740)
Capital contributions	-	101,326	-	-	101,326
Balance as at 31 December 2010	<u>1</u>	<u>672,522</u>	<u>(9,295)</u>	<u>(1,025)</u>	<u>662,203</u>

(The accompanying notes form an integral part of these consolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in United States Dollars)

	For the year ended 31 December	
	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b><u>OPERATING ACTIVITIES</u></b>		
Net loss before taxation	(3,740)	(1,170)
Adjustment for:		
Depreciation	28	10
Interest income	(8)	(68)
Interest expense	<u>3</u>	<u>66</u>
Net loss before changes in working capital	(3,717)	(1,162)
Net change) in deferred charges	1,076	(2,537)
Net change in trade and other receivables	6,618	(11,871)
Net change) in amounts due from related parties	1,422	1,928
Net change in trade payables	<u>(41,945)</u>	<u>80,699</u>
	(36,546)	67,057
Interest received (net)	<u>5</u>	<u>2</u>
Cash (used in)/provided by Operating Activities	<u>(36,541)</u>	<u>67,059</u>
<b><u>INVESTING ACTIVITIES</u></b>		
Additions to property, plant and equipment	(96,591)	(417,832)
Net change in restricted cash	<u>37,809</u>	<u>189</u>
Cash used in Investing Activities	<u>(58,782)</u>	<u>(417,643)</u>
<b><u>FINANCING ACTIVITIES</u></b>		
Net change in capital contributions	<u>101,326</u>	<u>352,060</u>
Cash provided by Financing Activities	<u>101,326</u>	<u>352,060</u>
Net change in cash resources	6,003	1,476
Net cash resources, beginning of year	<u>1,571</u>	<u>95</u>
Net cash resources, end of year	<u><u>7,574</u></u>	<u><u>1,571</u></u>
<b>Represented by:</b>		
Cash at bank	<u>\$ 7,574</u>	<u>\$ 1,571</u>

(The accompanying notes form an integral part of these consolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)****31 DECEMBER 2010****1. Principal Business Activities:**

Union Estate Electricity Generation Company Limited (UEEGCL) was incorporated on 26 February 2008 to hold equity on behalf of the Government of Trinidad and Tobago, in the acquisition, construction, ownership, sale, and the operation, management and maintenance of power generation facilities. The registered office of UEEGCL is located at Level 15, Eric Williams Financial Complex, Independence Square, Port of Spain.

The purposes of Trinidad Generation Unlimited are limited to engaging in the acquisition, construction, lease, ownership and sale, and the operation, management, maintenance, financing and re-financing of power generation facilities., contracting for the output of power from such facilities, and all actions incidental, necessary or appropriate to the foregoing that may be engaged in by an unlimited liability company formed under the Act.

By Shareholders' Amendment Agreement dated 6 January 2009, UEEGCL owned 90.07% of Trinidad Generation Unlimited, with the other 9.93% being owned by Trinidad and Tobago Power Generation Unlimited, a company whose ultimate parent is AES Corporation of the United States of America.

The operations of Trinidad Generation Unlimited have been consolidated into these consolidated financial statements.

**2. Summary of Significant Accounting Policies:****(a) Basis of preparation -**

These consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) and are stated in United States dollars. The consolidated financial statements are expressed in thousands of dollars rounded to the nearest **\$1,000**. These consolidated financial statements have been prepared on the historical cost basis. The accounting policies used are consistent with those of previous year.

**(b) New Accounting Standards and Interpretations -**

- (i) UEEGCL has not applied the following amendments to existing standards and interpretations which became effective for annual periods beginning on or after 1 July 2009 as either they do not apply to the activities of UEEGCL or have no material effect on the financial statements:

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) -**

Amendments resulting from April 2009 Annual Improvements to IFRSs:

IFRS 2	Share-based payment – Scope of ifrs 2 and revised IFRS 3.
IFRS 5	Non-current Assets Held for Sale Discontinued Operations – Plan to sell the controlling interest in a subsidiary.
IAS 38	Intangible Assets – Clarification of the requirements under IFRS 3 and the description of valuation techniques used.
IFRIC 9	Reassessment of Embedded Derivatives.
IFIC 16	Hedges of a Net Investment in a Foreign Operation.

Other amendments:

IFRS 1	First-time Adoption of International Financial reporting Standards – Revised and restructured (Revised November 2008).
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method (Revised 2008).
IAS 27	Consolidated and Separate Financial Statements (Revised in 2008) – Consequential amendments arising from amendments to IFRS 3.
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3.
IAS 31	Interest in Joint ventures – Consequential amendments arising from amendments to IFRS 3.
IAS 39	Financial Instruments: Recogniton and Measurement Amendments for eligible hedged items (July 2008).
IFRIC 17	Distributions of Non-Cash Assets to owners.



**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) -**

- (i) UEEGCL has not applied the following amendments to existing standards and interpretations which became effective for annual periods beginning on or after January 1, 2010 as either they do not apply to the activities of UEEGCL or have no material effect on the financial statements.

Amendments resulting from April 2009 Annual Improvements to IFRSs:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations.
IFRS 8	Operating Segments – disclosure of information from segments assets.
IAS 1	Presentation of Financial Statements – Classification of convertible instruments.
IAS 7	Statement of Cash Flows – Classification of expenditure and unrecognized assets.
IAS 17	Leases – Classification of leases of land and buildings.
IAS 36	Impairment of Assets – Unit of accounting for goodwill impairment testing.
IAS 39	Financial Instruments: Recognition and Measurement – Clarification of two issues relating to hedge accounting.

Other amendments:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease (Revised July 2009).
IFRS 2	Share-based payment – Group cash settlement share-based payment transactons (Issued June 2009).

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) -**

- (iii)** UEEGCL has not early applied the following amendments to existing standards and interpretations which are in issue but not yet effective:

Amendments resulting from May 2010 Annual Improvements to IFRSs – effective for annual periods beginning on or after July 1, 2010

IFRS 3            Business Combinations – Transition requirements for contingent considerations/measurement on Non-controlling interest/unreplaced and voluntarily replaced share based payment awards.

IAS 27            Consolidated and Separate Financial Statements – Transitional consequential amendments as a result IAS 27 (2008).

Amendments resulting from May 2010 Annual Improvements to IFRSs – effective for annual periods beginning on or after January 1, 2011:

IFRS 1            First-time Adoption of International Financial Reporting Standards – Accounting policy changes in the year of adoption/revaluation basis as deemed cost/use of deemed cost for operations subject to rate regulation.

IFRS 7            Financial Instruments: Disclosures.

IAS 1            Hedges of a Net Investment in a Foreign Operation.

IAS 34            Interim Financial Reporting – Significant events and transactions

IFRIC 13          Customer Loyalty Programmes – Fair value award credits – Amendments resulting from May 2010 Annual Improvements to IFRSs.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

Other amendments effective for the year ending December 31, 2011

IFRS 1	First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 – Disclosures for First time adopters (Revised January 2010)
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets) (Revised December 2010).
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues (Issued 2009).
IAS 34	Related Party Disclosures – Revised definition of related parties (Issued November 2009).
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements an their Interaction – November 2009 Amendments with respect to voluntary prepaid contributions.
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments.

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

2. Summary of Significant Accounting Policies (Cont'd):(c) **Use of estimates -**

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying UEEGCL's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(d) **Financial assets -**

Financial assets are classified into the following categories – loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

*Loans and receivables*

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market and which UEEGCL does not intend to sell in the short-term or which it has not designated as fair value through profit and loss, available for sale or held to maturity. Loans and receivables are carried at amortized cost using the effective interest method.

*Available for sale*

Investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rate are classified as available for sale. These investments are carried at fair value with realized gains and losses being taken to the profit and loss account and unrealized gains and losses being shown in equity.

*Held to maturity*

Investments with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised costs.

(e) **Comparative information -**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)****31 DECEMBER 2010****2. Summary of Significant Accounting Policies (Cont'd):****(f) Cash and cash equivalents -**

Cash at bank in the Consolidated Statement of Financial Position comprises of cash held in depository bank accounts as at the reporting date.

For the purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents consist of cash at bank and deposits in banks with an original maturity of three months or less.

**(g) Restricted cash -**

Restricted cash includes deposits which are restricted as to the withdrawal or usage. Cash is restricted as a result of the escrow requirements of contracts entered into by UEEGCL.

**(h) Property Plant and Equipment -**

Property, plant and equipment is stated at cost, less accumulated depreciation and accumulated impairment losses.

Construction work in progress includes payments to contractors and other direct cost incurred in constructing the plant that meet the recognition criteria. The construction work in progress will be allocated to the components of plant and equipment as they are commissioned. These costs will be depreciated on a straight line basis over a maximum period of 30 years from the date of commencement of the plant operations.

**(i) Consolidation -**

A subsidiary is an entity over which UEEGCL has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether UEEGCL controls another entity. Trinidad General Unlimited, in which UEEGCL has a 90.07% interest, is a subsidiary. The Subsidiary is fully consolidated from the date on which control is transferred to UEEGCL. It is de-recognises the assets and liabilities of a former subsidiary from the date on which control ceases.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)****31 DECEMBER 2010****2. Summary of Significant Accounting Policies (Cont'd):****(j) Consolidation (cont'd) -**

UEEGCL uses the purchase method of accounting to account for the acquisition of the subsidiary. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of UEEGCL's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income. All intercompany transactions and balances are eliminated on consolidation.

**(k) Stated capital -**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

**(l) Foreign currency translation -***Functional and presentation currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

*Transactions and balances*

Local currency transactions are translated into the presentation currency, United States dollars, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)****31 DECEMBER 2010****2. Summary of Significant Accounting Policies (Cont'd):****(m) Taxation**

UEEGCL is subject to Corporation Tax, as it does not meet the criteria of an Investment Company as defined by the Corporation Tax Act, Section 6(3). Tax on profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment to tax payable for previous year.

Deferred tax is calculated using the liability method whereby liabilities are recognised for temporary differences arising between the carrying amount of assets and liabilities in the Statement of Financial Position and their tax basis, using tax rates that have been enacted or substantially enacted by the reporting date, which result in taxable amounts in future period. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent it is probable that sufficient taxable profits will be available against which the unused tax losses can be utilised.

**(n) Provisions -**

Provisions are recognised when UEEGCL has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any other item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures 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 the passage of time is recognised in the profit and loss account.

**(o) Revenue recognition -**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of activities. Revenue is shown net of value-added-tax, rebates and discounts and after eliminating enter-group sale. Interest income is recognised on the accruals basis and dividend income is accrued for when the right to receive payment is established.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(p) Foreign currency translation -**

*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in thousands of United States dollars, which is UEEGCL's functional and presentation currency.

**3. Financial Risk Management:**

**Financial risk factors**

UEEGCL is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by UEEGCL to manage these risks are discussed below:

On account of Trinidad Generation Unlimited, UEEGCL as a consolidated entity is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by UEEGCL to manage these risks are discussed below:

**Financial Instruments**

	<b>2010</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Assets</b>		
Current portion of deferred charges	\$ 2,297	\$ 2,297
Restricted cash	32,008	32,008
Cash at bank	7,574	7,574
Trade and other receivables	5,253	5,253
<b>Financial Liabilities</b>		
Accounts due to related parties	3,756	3,756
Trade and other liabilities	40,196	40,196



## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

3. Financial Risk Management (cont'd):**Financial Instruments**

<b>Financial Assets</b>	<b>2009</b>	
	<b>Carrying Value \$'000</b>	<b>Fair Value \$'000</b>
Current portion of deferred charges	\$ 1,999	\$ 1,999
Restricted cash	69,817	69,817
Cash at bank	1,571	1,571
Trade and other receivables	11,871	11,871
 <b>Financial Liabilities</b>		
Accounts due to related parties	2,334	2,334
Trade and other liabilities	82,141	82,141

**(a) Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

UEEGCL as a consolidated entity is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities.

The exposure is managed through the matching of funding products with financial services and monitoring market conditions and yields.

	<b>Effective Rate</b>	<b>2009</b>				<b>Total \$'000</b>
		<b>Up to 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Non-Interest Bearing \$'000</b>	
<b>Financial Assets</b>						
Deferred charges	0.0%	\$ -	\$ -	\$ -	\$ 2,297	\$ 2,297
Restricted cash	1.3%	32,008	-	-	-	32,008
Trade and other receivables	0.0%	5,253	-	-	-	5,253
Cash at bank	0.0%	-	-	-	7,574	7,574
		<b><u>\$ 37,261</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,871</u></b>	<b><u>\$ 47,132</u></b>
<b>Financial Liabilities</b>						
Accounts due to related parties	0.0%	\$ -	\$ -	\$ -	\$ 3,756	\$ 3,756
Trade and other liabilities	0.0%	-	-	-	40,196	40,196
		<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 43,952</u></b>	<b><u>\$ 43,952</u></b>

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

3. Financial Risk Management (cont'd):(a) Interest rate risk (cont'd) -

	Effective Rate	Up to 1 year \$'000	1 to 5 years \$'000	2009 Over 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
<b>Financial Assets</b>						
Deferred charges	0.0%	\$ -	\$ -	\$ -	\$ 1,999	\$ 1,999
Restricted cash	1.3%	69,817	-	-	-	69,817
Trade and other receivables	0.0%	11,871	-	-	-	11,871
Cash at bank	0.0%	-	-	-	1,571	1,571
		<u>\$ 81,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,570</u>	<u>\$ 85,258</u>
<b>Financial Liabilities</b>						
Accounts due to related parties	0.0%	\$ -	\$ -	\$ -	\$ 2,334	\$ 2,334
Trade and other liabilities	0.0%	-	-	-	82,141	82,141
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,475</u>	<u>\$ 84,475</u>

(b) Credit risk -

Credit risk arises when failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. UEEGCL as a consolidated entity has policies in place to control and monitor risk on a continuous basis.

(c) Liquidity risk -

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

UEEGCL as a consolidated entity has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

i. Risk Management -

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of UEEGCL. UEEGCL as a consolidated entity employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of UEEGCL's assets.

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

3. Financial Risk Management (cont'd):(c) **Liquidity risk -**

To manage and reduce liquidity risk UEEGCL's management actively seeks to match cash inflows with liability requirements.

ii. **Liquidity Gap**

	2010			
	<u>Up to 1 year \$'000</u>	<u>1 to 5 years \$'000</u>	<u>Over 5 years \$'000</u>	<u>Total \$'000</u>
<b>Financial Assets</b>				
Deferred charges	\$ 2,297	\$ -	\$ -	\$ 2,297
Restricted cash	32,008	-	-	32,008
Trade and other receivables	5,253			5,253
Cash at bank	<u>7,574</u>	<u>-</u>	<u>-</u>	<u>7,574</u>
	<u>\$ 47,132</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,132</u>
<b>Financial Liabilities</b>				
Accounts due to related parties	\$ 3,756	\$ -	\$ -	\$ 3,756
Trade and other liabilities	<u>40,196</u>	<u>-</u>	<u>-</u>	<u>40,196</u>
	<u>\$ 43,952</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,952</u>
	2009			
	<u>Up to 1 year \$'000</u>	<u>1 to 5 years \$'000</u>	<u>Over 5 years \$'000</u>	<u>Total \$'000</u>
<b>Financial Assets</b>				
Deferred charges	\$ 1,999	\$ -	\$ -	\$ 1,999
Restricted cash	69,817	-	-	69,817
Trade and other receivables	11,871			11,871
Cash at bank	<u>1,571</u>	<u>-</u>	<u>-</u>	<u>1,571</u>
	<u>\$ 85,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,258</u>
<b>Financial Liabilities</b>				
Accounts due to related parties	\$ 2,334	\$ -	\$ -	\$ 2,334
Trade and other liabilities	<u>82,141</u>	<u>-</u>	<u>-</u>	<u>82,141</u>
	<u>\$ 84,475</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,475</u>

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)****31 DECEMBER 2010****3. Financial Risk Management (Cont'd):****(d) Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not UEEGCL's measurement currency. UEEGCL is exposed to foreign exchange risk arising from currency exposure to the United States Dollar. UEEGCL's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**(e) Operational risk -**

Operational risk is the risk derived from deficiencies relating to UEEGCL's information technology and control systems, as well as the risk of human error and natural disasters. UEEGCL's systems are evaluated, maintained and upgraded continuously. Supervisory controls are installed to minimise human error.

**(f) Compliance risk -**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited by the monitoring controls applied by UEEGCL.

**(g) Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to UEEGCL's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against UEEGCL. UEEGCL applies procedures to minimize this risk.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)****31 DECEMBER 2010****4. Critical Accounting Estimates and Judgements:**

The preparation of these consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying UEEGCL's accounting policies.

Estimates and judgements 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. UEEGCL makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk or causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements, are as follows:

- (i) Whether investments are classified as available for sale, held to maturity or loans and receivables.
- (ii) Whether leases are classified as operating leases or finance leases.
- (iii) Which depreciation method for property, plant and equipment is used.

The key assumptions concerning the future and other key sources of estimation uncertainty at the year-end date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

**Impairment of assets**

Management assesses at each year-end date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**

**5. Cash at Bank:**

	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Cash at bank	<u>7,574</u>	<u>1,571</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

**6. Restricted Cash:**

UEEGCL has cash at bank not available for immediate use. These deposits are held in escrow in accordance with the terms of conditions of contracts for the following goods and services:

	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Construction of power generation plant:		
Plant construction	32,000	69,755
Dividends on escrow	<u>4</u>	<u>62</u>
	<u>32,004</u>	<u>69,817</u>

**7. Trade and Other Receivables:**

	<u>2010</u>	<u>2009</u>
	\$'000	\$'000
Other receivables	<u>5,253</u>	<u>11,871</u>

**8. Deferred Charges:**

These amounts relate to repaid insurance premiums.

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

9. Property, Plant and Equipment:

Cost	Other assets \$'000	Capital work in progress \$'000	<u>2010</u> \$'000	<u>2009</u> \$'000
Balance as at 1 January	76	562,398	562,474	144,642
Additions	<u>36</u>	<u>96,555</u>	<u>96,591</u>	<u>417,832</u>
Balance as at 31 December	<u>112</u>	<u>658,953</u>	<u>659,065</u>	<u>562,474</u>
<b>Accumulated depreciation</b>				
Balance as at 1 January	10	-	10	-
Charge for the year	<u>28</u>	<u>-</u>	<u>28</u>	<u>10</u>
Balance as at 31 December	<u>38</u>	<u>-</u>	<u>38</u>	<u>10</u>
<b>Net book value</b>				
Balance as at 31 December	<u>74</u>	<u>658,953</u>	<u>659,027</u>	<u>562,464</u>

Cost	Construction work in progress \$'000	Construction work in progress \$'000	<u>2009</u> \$'000	<u>2008</u> \$'000
Balance as at 1 January	-	144,642	144,642	468
Additions	<u>76</u>	<u>417,756</u>	<u>417,832</u>	<u>144,174</u>
Balance as at 31 December	<u>76</u>	<u>562,398</u>	<u>562,474</u>	<u>144,642</u>
<b>Accumulated depreciation</b>				
Balance as at 1 January	-	-	-	-
Charge for the year	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>
Balance as at 31 December	<u>10</u>	<u>-</u>	<u>10</u>	<u>-</u>
<b>Net book value</b>				
Balance as at 31 December	<u>66</u>	<u>562,398</u>	<u>562,464</u>	<u>144,642</u>

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**

**10. Trade and Other Liabilities:**

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
Trade payable	6,086	32,110
Other payable	<u>34,110</u>	<u>50,031</u>
	<u><u>40,196</u></u>	<u><u>82,141</u></u>

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

**11. Amounts Due To Related Parties:**

UEEGCL is ultimately owned by the Government of Trinidad and Tobago (GORTT) and AES Corporation of the United States of America. In the ordinary course of its business, UEEGCL 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 the common control of the GORTT include National Energy Corporation of Trinidad and Tobago Limited and Trinidad and Tobago Electricity Commission.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for an amounts due to or from related parties. The following table provides the total amount of transactions that have been entered into with related parties for the year.

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
<b>Due to related parties</b>		
Trinidad and Tobago Electricity Commission	2,840	-
AES Trinidad Services, Unlimited	533	1,582
Trinidad and Tobago Power Generation Unlimited	2	2
Government of the Republic of Trinidad and Tobago	59	59
National Energy Corporation	<u>322</u>	<u>691</u>
	<u><u>3,756</u></u>	<u><u>2,334</u></u>
<b>Purchase from related parties</b>		
AES Trinidad Services, Unlimited		
- Management services	7,148	4,672
Trinidad and Tobago Electricity Commission		
Liquidated damages	246	691



## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

12. Deferred Taxation:

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
The major components of the taxation expense were as follows:		
Corporation	-	-
Deferred tax	<u>4</u>	<u>4</u>
	<u>4</u>	<u>4</u>
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:		
Net loss before taxation	<u>(3,740)</u>	<u>1,170</u>
Income taxes thereon at the rate of 25%	(935)	(293)
Net non-deductible expenses	55	80
Unrecognized tax losses	<u>884</u>	<u>217</u>
Significant components of deferred tax as follows:	<u>4</u>	<u>4</u>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	<u>4</u>	<u>4</u>
<b>Deferred tax assets:</b>		
Tax losses	1,503	623
Less: Valuation allowance	<u>(1,503)</u>	<u>(623)</u>
	<u>=</u>	<u>=</u>

13. Stated Capital:

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
<b>Authorised</b>		
Unlimited ordinary shares at par value		
<b>Issued and fully paid</b>		
1,000 ordinary shares at \$1 each	<u>1</u>	<u>1</u>

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**

**14. Capital Contributions:**

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
Government of Trinidad and Tobago	19,024	19,024
Trinidad and Tobago Power Generation Unlimited	<u>653,498</u>	<u>552,172</u>
	<u><u>672,522</u></u>	<u><u>571,196</u></u>

The funds provided by the Government of Trinidad and Tobago have been classified under capital contributions in accordance with the terms of the Shareholders' Agreement. The future classification of these funds will be determined based on terms and conditions to be agreed.

**15. Administrative Expenses:**

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
Liquidated damages – T&TEC	3,240	-
Rent	334	691
Utilities – Water	26	28
Depreciation	28	10
Legal fees and professional fees	236	280
Other	<u>(86)</u>	<u>7</u>
	<u><u>3,778</u></u>	<u><u>1,016</u></u>

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**

**16. Finance Cost:**

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
Bank charges	-	1
Financing fees	-	55
Loss on foreign exchange	-	166
	-	<u>222</u>

**17. Capital Commitment:**

At 31 December 2010, UEEGCL had contractual commitments of **\$99.2 million (2009: \$202.67 million)**.

**18. Operating Lease Commitments:**

UEEGCL has entered into a 30 year lease agreement commencing 15 January 2009 with the National Energy Corporation of Trinidad and Tobago for the lease of 149,955 hectares of land situated in La Brea, Trinidad. Rental lease expense was **\$333,900** for the year ended 31 December 2010, and included within administrative expenses.

Future minimum rentals payable under the operating lease as at 31 December are as follows:

	<u>2010</u> (S'000)	<u>2009</u> (S'000)
Within one year	334	334
After one year but not more than five years	1,336	1,336
More than five years	8,014	8,014
	<u>9,684</u>	<u>9,684</u>

**19. Sales Contract:**

On 15 September 2009, UEEGCL entered into a Power Purchase Agreement for 30 years with Alutrint Limited (Alutrint) and the Trinidad and Tobago Electricity Commission (T&TEC) as buyers in which each of the buyers are jointly and severally obligated to fulfilling the terms and conditions of the agreement which provides *inter alia* for sale of the maximum available output of the plant. In accordance with the power purchase agreement these obligations would commence once Phase 1A of the plant is operational. Phase 1A became operational in July 2011. The obligations of T & TEC under the Power Purchase Agreement are unconditionally guaranteed by the Government of Trinidad and Tobago. The total capacity of the plant is dedicated to the buyer.



Chartered Accountants  
& Business Advisors

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Trinidad and Tobago Dollars)

**31 DECEMBER 2010**



Chartered Accountants  
& Business Advisors

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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# UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

Building 5, Christina Courts, 33 – 35 Boisierre No. 1, Maraval,  
Republic of Trinidad and Tobago

## Statement of Management Responsibilities

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for the year. It is also management's responsibility to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

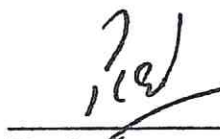
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

  
\_\_\_\_\_  
Director

Date: November 19, 2014

  
\_\_\_\_\_  
Director

Date: November 19, 2014

Directors: David D'Andrade - Chairman • Soraya Nanan • Phil Achan • Selvon Ramroop





Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITORS' REPORT

### **The Shareholders Union Estate Electricity Generation Company Limited**

We have audited the accompanying unconsolidated financial statements of Union Estate Electricity Generation Company Limited, which comprise the unconsolidated statement of financial position as at 31 December 2010, the unconsolidated 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 Unconsolidated Financial Statements***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and unconsolidated 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 unconsolidated 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Union Estate Electricity Generation Company Limited as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**Port of Spain  
19 November 2014**

Direct tel (868) 624-4569 | Direct fax (868) 624-4388  
Email [pkf-trinidad@trinidad.net](mailto:pkf-trinidad@trinidad.net)  
PKF | 90 Edward Street | Port-of-Spain | PO Bag 250 Belmont | Trinidad | WI

Directors Ainsley A. Mark | Michael G. Toney | René-Lisa Philip | Mark K. Superville

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(Expressed in Trinidad and Tobago Dollars)

	<u>Notes</u>	31 December	
		<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b>Assets:</b>			
Investment in subsidiary	5	\$4,069,434	\$3,440,480
<b>Total Assets</b>		<b><u>\$4,069,434</u></b>	<b><u>\$3,440,480</u></b>

LIABILITIES AND SHAREHOLDERS' EQUITY**Shareholders' Equity:**

Stated capital	6	\$ -	\$ -
Advances from shareholder	7	4,128,437	3,477,846
Accumulated deficit		<u>(59,003)</u>	<u>(37,366)</u>
<b>Total Shareholders' Equity</b>		<b><u>\$4,069,434</u></b>	<b><u>\$3,440,480</u></b>

These unconsolidated financial statements were approved by the Board of Directors and authorised for issue on 19 November 2014 and signed on their behalf by:

Director

Director

(The accompanying notes form an integral part of these unconsolidated financial statements)



**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
(Expressed in Trinidad and Tobago Dollars)

	For the year ended 31 December	
	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b>Revenue:</b>		
Total Revenue	\$ _____ -	\$ _____ -
<b>Expenditure:</b>		
Total Expenditure	_____ -	_____ -
Operating profit	_____ -	_____ -
Share of investee loss	<u>(21,637)</u>	<u>(6,656)</u>
Net loss for the year	<u>\$ (21,637)</u>	<u>\$ (6,656)</u>

(The accompanying notes form an integral part of these unconsolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(Expressed in Trinidad and Tobago Dollars)**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Accumulated Fund (\$'000)</b>
Balance as at 1 January 2009	\$ (30,710)
Net loss for the year	<u>(6,656)</u>
Balance as at 31 December 2009	<u><b>\$ (37,366)</b></u>
Balance as at 1 January 2010	\$ (37,366)
Net loss for the year	<u>(21,637)</u>
Balance as at 31 December 2010	<u><b>\$ (59,003)</b></u>

**(The accompanying notes form an integral part of these unconsolidated financial statements)**

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in Trinidad and Tobago Dollars)

	For the year ended 31 December	
	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b>Operating Activities:</b>		
Net loss for the year	\$ (21,637)	\$ (6,656)
<b>Investing Activities:</b>		
Net change in investment in subsidiary	(628,954)	(2,209,462)
<b>Financing Activities:</b>		
Net change in advances from shareholder	<u>650,591</u>	<u>2,216,118</u>
Net change in cash resources	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
<b>Represented by:</b>		
Cash at bank	<u>\$ -</u>	<u>\$ -</u>

(The accompanying notes form an integral part of these unconsolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Trinidad and Tobago Dollars)****31 DECEMBER 2010****1. Principal Business Activities:**

Union Estate Electricity Generation Company Limited (UEEGCL) was incorporated on 26 February 2008 to hold equity on behalf of the Government of Trinidad and Tobago, in the acquisition, construction, ownership, sale, and the operation, management and maintenance of power generation facilities. The registered office of UEEGCL is located at Level 15, Eric Williams Financial Complex, Independence Square, Port of Spain.

The purposes of Trinidad Generation Unlimited are limited to engaging in the acquisition, construction, lease, ownership and sale, and the operation, management, maintenance, financing and re-financing of power generation facilities., contracting for the output of power from such facilities, and all actions incidental, necessary or appropriate to the foregoing that may be engaged in by an unlimited liability company formed under the Act.

By Shareholders' Agreement dated 10 July 2008, UEEGCL owned 90.07% of Trinidad Generation Unlimited, with the other 9.93% being owned by Trinidad and Tobago Power Generation Unlimited, a company whose ultimate parent is AES Corporation of the United States of America.

The operations of Trinidad Generation Unlimited have not been consolidated into these financial statements. Consolidated financial statements are presented separately.

**2. Summary of Significant Accounting Policies:****(a) Basis of preparation -**

These unconsolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) and are stated in Trinidad and Tobago dollars. The unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000. These unconsolidated financial statements have been prepared on the historical cost basis. The accounting policies used are consistent with those of previous year.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

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

**31 DECEMBER 2010**

**(b) New Accounting Standards and Interpretations -**

- i) UEEGCL has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as UEEGCL has not opted for early adoption, they do not apply to the activities of UEEGCL or they have no material impact on the unconsolidated financial statements:

Amendments resulting from April 2009 Annual Improvements to IFRSs:

IFRS 2	Share-based payment – Scope of IFRS 2 and revised IFRS 3.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary.
IAS 38	Intangible Assets – Clarification of the requirements under IFRS 3 and the description of valuation techniques used.
IFRIC 9	Reassessment of Embedded Derivatives.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation.

Other amendments:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Revised and restructured (Revised November 2008).
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method (Revised 2008).
IAS 27	Consolidated and Separate Financial Statements (Revised in 2008) – Consequential amendments arising from amendments to IFRS 3.
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3.
IAS 31	Interest in Joint Ventures – Consequential amendments arising from amendments to IFRS 3.
IAS 39	Financial Instruments: Recognition and Measurement Amendments for eligible hedged items (July 2008).
IFRIC 17	Distributions of Non-Cash Assets to owners.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

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

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) -**

Amendments resulting from April 2009 Annual Improvements to IFRSs:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations.
IFRS 8	Operating Segments – Disclosure of information from segment assets.
IAS 1	Presentation of Financial Statements – Classification of convertible instruments.
IAS 7	Statement of Cash Flows – Classification of expenditure and unrecognized assets.
IAS 17	Leases – Classification of leases of land and buildings.
IAS 36	Impairment of Assets – Unit of accounting for goodwill impairment testing.
IAS 39	Financial Instruments: Recognition and Measurement – Clarification of two issues relating to hedge accounting.

Other amendments:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease (Revised July 2009).
IFRS 2	Share-based payment – Group cash settlement share-based payment transactions (Issued June 2009).

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

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

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) -**

- ii) The Company has not early applied the following amendments to existing standards and interpretations which are in issue but not yet effective:

Amendments resulting from May 2010 Annual Improvements to IFRSs – effective for annual periods beginning on or after July 1, 2010:

IFRS 3            Business Combinations – Transition requirements for contingent considerations/measurement on non-controlling interest/unreplaced and voluntarily replaced share based payment awards.

IAS 27            Consolidated and Separate Financial Statements – Transitional consequential amendments as a result of IAS 27 (2008).

Amendments resulting from May 2010 Annual Improvements to IFRSs – effective for annual periods beginning on or after January 1, 2011:

IFRS 1            First-time Adoption of International Financial Reporting Standards – Accounting policy changes in the year of adoption/revaluation basis as deemed cost/use of deemed cost for operations subject to rate regulation.

IFRS 7            Financial Instruments: Disclosures.

IAS 1            Presentation of Financial Statements – Clarification of Statement of Changes in Equity.

IAS 34            Interim Financial Reporting – Significant events and transactions.

IFRIC 13          Customer Loyalty Programmes – Fair value award credits – Amendments resulting from May 2010 Annual Improvements to IFRSs.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

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

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) –**

Other amendments effective for the year ending December 31, 2011:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Limited exemption from Comparative IFRS 7 – Disclosures for first time adopters (Revised January 2010).
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets) (Revised December 2010).
IAS 32	Financial Instruments : Presentation – Amendments relating to classification of rights issues (Issued 2009).
IAS 24	Related Party Disclosures – Revised definition of related parties (Issued November 2009).
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – November 2009 Amendments with respect to voluntary prepaid contributions.
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments.

Other amendments effective for the year ending December 31, 2012:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (Issued December 2010).
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation (Issued December 2010).
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (Issued October 2010).



**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

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

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) –**

- iii)** The Company has not early adopted IFRS 9 Financial Instruments – Classification and Measurement – Issued November 2009 but effective for annual periods beginning on or after January 1, 2013:

This standard requires all financial assets to be:

- Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.
- Subsequently measured at amortised cost or fair value.

The Company is currently assessing the impact of this standard.

**(c) Use of estimates -**

The preparation of unconsolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying UEEGCL's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unconsolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

**(d) Financial assets -**

Financial assets are classified into the following categories – loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

*Loans and receivables*

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market and which UEEGCL does not intend to sell in the short-term or which it has not designated as fair value through profit and loss, available for sale or held to maturity. Loans and receivables are carried at amortized cost using the effective interest method. As at the reporting date, the company had no loans or receivables.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Trinidad and Tobago Dollars)****31 DECEMBER 2010****2. Summary of Significant Accounting Policies (Cont'd):****(d) Financial assets (cont'd) –***Available for sale*

Investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rate are classified as available for sale. These investments are carried at fair value with realized gains and losses being taken to the profit and loss account and unrealized gains and losses being shown in equity. As at the reporting date, the company had no available for sale financial assets.

*Held to maturity*

Investments with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised costs. The investment in subsidiary is considered a held-to-maturity financial asset.

**(e) Comparative information -**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**(f) Accounting for investment in subsidiary-**

The investment in subsidiary is accounted for at cost, in accordance with IAS 27. Additional capital contributions increase the investment in subsidiary.

**(g) Cash and cash equivalents -**

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. The unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000. Cash and cash equivalents carry a value less than five hundred dollars (\$500). Therefore, the balance is shown as \$nil.

**(h) Stated capital -**

Stated capital comprises shares and is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds. The unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000. Stated capital carries a value less than five hundred dollars (\$500). Therefore, the balance is shown as \$nil.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Trinidad and Tobago Dollars)****31 DECEMBER 2010****2. Summary of Significant Accounting Policies (Cont'd):****(i) Revenue recognition -**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, the provision of a service or the use by others of entity assets yielding interests, royalties and/or dividends. Revenue is shown net of value-added-tax, rebates and discounts and after eliminating inter-group sales. Interest income is recognised on the accruals basis and dividend income is accrued for when the right to receive payment is established. The organisation had no revenue in 2010.

**(j) Foreign currency translation -***Functional and presentation currency*

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

*Transactions and balances*

Foreign currency transactions are translated into the presentation currency, Trinidad and Tobago dollars, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Unconsolidated Statement of Comprehensive Income. There were no translation differences recognised in the Unconsolidated Statement of Comprehensive Income during the year ended 31 December 2010.

**3. Financial Risk Management:****Financial risk factors**

To a limited extent, UEEGCL is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by UEEGCL to manage these risks are discussed below:

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Trinidad and Tobago Dollars)****31 DECEMBER 2010****3. Financial Risk Management (Cont'd):****Financial risk factors (cont'd)****(a) Interest rate risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

UEEGCL exposure to the risk of changes in market interest rates is not material.

**(b) Credit risk -**

Credit risk arises when failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. UEEGCL has no significant concentration of credit risk. Additionally, there is a Shareholders' Agreement which governs the capital contributions of either party, thereby limiting UEEGCL's exposure to credit risk.

**(c) Liquidity risk -**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. UEEGCL's capital commitments are guaranteed by the Government of Trinidad and Tobago. This significantly limits its exposure to liquidity risk.

**(d) Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not UEEGCL's measurement currency. UEEGCL is exposed to foreign exchange risk arising from currency exposure to the United States Dollar. UEEGCL's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**(e) Operational risk -**

Operational risk is the risk derived from deficiencies relating to UEEGCL's information technology and control systems, as well as the risk of human error and natural disasters. UEEGCL has limited internal operations. Its operational risk is through its involvement with its subsidiary. Through its selection of the Chief Executive Officer and majority of the Board of Directors of Trinidad Generation Unlimited, UEEGCL is able to mitigate against operational risk by evaluating, maintaining and upgrading the company's systems continuously. Supervisory controls are also installed to minimise human error.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Trinidad and Tobago Dollars)****31 DECEMBER 2010****3. Financial Risk Management (Cont'd):****Financial risk factors (cont'd)****f) Compliance risk -**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the monitoring controls applied by UEEGCL through its outsourced accounting and advisory functions.

**(g) Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to UEEGCL's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue, and legal cases against UEEGCL. UEEGCL keeps a low profile in an effort to minimize this risk.

**4. Critical Accounting Estimates and Judgements:**

The preparation of these unconsolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying UEEGCL's accounting policies.

Estimates and judgements 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. UEEGCL makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk or causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Changes in accounting estimates are recognised in the Unconsolidated Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the unconsolidated financial statements, includes whether investments are classified as held to maturity investments, available for sale or loans and receivables.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

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

**31 DECEMBER 2010**

**4. Critical Accounting Estimates and Judgements (Cont'd):**

The key assumptions concerning the future and other key sources of estimation uncertainty at the year-end date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows:

**Impairment of assets**

Management assesses at each year-end date whether its investment in subsidiary is impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Allowances are made for the excess of the carrying value over its recoverable amount.

**5. Investment in Subsidiary:**

	<b>31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b><u>(\$'000)</u></b>	<b><u>(\$'000)</u></b>
Balance, beginning of year	\$3,440,480	\$1,231,018
Current loss on investment	(21,637)	(6,656)
Additional Government contributions	<u>650,591</u>	<u>2,216,118</u>
Balance, end of the year	<b><u>\$4,069,434</u></b>	<b><u>\$3,440,480</u></b>

**6. Stated Capital:**

	<b>31 December</b>	
	<b>2010</b>	<b>2009</b>
	<b><u>(\$'000)</u></b>	<b><u>(\$'000)</u></b>
<b>Authorised</b>		
Unlimited number of shares of no par value		
<b>Issued and fully paid</b>		
10 ordinary shares at \$1 each	<u>\$ -</u>	<u>\$ -</u>

The stated capital represents a value less than five hundred dollars. Therefore it is shown as **\$nil**.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

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

**31 DECEMBER 2010**

**7. Advances from Shareholder:**

	31 December	
	2010	2009
	<u>(\$'000)</u>	<u>(\$'000)</u>
Balance, beginning of the year	\$ 3,477,846	\$ 1,261,728
Additional Government contributions	<u>650,591</u>	<u>2,216,118</u>
Balance, end of the year	<u>\$ 4,128,437</u>	<u>\$ 3,477,846</u>



Chartered Accountants  
& Business Advisors

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in United States Dollars)

**31 DECEMBER 2010**





Chartered Accountants  
& Business Advisors

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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# UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

Building 5, Christina Courts, 33 – 35 Boisierre No. 1, Maraval,  
Republic of Trinidad and Tobago

## Statement of Management Responsibilities

It is the responsibility of management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the operating results of the Company for the year. It is also management's responsibility to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.


Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Management accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. Management are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. Management further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of Management to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

  
\_\_\_\_\_  
Director

Date: November 19, 2014

  
\_\_\_\_\_  
Director

Date: November 19, 2014

Directors: David D'Andrade - Chairman • Soraya Nanan • Phil Achan • Selvon Ramroop



Chartered Accountants  
& Business Advisors

## INDEPENDENT AUDITORS' REPORT

### The Shareholders

#### Union Estate Electricity Generation Company Limited

We have audited the accompanying unconsolidated financial statements of Union Estate Electricity Generation Company Limited, which comprise the unconsolidated statement of financial position as at 31 December 2010, the unconsolidated 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 Unconsolidated Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the unconsolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and unconsolidated 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 unconsolidated 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 unconsolidated financial statements present fairly, in all material respects, the financial position of Union Estate Electricity Generation Company Limited as of 31 December 2010, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

PKF

Port of Spain

19 November 2014

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PKF | 90 Edward Street | Port-of-Spain | PO Bag 250 Belmont | Trinidad | WI

Directors Ainsley A. Mark | Michael G. Toney | Reneé-Lisa Phillip | Mark K. Superville



**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Expressed in United States Dollars)

**ASSETS**

	<u>Notes</u>	31 December	
		<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b>Assets:</b>			
Investment in subsidiary	5	\$ 644,200	\$ 546,245
<b>Total Assets</b>		<b><u>\$ 644,200</u></b>	<b><u>\$ 546,245</u></b>

**SHAREHOLDER'S EQUITY**

**Shareholders' Equity:**

Stated capital	6	\$ -	\$ -
Advances from shareholder	7	653,498	552,173
Accumulated deficit		<u>(9,298)</u>	<u>(5,928)</u>
<b>Total Shareholders' Equity</b>		<b><u>\$ 644,200</u></b>	<b><u>\$ 546,245</u></b>

These unconsolidated financial statements were approved by the Board of Directors and authorised for issue on 19 November 2014 and signed on their behalf by:

  
Director

  
Director

(The accompanying notes form an integral part of these unconsolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
 (Expressed in United States Dollars)

	For the year ended 31 December	
	<u>2010</u> (S'000)	<u>2009</u> (S'000)
<b>Revenue:</b>		
Total Revenue	\$ _____ -	\$ _____ -
<b>Expenditure:</b>		
Total Expenditure	_____ -	_____ -
Operating profit	_____ -	_____ -
Share of investee loss		
Diminution in value of investment on further acquisition	_____ (3,370)	_____ (1,058)
Net loss for the year	<u>\$ (3,370)</u>	<u>\$ (1,058)</u>

(The accompanying notes form an integral part of these unconsolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2010**

**(Expressed in United States Dollars)**

	<b>Accumulated Fund (S'000)</b>
Balance as at 1 January 2009	\$ (4,870)
Net loss for the year	<u>(1,058)</u>
Balance as at 31 December 2009	<u><b>\$ (5,928)</b></u>
Balance as at 1 January 2010	\$ (5,928)
Net loss for the year	<u>(3,370)</u>
Balance as at 31 December 2010	<u><b>\$ (9,298)</b></u>

**(The accompanying notes form an integral part of these unconsolidated financial statements)**

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
(Expressed in United States Dollars)

	For the year ended 31 December	
	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
<b>Operating Activities:</b>		
Net loss for the year	\$ (3,370)	\$ (1,058)
<b>Investing Activities:</b>		
Net change in investment in subsidiary	(97,955)	(351,003)
<b>Financing Activities:</b>		
Net change in advances from shareholder	<u>101,325</u>	<u>352,061</u>
Net change in cash resources	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
<b>Represented by:</b>		
Cash at bank	<u>\$ -</u>	<u>\$ -</u>

(The accompanying notes form an integral part of these unconsolidated financial statements)

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)****31 DECEMBER 2010****1. Principal Business Activities:**

Union Estate Electricity Generation Company Limited (UEEGCL) was incorporated on 26 February 2008 to hold equity on behalf of the Government of Trinidad and Tobago, in the acquisition, construction, ownership, sale, and the operation, management and maintenance of power generation facilities. The registered office of UEEGCL is located at Level 15, Eric Williams Financial Complex, Independence Square, Port of Spain.

The purposes of Trinidad Generation Unlimited are limited to engaging in the acquisition, construction, lease, ownership and sale, and the operation, management, maintenance, financing and re-financing of power generation facilities., contracting for the output of power from such facilities, and all actions incidental, necessary or appropriate to the foregoing that may be engaged in by an unlimited liability company formed under the Act.

By Shareholders' Amendment Agreement dated 6 January 2009, UEEGCL owned 90.07% of Trinidad Generation Unlimited, with the other 9.93% being owned by Trinidad and Tobago Power Generation Unlimited, a company whose ultimate parent is AES Corporation of the United States of America.

The operations of Trinidad Generation Unlimited have not been consolidated into these unconsolidated financial statements. Consolidated financial statements are presented separately.

**2. Summary of Significant Accounting Policies:****(a) Basis of preparation -**

These unconsolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRSs) and are stated in United States and Tobago dollars. The unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000. These unconsolidated financial statements have been prepared on the historical cost basis. The accounting policies used are consistent with those of previous years.



UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

2. Summary of Significant Accounting Policies (Cont'd):

(b) **New Accounting Standards and Interpretations -**

- i) UEEGCL has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as UEEGCL has not opted for early adoption, they do not apply to the activities of UEEGCL or they have no material impact on the unconsolidated financial statements:

Amendments resulting from April 2009 Annual Improvements to IFRSs:

IFRS 2	Share-based payment – Scope of IFRS 2 and revised IFRS 3.
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary.
IAS 38	Intangible Assets – Clarification of the requirements under IFRS 3 and the description of valuation techniques used.
IFRIC 9	Reassessment of Embedded Derivatives.
IFRIC 16	Hedges of a Net Investment in a Foreign Operation.

Other amendments:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Revised and restructured (Revised November 2008).
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method (Revised 2008).
IAS 27	Consolidated and Separate Financial Statements (Revised in 2008) – Consequential amendments arising from amendments to IFRS 3.
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3.
IAS 31	Interest in Joint Ventures – Consequential amendments arising from amendments to IFRS 3.
IAS 39	Financial Instruments: Recognition and Measurement Amendments for eligible hedged items (July 2008).
IFRIC 17	Distributions of Non-Cash Assets to owners.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

2. Summary of Significant Accounting Policies (Cont'd):

(b) New Accounting Standards and Interpretations (cont'd) -

Amendments resulting from April 2009 Annual Improvements to IFRSs:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations.
IFRS 8	Operating Segments – Disclosure of information from segment assets.
IAS 1	Presentation of Financial Statements – Classification of convertible instruments.
IAS 7	Statement of Cash Flows – Classification of expenditure and unrecognized assets.
	IAS 17 Leases – Classification of leases of land and buildings.
IAS 36	Impairment of Assets – Unit of accounting for goodwill impairment testing.
IAS 39	Financial Instruments: Recognition and Measurement – Clarification of two issues relating to hedge accounting.

Other amendments:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Amendments relating to oil and gas assets and determining whether an arrangement contains a lease (Revised July 2009).
IFRS 2	Share-based payment – Group cash settlement share-based payment transactions (Issued June 2009).

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) -**

- i)** The Company has not early applied the following amendments to existing standards and interpretations which are in issue but not yet effective:

Amendments resulting from May 2010 Annual Improvements to IFRSs – effective for annual periods beginning on or after July 1, 2010:

IFRS 3            Business Combinations – Transition requirements for contingent considerations/measurement on non-controlling interest/unreplaced and voluntarily replaced share based payment awards.

IAS 27            Consolidated and Separate Financial Statements – Transitional consequential amendments as a result of IAS 27 (2008).

Amendments resulting from May 2010 Annual Improvements to IFRSs – effective for annual periods beginning on or after January 1, 2011:

IFRS 1            First-time Adoption of International Financial Reporting Standards – Accounting policy changes in the year of adoption/revaluation basis as deemed cost/use of deemed cost for operations subject to rate regulation.

IFRS 7            Financial Instruments: Disclosures.

IAS 1            Presentation of Financial Statements – Clarification of Statement of Changes in Equity.

IAS 34            Interim Financial Reporting – Significant events and transactions.

IFRIC 13        Customer Loyalty Programmes – Fair value award credits – Amendments resulting from May 2010 Annual Improvements to IFRSs.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in United States Dollars)**

**31 DECEMBER 2010**

**2. Summary of Significant Accounting Policies (Cont'd):**

**(b) New Accounting Standards and Interpretations (cont'd) –**

Other amendments effective for the year ending December 31, 2011:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Limited exemption from Comparative IFRS 7 – Disclosures for first time adopters (Revised January 2010).
IAS 12	Income Taxes – Limited scope amendment (recovery of underlying assets) (Revised December 2010).
IAS 32	Financial Instruments : Presentation – Amendments relating to classification of rights issues (Issued 2009).
IAS 24	Related Party Disclosures – Revised definition of related parties (Issued November 2009).
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – November 2009 Amendments with respect to voluntary prepaid contributions.
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments.

Other amendments effective for the year ending December 31, 2012:

IFRS 1	First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (Issued December 2010).
IFRS 1	First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation (Issued December 2010).
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (Issued October 2010).

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)****31 DECEMBER 2010****2. Summary of Significant Accounting Policies (Cont'd):****(b) New Accounting Standards and Interpretations (cont'd) –**

- ii) The Company has not early adopted IFRS 9 Financial Instruments – Classification and Measurement – Issued November 2009 but effective for annual periods beginning on or after January 1, 2013:

This standard requires all financial assets to be:

- Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.
- Initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs.
- Subsequently measured at amortised cost or fair value.

The Company is currently assessing the impact of this standard.

**(c) Use of estimates -**

The preparation of unconsolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying UEEGCL's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unconsolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)****31 DECEMBER 2010****2. Summary of Significant Accounting Policies (Cont'd):****(d) Financial assets -**

Financial assets are classified into the following categories – loans and receivables and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

*Loans and receivables*

Loans and receivables are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market and which UEEGCL does not intend to sell in the short-term or which it has not designated as fair value through profit and loss, available for sale or held to maturity. Loans and receivables are carried at amortized cost using the effective interest method. As at the reporting date, the company had no loans or receivables.

*Available for sale*

Investments intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rate are classified as available for sale. These investments are carried at fair value with realized gains and losses being taken to the profit and loss account and unrealized gains and losses being shown in equity. As at the reporting date, the company had no available for sale financial assets.

*Held to maturity*

Investments with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised costs. The investment in subsidiary is considered a held-to-maturity financial asset.

**(e) Comparative information -**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

**(f) Accounting for investment in subsidiary-**

The investment in subsidiary is accounted for at cost, in accordance with IAS 27. Additional capital contributions increase the investment in subsidiary.

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

2. Summary of Significant Accounting Policies (Cont'd):(g) **Cash and cash equivalents -**

Cash and cash equivalents comprise cash on hand and deposits held on call with banks. The unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000. Cash and cash equivalents carry a value less than five hundred dollars (\$500). Therefore, the balance is shown as \$nil.

(h) **Stated capital -**

Stated capital comprises shares and are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds. The unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000. Stated capital carries a value less than five hundred dollars (\$500). Therefore, the balance is shown as \$nil.

(i) **Revenue recognition -**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, the provision of a service or the use by others of entity assets yielding interests, royalties and/or dividends. Revenue is shown net of value-added-tax, rebates and discounts and after eliminating inter-group sales. Interest income is recognised on the accruals basis and dividend income is accrued for when the right to receive payment is established. The organisation had no revenue in 2010.

(j) **Foreign currency translation -***Functional and presentation currency*

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

*Transactions and balances*

Local currency transactions are translated into the presentation currency, United States dollars, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Unconsolidated Statement of Comprehensive Income. There were no translation differences recognised in the Unconsolidated Statement of Comprehensive Income during the year ended 31 December 2010.

**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)****31 DECEMBER 2010****3. Financial Risk Management:****Financial risk factors**

To a limited extent, UEEGCL is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk arising from the financial instruments that it holds. The risk management policies employed by UEEGCL to manage these risks are discussed below:

- (a) Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

UEEGCL exposure to the risk of changes in market interest rates is not material.

- (b) **Credit risk -**

Credit risk arises when failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. UEEGCL has no significant concentration of credit risk. Additionally, there is a Shareholders' Agreement which governs the capital contributions of either party, thereby limiting UEEGCL's exposure to credit risk.

- (c) **Liquidity risk -**

Liquidity risk is the risk that arises when the maturity dates of assets and liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. UEEGCL's capital commitments are guaranteed by the Government of Trinidad and Tobago. This significantly limits its exposure to liquidity risk.

- (d) **Currency risk -**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not UEEGCL's measurement currency. UEEGCL is exposed to foreign exchange risk arising from currency exposure to the United States Dollar. UEEGCL's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.



**UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)****31 DECEMBER 2010****3. Financial Risk Management (Cont'd):****Financial risk factors (cont'd)****(e) Operational risk -**

Operational risk is the risk derived from deficiencies relating to UEEGCL's information technology and control systems, as well as the risk of human error and natural disasters. UEEGCL has limited internal operations. Its operational risk is through its involvement with its subsidiary. Through its selection of the Chief Executive Officer and majority of the Board of Directors of Trinidad Generation Unlimited, UEEGCL is able to mitigate against operational risk by evaluating, maintaining and upgrading the company's systems continuously. Supervisory controls are also installed to minimise human error.

**f) Compliance risk -**

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to a significant extent due to the monitoring controls applied by UEEGCL through its outsourced accounting and advisory functions.

**(g) Reputation risk -**

The risk of loss of reputation arising from the negative publicity relating to UEEGCL's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue, and legal cases against UEEGCL. UEEGCL keeps a low profile in an effort to minimize this risk.

**4. Critical Accounting Estimates and Judgements:**

The preparation of these unconsolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions in the process of applying UEEGCL's accounting policies.

Estimates and judgements 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. UEEGCL makes estimates and assumptions concerning the future. However, actual results could differ from those estimates as the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have significant risk or causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

4. Critical Accounting Estimates and Judgements(Cont'd):

Changes in accounting estimates are recognised in the Unconsolidated Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The critical judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the unconsolidated financial statements, includes whether investments are classified as held to maturity investments, available for sale or loans and receivables.

5. Investment in Subsidiary:

	2010 <u>(\$'000)</u>	2009 <u>(\$'000)</u>
Balance, beginning of year	\$546,245	\$195,242
Current loss on investment	(3,370)	(1,058)
Additional Government contributions	<u>101,325</u>	<u>352,061</u>
Balance at the end of the year	<u>\$644,200</u>	<u>\$546,245</u>

6. Stated Capital:

	31 December	
	2010 <u>(\$'000)</u>	2009 <u>(\$'000)</u>
<b>Authorised</b>		
Unlimited number of shares of no par value		
<b>Issued and fully paid</b>		
10 ordinary shares at \$1 each	<u>\$ -</u>	<u>\$ -</u>

The stated capital represents a value less than five hundred dollars. Therefore it is shown as \$nil.

## UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in United States Dollars)

31 DECEMBER 2010

7. Advances from Shareholder:

	2010 <u>(\$'000)</u>	2009 <u>(\$'000)</u>
Balance, beginning of the year	\$552,173	\$200,112
Additional Government contributions	<u>101,325</u>	<u>352,061</u>
Balance, end of the year	<u>\$653,498</u>	<u>\$ 552,173</u>