



Chartered Accountants
& Business Advisors

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2011



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)

ASSETS

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Current Assets:		
Cash resources	351,460	48,296
Restricted cash	181,800	204,100
Trade and other receivables	6,787	-
Net investment in leased assets (current)	4,076	48,143
Inventories	<u>14,402</u>	<u>-</u>
Total Current Assets	558,525	300,539
Non-Current Assets:		
Due from related parties	27,836	-
Deferred tax asset	180,960	-
Property, plant and equipment	2,108,955	4,202,319
Net investment in leased asset (non-current)	<u>2,351,976</u>	<u>-</u>
Total Assets	<u><u>5,228,252</u></u>	<u><u>4,502,858</u></u>

LIABILITIES AND EQUITY

Current Liabilities:		
Trade and other liabilities	443,607	256,312
Amounts due to related parties	106,901	23,950
Tax payable	<u>115</u>	<u>-</u>
Total Current Liabilities	550,623	280,262
Non-Current Liabilities:		
Deferred tax liabilities	<u>147,106</u>	<u>25</u>
Total Liabilities	<u>697,729</u>	<u>280,287</u>
Equity:		
Stated capital	-	-
Capital contributions	4,667,265	4,288,370
Accumulated losses	<u>(123,163)</u>	<u>(59,265)</u>
Capital and reserves attributable to equity holders	4,544,102	4,229,105
Non-controlling interest	<u>(13,579)</u>	<u>(6,534)</u>
Total Equity	<u>4,530,523</u>	<u>4,222,571</u>
Total Liabilities and Equity	<u><u>5,228,252</u></u>	<u><u>4,502,858</u></u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Trinidad and Tobago Dollars)

	For the year ended 31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Revenue:		
Finance lease income	95,480	-
Other revenue	<u>211</u>	<u>-</u>
Total revenue	<u>95,691</u>	<u>-</u>
Expenditure:		
Administrative expenses	195,361	(167)
Finance cost	845	(24,049)
Operating expense	<u>3,993</u>	<u>-</u>
Total expenditure	<u>200,199</u>	<u>(24,216)</u>
Operating loss before interest income	(104,508)	(24,216)
Interest income	<u>32</u>	<u>242</u>
Net loss before taxation	(104,476)	(23,974)
Taxation	<u>33,540</u>	<u>-</u>
Total Comprehensive Income	<u>(70,936)</u>	<u>(23,974)</u>
Attributable to:		
Equity holders	(63,892)	(21,596)
Non-controlling interest	<u>(7,044)</u>	<u>(2,378)</u>
	<u>(70,936)</u>	<u>(23,974)</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2011

(Expressed in Trinidad and Tobago Dollars)

	<u>Stated Capital</u> (\$'000)	<u>Capital Contributions</u> (\$'000)	<u>Accumulated Losses</u> (\$'000)	<u>Non- Controlling Interest</u> (\$'000)	<u>Total Equity</u> (\$'000)
Year ended 31 December 2010					
Balance as at 1 January 2010	6	3,631,322	(37,675)	(4,156)	3,589,497
Decrease in stated capital	(6)	-	6	-	-
Total Comprehensive Income	-	-	(21,596)	(2,378)	(23,974)
Capital contributions	-	657,048	-	-	657,048
Balance as at 31 December 2010	<u>-</u>	<u>4,288,370</u>	<u>(59,265)</u>	<u>(6,534)</u>	<u>4,222,571</u>
Year ended 31 December 2011					
Balance as at 1 January 2011	-	4,288,370	(59,271)	(6,534)	4,222,569
Total Comprehensive Income	-	-	(63,892)	(7,045)	(70,937)
Capital contributions	-	378,895	-	-	378,895
Balance as at 31 December 2011	<u>-</u>	<u>4,667,265</u>	<u>(123,163)</u>	<u>(13,579)</u>	<u>4,530,523</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>2011</u> (\$'000)	<u>2010</u> (\$'000)
<u>OPERATING ACTIVITIES</u>		
Net loss before taxation	(104,476)	(23,974)
Adjustment for:		
Depreciation	941	178
Interest income	(32)	-
Finance lease collection	-	(242)
Net loss before changes in working capital	(103,567)	(24,038)
Net change in deferred charges	14,647	6,797
Net change in trade and other receivables	26,709	41,973
Net change in amounts due from related parties	82,950	9,112
Net change in trade payables	187,295	(265,891)
Net change in inventories	(14,402)	-
Net change in due to related parties	(27,836)	-
	165,796	(232,047)
Interest received (net)	32	242
Tax paid	(225)	-
Cash provided by/(used in) Operating Activities	<u>165,603</u>	<u>(231,805)</u>
<u>INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(263,629)	(626,688)
Net change in restricted cash	<u>22,301</u>	<u>239,754</u>
Cash used in Investing Activities	<u>(241,328)</u>	<u>(386,934)</u>
<u>FINANCING ACTIVITIES</u>		
Net change in capital contributions	378,895	657,048
Net change in share capital	(6)	-
Cash provided by Financing Activities	<u>378,889</u>	<u>657,048</u>
Net change in cash and cash equivalents	303,164	38,309
Cash and cash equivalents, beginning of year	<u>48,296</u>	<u>9,987</u>
Cash and cash equivalents, end of year	<u><u>351,460</u></u>	<u><u>48,296</u></u>
Represented by:		
Cash resources	<u><u>351,460</u></u>	<u><u>48,296</u></u>



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& Business Advisors

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

31 DECEMBER 2011



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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

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Union Estate Electricity Generation Company Limited, which comprise the consolidated statement of financial position as at 31 December 2011, 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;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


Director

Date: November 22, 2016


Director

Date: November 22, 2016

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 2011, 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 2011, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard.

PKF

**Port of Spain
22 November 2016**

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Partners: Renée-Lisa Philip | Mark K. Superville

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States Dollars)


ASSETS

	Notes	31 December	
		<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Current Assets:			
Cash resources	5	54,836	7,574
Restricted cash	6	28,365	32,008
Trade and other receivables	7	1,059	7,550
Net investment in leased assets (current)	8	636	-
Inventories	9	<u>2,247</u>	<u>-</u>
Total Current Assets		87,143	47,132
Non-Current Assets:			
Due from related parties	13	4,343	-
Deferred tax asset	10	28,234	-
Property, plant and equipment	11	329,046	659,027
Net investment in leased asset (non-current)	8	<u>366,963</u>	<u>-</u>
Total Assets		<u>815,729</u>	<u>706,159</u>

LIABILITIES AND EQUITY

Current Liabilities:			
Trade and other liabilities	12	69,213	40,196
Amounts due to related parties	13	16,679	3,756
Tax payable		<u>18</u>	<u>-</u>
Total Current Liabilities		85,910	43,952
Non-Current Liabilities:			
Deferred tax liabilities	10	<u>22,952</u>	<u>4</u>
Total Liabilities		<u>108,862</u>	<u>43,956</u>
Equity:			
Stated capital	14	-	-
Capital contributions	15	728,202	672,522
Accumulated losses		<u>(19,216)</u>	<u>(9,294)</u>
Capital and reserves attributable to equity holders		708,986	663,228
Non-controlling interest		<u>(2,119)</u>	<u>(1,025)</u>
Total Equity		<u>706,867</u>	<u>662,203</u>
Total Liabilities and Equity		<u>815,729</u>	<u>706,159</u>

These consolidated financial statements have been authorized by the Board of Directors for issue on 22 November 2016 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>2011</u> (\$'000)	<u>2010</u> (\$'000)
Revenue:			
Finance lease income		14,920	-
Other revenue	16	<u>33</u>	<u>-</u>
Total revenue		<u>14,953</u>	<u>-</u>
Expenditure:			
Administrative expenses	17	30,459	3,777
Finance cost	18	132	-
Operating expense	19	<u>624</u>	<u>-</u>
Total expenditure		<u>31,215</u>	<u>3,777</u>
Operating loss before interest income		(16,262)	(3,777)
Interest income		<u>5</u>	<u>38</u>
Net loss before taxation		(16,257)	(3,739)
Taxation	20	<u>5,241</u>	<u>-</u>
Total Comprehensive Income		<u>(11,016)</u>	<u>(3,739)</u>
Attributable to:			
Equity holders		(9,922)	(3,368)
Non-controlling interest		<u>(1,094)</u>	<u>(371)</u>
		<u>(11,016)</u>	<u>(3,739)</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

31 DECEMBER 2011

(Expressed in United States Dollars)

	<u>Stated Capital</u> (\$'000)	<u>Capital Contributions</u> (\$'000)	<u>Accumulated Losses</u> (\$'000)	<u>Non- Controlling Interest</u> (\$'000)	<u>Total Equity</u> (\$'000)
Year ended 31 December 2010					
Balance as at 1 January 2010	1	571,196	(5,926)	(654)	564,617
Decrease in share capital	(1)	-	-	-	(1)
Total Comprehensive Income	-	-	(3,368)	(371)	(3,739)
Capital contributions	-	101,326	-	-	101,326
Balance as at 31 December 2010	<u>-</u>	<u>672,522</u>	<u>(9,294)</u>	<u>(1,025)</u>	<u>662,203</u>
Year ended 31 December 2011					
Balance as at 1 January 2011	-	672,522	(9,294)	(1,025)	662,203
Total Comprehensive Income	-	-	(9,922)	(1,094)	(11,016)
Capital contributions	-	55,680	-	-	55,680
Balance as at 31 December 2011	<u>-</u>	<u>728,202</u>	<u>(19,216)</u>	<u>(2,119)</u>	<u>706,867</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>2011</u> (\$'000)	<u>2010</u> (\$'000)
<u>OPERATING ACTIVITIES</u>		
Net loss before taxation	(16,257)	(3,739)
Adjustment for:		
Depreciation	147	28
Interest income	(5)	(8)
Interest expense	-	3
Finance lease collection	<u>224</u>	<u>-</u>
Net loss before changes in working capital	(15,891)	(3,716)
Net change in deferred charges	1,240	1,076
Net change in trade and other receivables	5,251	6,618
Net change in amounts due from related parties	(4,343)	1,422
Net change in trade payables	29,017	(41,945)
Net change in inventories	(2,247)	-
Net change in due to related parties	<u>12,923</u>	<u>-</u>
	25,950	(36,545)
Interest received (net)	5	5
Tax paid	<u>(26)</u>	<u>-</u>
Cash provided by/(used in) Operating Activities	<u>25,929</u>	<u>(36,540)</u>
<u>INVESTING ACTIVITIES</u>		
Additions to property, plant and equipment	(37,990)	(96,591)
Net change in restricted cash	<u>3,643</u>	<u>37,809</u>
Cash used in Investing Activities	<u>(34,347)</u>	<u>(58,782)</u>
<u>FINANCING ACTIVITIES</u>		
Net change in capital contributions	55,680	101,326
Net change in share capital	<u>-</u>	<u>(1)</u>
Cash provided by Financing Activities	<u>55,680</u>	<u>101,325</u>
Net change in cash and cash equivalents	47,262	6,003
Cash and cash equivalents, beginning of year	<u>7,574</u>	<u>1,571</u>
Cash and cash equivalents, end of year	<u><u>54,836</u></u>	<u><u>7,574</u></u>
Represented by:		
Cash resources	<u><u>54,836</u></u>	<u><u>7,574</u></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 2011****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) Use of estimates -

The preparation of consolidated 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 the Company 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.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

31 DECEMBER 2011

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

(c) New accounting standards and interpretations -

- (i) The Company has not applied the following IFRIC interpretations that became effective during the current year, as they do not apply to the activities of the Company:

IFRIC 20	Stripping costs in the Production Phase of a Surface Mine.
IFRS 1	First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (effective for accounting periods beginning on or after 1 July 2011).
IFRS 1	First-time Adoption of International Financial Reporting Standards – Government Loans (effective for accounting periods beginning on or after 1 January 2013).
IFRS 7	Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).
IFRS 9	Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015).
IFRS 9	Financial Instruments: Accounting for Financial Liabilities and Derecognition (effective for accounting periods beginning on or after 1 January 2015).
IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 12	Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
(Expressed in United States Dollars)**31 DECEMBER 2011****2. Summary of Significant Accounting Policies (Cont'd):****(c) New accounting standards and interpretations (cont'd) -**

- IAS 1 Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012).
- IAS 12 Income Taxes – Limited scope amendment - recovery of underlying assets (effective for accounting periods beginning on or after 1 January 2012).
- IAS 19 Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).
- IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
- IAS 28 Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
- IAS 32 Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
- IAS 34 Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

31 DECEMBER 2011

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.

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.

(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.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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

Capital work in progress represents milestone payments to contractors under an Engineering Procurement and Supply Contract and other direct costs incurred in constructing the power plant that meet the recognition criteria. The plant will be brought into operation in three phases, Phase 1A, Phase 1B and Phase 2 in accordance with the Power Purchase Agreement (PPA). Capital work in progress has been allocated to the components of plant and equipment that are commissioned under each of the phases.

The PPA was evaluated in accordance with the provisions of IFRIC 4. This evaluation has resulted in the recognition of a leased asset related to the power plant.

Depreciation is charged from the month in which the equipment is purchased. Depreciation is provided on a straight line basis, per annum.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

	%
Computer equipment	33 1/3
Machinery and equipment	25
Furniture and fixtures	25
Capital spares	3 1/3 – 11 1/9

Capital work-in-progress is not depreciated.

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
(Expressed in United States Dollars)**31 DECEMBER 2011****2. Summary of Significant Accounting Policies (Cont'd):****(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 Generation 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 de-recognises the assets and liabilities of a former subsidiary from the date on which control ceases.

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.

(j) 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.

(k) 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 2011****2. Summary of Significant Accounting Policies (Cont'd):****(l) 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.

(m) 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.

(n) 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 intergroup 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

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

(o) 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

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

	2011	
	<u>Carrying</u> <u>Value</u> (\$'000)	<u>Fair</u> <u>Value</u> (\$'000)
Financial Assets		
Cash resources	54,836	54,836
Restricted cash	28,365	28,365
Trade and other receivables	1,059	1,059
Net investment in leased assets	367,599	367,599
Due from related parties	4,343	4,343
Financial Liabilities		
Trade and other liabilities	69,213	69,213
Amounts due to related parties	16,679	16,679

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. Financial Risk Management (Cont'd):

	2010	
	<u>Carrying</u> <u>Value</u> (\$'000)	<u>Fair</u> <u>Value</u> (\$'000)
Financial Assets		
Cash resources	7,574	7,574
Restricted cash	32,008	32,008
Trade and other receivables	7,550	7,550
Financial Liabilities		
Trade and other liabilities	40,196	40,196
Accounts due to related parties	3,756	3,756

The fair value of the leased asset was estimated using relevant industry and market observable data to arrive at a proxy for fair value at year end.

(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.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31 DECEMBER 2011

3. Financial Risk Management (Cont'd):

	Effective Rate	Up to 1 year (\$'000)	1 to 5 years (\$'000)	2011		Non-Interest Bearing (\$'000)	Total (\$'000)
				Over 5 years (\$'000)			
Financial Assets							
Cash resources	0.0%	-	-	-	-	54,836	54,836
Restricted cash	1.3%	28,365	-	-	-	-	28,365
Trade and other receivables	0.0%	-	-	-	-	1,059	1,059
Net investment in leased assets	0.0%	-	-	-	-	367,599	367,599
Due from related parties	0.0%	-	-	-	-	4,343	4,343
		<u>28,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,837</u>	<u>456,202</u>
Financial Liabilities							
Trade and other liabilities	0.0%	-	-	-	-	69,213	69,213
Amounts due to related parties	0.0%	-	-	-	-	16,679	16,679
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,892</u>	<u>85,892</u>
	Effective Rate	Up to 1 year (\$'000)	1 to 5 years (\$'000)	2010		Non-Interest Bearing (\$'000)	Total (\$'000)
				Over 5 years (\$'000)			
Financial Assets							
Cash resources	0.0%	-	-	-	-	7,574	7,574
Restricted cash	0.0%	-	-	-	-	32,008	32,008
Trade and other receivables	0.0%	-	-	-	-	7,550	7,550
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,132</u>	<u>47,132</u>
Financial Liabilities							
Trade and other liabilities	0.0%	-	-	-	-	40,196	40,196
Accounts due to related parties	0.0%	-	-	-	-	3,756	3,756
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,952</u>	<u>43,952</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
(Expressed in United States Dollars)**31 DECEMBER 2011****3. Financial Risk Management (Cont'd):****(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.

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.

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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**

	2011			<u>Total</u> (\$'000)
	<u>Up to</u> <u>1 year</u> (\$'000)	<u>1 to</u> <u>5 years</u> (\$'000)	<u>Over</u> <u>5 years</u> (\$'000)	
Financial Assets				
Cash resources	54,836	-	-	54,836
Restricted cash	28,365	-	-	28,365
Trade and other receivables	1,059	-	-	1,059
Net investment in leased assets	636	2,977	363,986	367,599
Due from related parties	4,343	-	-	4,343
	<u>89,239</u>	<u>2,977</u>	<u>363,986</u>	<u>456,202</u>
Financial Liabilities				
Trade and other liabilities	69,213	-	-	69,213
Amounts due to related parties	16,679	-	-	16,679
	<u>85,892</u>	<u>-</u>	<u>-</u>	<u>85,892</u>
	2010			<u>Total</u> (\$'000)
	<u>Up to</u> <u>1 year</u> (\$'000)	<u>1 to</u> <u>5 years</u> (\$'000)	<u>Over</u> <u>5 years</u> (\$'000)	
Financial Assets				
Cash resources	7,574	-	-	7,574
Restricted cash	32,008	-	-	32,008
Trade and other receivables	7,550	-	-	7,550
	<u>47,132</u>	<u>-</u>	<u>-</u>	<u>47,132</u>
Financial Liabilities				
Trade and other liabilities	40,196	-	-	40,196
Accounts due to related parties	-	3,756	-	3,756
	<u>40,196</u>	<u>3,756</u>	<u>-</u>	<u>43,952</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)****31 DECEMBER 2011****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'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 2011****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.

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5. Cash Resources:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Cash at bank	<u>54,836</u>	<u>7,574</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:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Construction of power generation plant:		
Plant construction	28,362	32,004
Dividends on escrow	<u>3</u>	<u>4</u>
	<u>28,365</u>	<u>32,008</u>

7. Trade and Other Receivables:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Other receivables	<u>1,059</u>	<u>7,550</u>

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8. Investment in Leased Assets:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Finance lease – gross investment	1,948,031	-
Less: Unearned finance income	<u>(1,580,432)</u>	<u>-</u>
Net investment in leased asset	367,599	-
Less Current Portion	<u>(636)</u>	<u>-</u>
Non-Current Portion	<u><u>366,963</u></u>	<u><u>-</u></u>

The Company has entered into a Power Purchased Agreement (PPA) for the supply of capacity and associated energy generated for a term of thirty (30) years from the commencement of Phase 1A commercial operations.

The power plant will be brought into operation in three phases. Each phase will provide incremental capacity for power generation as follows:

Phase 1 A commissioned on 31 July 2011	225MW
Phase 1B commissioned on 20 December 2011	225MW
Phase 2 commissioned on 18 December 2012	270MW

The provisions of the PPA were evaluated in accordance with IFRIC 4: "Determining whether an arrangement contains a lease" and IAS 17: "Leases." Phase 1B were commissioned during 2011. Their related costs were transferred from capital work in progress and an investment in these assets was recognized in the respective years.

As at 31 December, the gross investment and present value of receivables relating to future minimum lease payments were distributed as follows:

	2011		2010	
	Gross investment (\$'000)	Present value of receivable (\$'000)	Gross investment (\$'000)	Present value of receivable (\$'000)
Within 1 year	65,986	636	-	-
1 to 5 years	263,403	2,977	-	-
Over 5 years	<u>1,618,642</u>	<u>363,986</u>	<u>-</u>	<u>-</u>
	<u><u>1,948,031</u></u>	<u><u>367,599</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. Inventories:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Due from related parties:		
Spare parts	<u>2,247</u>	<u>-</u>

10. Deferred Taxation:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Significant components of deferred tax are as follows:		
Deferred tax asset:		
Tax losses	28,234	1,503
Less: Impairment	<u>-</u>	<u>(1,503)</u>
	<u>28,234</u>	<u>-</u>
Deferred tax liabilities:		
Finance lease	22,933	-
Plant and equipment	<u>19</u>	<u>4</u>
	<u>22,952</u>	<u>4</u>

Trinidad Generation Unlimited has unutilised tax losses of **112.9 million** (2010: **6 million**) that are available indefinitely for offset against future taxable profits. Deferred tax assets have been recognised for the carry forward of these unused tax losses to the extent that it is probable that future tax profits will be available against which the unused tax losses can be utilised. There are no unrecognised deferred tax assets for the current year (2010: **1.5 million**).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. Property, Plant and Equipment:

Cost	Computer Equipment (\$'000)	Furniture & Fixtures (\$'000)	Machinery and Equipment (\$'000)	Other Assets (\$'000)	Capital work in Progress (\$'000)	Capital Spares (\$'000)	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Balance as at 1 January 2011	-	-	-	112	658,953	-	659,065	562,474
Additions	7	5	268	348	36,570	792	37,990	96,591
Transfer to finance lease	-	-	-	-	(367,824)	-	(367,824)	-
Balance as at 31 December 2011	<u>7</u>	<u>5</u>	<u>268</u>	<u>460</u>	<u>327,699</u>	<u>792</u>	<u>329,231</u>	<u>659,065</u>
Accumulated Depreciation								
Balance as at 1 January 2011	-	-	-	38	-	-	38	10
Charge for the year	<u>3</u>	<u>1</u>	<u>20</u>	<u>115</u>	<u>-</u>	<u>8</u>	<u>147</u>	<u>28</u>
Balance as at 31 December 2011	<u>3</u>	<u>1</u>	<u>20</u>	<u>153</u>	<u>-</u>	<u>8</u>	<u>185</u>	<u>38</u>
Net Book Value								
Balance as at 31 December 2011	<u>4</u>	<u>4</u>	<u>248</u>	<u>307</u>	<u>327,699</u>	<u>784</u>	<u>329,046</u>	<u>659,027</u>

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11. Property, Plant and Equipment (Cont'd):

Cost	Other assets (\$'000)	Capital work in progress (\$'000)	<u>2010</u> (\$'000)	<u>2009</u> (\$'000)
Balance as at 1 January 2010	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 2010	<u>112</u>	<u>658,953</u>	<u>659,065</u>	<u>562,474</u>
Accumulated depreciation				
Balance as at 1 January 2010	10	-	10	-
Charge for the year	<u>28</u>	<u>-</u>	<u>28</u>	<u>10</u>
Balance as at 31 December 2010	<u>38</u>	<u>-</u>	<u>38</u>	<u>10</u>
Net book value				
Balance as at 31 December 2010	<u>74</u>	<u>658,953</u>	<u>659,027</u>	<u>562,464</u>

12. Trade and Other Liabilities:

	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Trade payable	33,458	6,086
Other payable	<u>35,755</u>	<u>34,110</u>
	<u>69,213</u>	<u>40,196</u>

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

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. Amounts Due to/from Related Parties:

UEEGCL is ultimately owned by the Government of Trinidad and Tobago (GORTT). 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 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.

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Due to related parties		
Trinidad and Tobago Electricity Commission	16,104	2,840
AES Trinidad Services, Unlimited	192	533
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>322</u>
	<u>16,679</u>	<u>3,756</u>
Due from related parties		
Trinidad and Tobago Electricity Commission	<u>4,343</u>	<u>-</u>
Purchase from related parties		
AES Trinidad Services, Unlimited		
- Management services	6,275	7,148
National Energy Corporation of Trinidad and Tobago		
- Lease rental and premium	25,760	246
Trinidad and Tobago Electricity Commission		
- Liquidated damages	<u>334</u>	<u>3,240</u>
	<u>32,369</u>	<u>10,634</u>

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31 DECEMBER 2011

13. Amounts Due to/from Related Parties (Cont'd):

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Sales to related parties:		
Trinidad and Tobago Commission		
- Lease income	14,920	-
- Capacity and energy payments	<u>33</u>	<u>-</u>
	<u>14,953</u>	<u>-</u>
Compensation of key management personnel:		
Short-term employee benefits	<u>370</u>	<u>234</u>

14. Stated Capital:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Authorised		
Unlimited ordinary shares at par value		
Issued and fully paid		
10 ordinary shares at TTD\$1 each	<u>-</u>	<u>-</u>

The stated capital represents a value less than five hundred dollars. Therefore, the value is shown as nil.

15. Capital Contributions:

	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Government of Trinidad and Tobago	19,024	19,024
Trinidad and Tobago Power Generation Unlimited	<u>709,178</u>	<u>653,498</u>
	<u>728,202</u>	<u>672,522</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.

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31 DECEMBER 2011

16. Other Revenue:

	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Capacity revenue- CPL adjustment	(18)	-
Energy delivered revenues	<u>51</u>	<u>-</u>
	<u><u>33</u></u>	<u><u>-</u></u>

17. Administrative Expenses:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Accounting and audit	18	-
Consultancies	102	-
Depreciation	147	28
Directors fees	156	-
Internet	1	-
Legal and professional	1,064	236
Liquidated damages penalty interest	609	-
Liquidated damages Trinidad and Tobago Electricity Commission	25,760	3,240
Miscellaneous	6	-
Other	104	(87)
Outsourced personnel services	20	-
Penalties and interest	2	-
Rent	340	334
Repairs and maintenance	1	-
Salaries and wages	2,056	-
Travelling	73	-
Utilities Water	<u>-</u>	<u>26</u>
	<u><u>30,459</u></u>	<u><u>3,777</u></u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

18. Finance Cost:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Bank charges	7	-
Financing fees	(20)	-
Loss on foreign exchange	<u>145</u>	<u>-</u>
Balance, end of the year	<u><u>132</u></u>	<u><u>-</u></u>

19. Operating Expense:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Parts and supplies	296	-
Contract labour	210	-
Equipment rental	27	-
Other	<u>91</u>	<u>-</u>
	<u><u>624</u></u>	<u><u>-</u></u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

20. Taxation:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Components of the taxation credit for the year:		
Business Levy	(31)	-
Green Fund Levy	(15)	-
Deferred tax	<u>5,287</u>	<u>-</u>
	<u>5,241</u>	<u>-</u>
Reconciliation of expected taxation expense to effective taxation expense is as follows:		
Net loss before taxation	<u>(16,257)</u>	<u>(3,740)</u>
Income taxes thereon at the rate of 25%	4,064	935
Non-deductible expenses	(2)	(55)
(Reversal)/impairment of deferred tax assets	1,504	(880)
Other	(279)	-
Business Levy	(31)	-
Green Fund Levy	<u>(15)</u>	<u>-</u>
	<u>5,241</u>	<u>-</u>

21. Capital Commitments:

At 31 December 2011, the Company had contractual commitments of **73.8 million** (2010: **99.2 million**).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

31 DECEMBER 2011

22. Operating Lease Commitments:

The Company 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. The rental lease expense of **333,900** dollars is recorded in administrative expenses for the year ended 31 December 2011 (2010: **333,900** dollars).

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

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Within one year	334	334
After one year but not more than five years	1,336	1,336
More than five years	7,346	7,680

23. Contractual Commitments:

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.

In 2011, the agreement to deliver output to Alutrint was discontinued, resulting in the full output of the plant being designated to T&TEC. 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 T&TEC.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

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24. Subsequent Events:

- (a) In accordance with the provisions of the Engineering Procurement and Supply contract for the construction of the plant, the Company has filed a claim for late substantial completion payment in the sum of **106.2 million** for delays in delivery of the plant. No amounts have been recognised for this claim as at the reporting date as the extent and timing of recovery of the claim could not be reasonably determined at the reporting date.

On 2 April 2013 the Company entered into a Settlement Agreement in full and final settlement of the claim. The settlement provided that the contractor pays the Company liquidated damages of **106.2 million** net of **33 million** for resolution of other issues.

This was settled on 3 May 2013 via payment of **2.9 million** after offsetting against unpaid contract balance of **76.1 million**.

- (b) In March 2014, the Ministry of Finance clarified the ultimate parent company's position that the capital structure of the Company will be 75% debt and 25% equity effective 31 July 2013. As a consequence, 75% of the capital contributions paid by the Government of Trinidad and Tobago through UEEGCL will be repaid upon successful loan refinancing by the Company.



Chartered Accountants
& Business Advisors

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

UNCONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2011



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

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Union Estate Electricity Generation Company Limited, which comprise the unconsolidated statement of financial position as at 31 December 2011, 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;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited unconsolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


Director

Date: November 22, 2016


Director

Date: November 22, 2016

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



INDEPENDENT AUDITORS' REPORT

Chartered Accountants
& Business Advisors

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 2011, 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 2011, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

**Port of Spain
22 November 2016**

Direct tel (868) 624-4569 | Direct fax (868) 624-4388
PKF | 90 Edward Street | Port-of-Spain | PO Bag 250 Belmont | Trinidad | WI

Partners: Renée-Lisa Philip | Mark K. Superville

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Trinidad and Tobago Dollars)

ASSETS

	<u>Notes</u>	31 December	
		<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Current Assets:			
Cash resources	5	3,306	-
Prepayments		<u>13</u>	<u>-</u>
Total Current Assets		<u>3,319</u>	<u>-</u>
Non-Current Assets:			
Property, plant and equipment	6	52	-
Investment in subsidiary	7	<u>4,359,535</u>	<u>4,069,434</u>
Total Non-Current Assets		<u>4,359,587</u>	<u>4,069,434</u>
Total Assets		<u>4,362,906</u>	<u>4,069,434</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:			
Accounts payable and accrued expenses	8	<u>395</u>	<u>-</u>
Total Liabilities		<u>395</u>	<u>-</u>
Shareholder's Equity:			
Stated capital	9	-	-
Advances from shareholder	10	4,485,308	4,128,437
Accumulted deficit		<u>(122,797)</u>	<u>(59,003)</u>
Total Shareholder's Equity		<u>4,362,511</u>	<u>4,069,434</u>
Total Liabilities and Shareholder's Equity		<u>4,362,906</u>	<u>4,069,434</u>

These unconsolidated financial statements have been authorized by the Board of Directors for issue on 22 November 2016 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)

	<u>Notes</u>	For the year ended 31 December	
		<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Revenue:			
Total Revenue		_____ -	_____ -
Expenditure:			
Administrative expense (Note 11)	11	_____ 2,024	_____ -
Total Expenditure		_____ 2,024	_____ -
Operating loss		(2,024)	-
Share of investee loss		_____ (61,770)	_____ (21,637)
Total Comprehensive Income		<u>_____ (63,794)</u>	<u>_____ (21,637)</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 2011****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 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 the previous year.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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

(b) 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 judgment in the process of applying the Company 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 these financial statements and the reported amounts of income and expenditure 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.

(c) New accounting standards and interpretations -

- i) The Company has not applied the following IFRIC interpretations that became effective during the current year, as they do not apply to the activities of the Company:

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

- ii) The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (effective for accounting periods beginning on or after 1 July 2011).

IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from hyperinflation (effective for accounting periods beginning on or after 1 July 2011).

IFRS 7 Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).

IFRS 9 Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015).

IFRS 9 Financial Instruments: Accounting for Financial Liabilities and Derecognition (effective for accounting periods beginning on or after 1 January 2015).

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

31 DECEMBER 2011

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

(c) New accounting standards and interpretations (cont'd) -

IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
	IFRS 11 Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 12	Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012).
IAS 12	Income Taxes – Limited scope amendment - recovery of underlying assets (effective for accounting periods beginning on or after 1 January 2012).
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
IAS 32	Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
IAS 34	Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

2. Summary of Significant Accounting Policies (Cont'd):(d) **Property, plant and equipment -**

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using the diminishing balance method.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

Furniture and fixtures	-	25%
Computer equipment	-	33.3%

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

(e) **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 2011****2. Summary of Significant Accounting Policies (Cont'd):****(e) 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.

(f) Comparative information -

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

(g) 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.

(h) Cash and cash equivalents -

Cash and cash equivalents comprise cash on hand and deposits held on call with banks.

(i) 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. Because the unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000, and the stated capital carries a value of less than five hundred dollars (\$500), 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 2011

2. Summary of Significant Accounting Policies (Cont'd):(j) **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 2011.

(k) **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.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Trinidad and Tobago Dollars)

31 DECEMBER 2011

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:

Financial Instruments

	2011	
Financial Assets	Carrying Value (\$'000)	Fair Value (\$'000)
Cash at bank	3,306	3,306
Prepayments	13	13
Financial Liabilities		
Accounts payable and accruals	395	395

(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.

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

	2011					
	Effective Rate	Up to 1 year (\$'000)	1 to 5 years (\$'000)	Over 5 years (\$'000)	Non- Interest Bearing (\$'000)	Total (\$'000)
Financial Assets						
Cash at bank	0.0%	3,306	-	-	-	3,306
Prepayments	0.0%	-	-	-	13	13
		<u>3,306</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>3,319</u>
Financial Liabilities						
Accounts payable and accruals	0.0%	-	-	-	395	395
		<u>-</u>	<u>-</u>	<u>-</u>	<u>395</u>	<u>395</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

3. Financial Risk Management (Cont'd):

Financial Instruments (cont'd)

(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.

(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.

UEEGCL 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.

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.

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

	2011			<u>Total</u> (\$'000)
	<u>Up to</u> <u>1 year</u> (\$'000)	<u>1 to</u> <u>5 years</u> (\$'000)	<u>Over</u> <u>5 years</u> (\$'000)	
Financial Assets				
Cash at bank	3,306	-	-	3,306
Prepayments	13	-	-	13
	<u>3,319</u>	<u>-</u>	<u>-</u>	<u>3,319</u>
Financial Liabilities				
Accounts payable and accruals	395	-	-	395
	<u>395</u>	<u>-</u>	<u>-</u>	<u>395</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Trinidad and Tobago Dollars)****31 DECEMBER 2011****3. Financial Risk Management (Cont'd):****Financial Instruments (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 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.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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.

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. Cash Resources:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Cash in hand	6	-
First Citizens Bank Limited	<u>3,300</u>	<u>-</u>
	<u><u>3,306</u></u>	<u><u>-</u></u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

6. Property, Plant and Equipment:

Cost	Computer <u>Equipment</u> (\$'000)	Furniture & <u>Fixtures</u> (\$'000)	<u>Total</u> (\$'000)
Balance as at 1 January 2011	-	-	-
Additions	<u>45</u>	<u>29</u>	<u>74</u>
Balance as at 31 December 2011	<u>45</u>	<u>29</u>	<u>74</u>
Accumulated Depreciation			
Balance as at 1 January 2011	-	-	-
Charge for the year	<u>15</u>	<u>7</u>	<u>22</u>
Balance as at 31 December 2011	<u>15</u>	<u>7</u>	<u>22</u>
Net Book Value			
Balance as at 31 December 2011	<u>30</u>	<u>22</u>	<u>52</u>
Balance as at 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>

7. Investment in Subsidiary:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Balance, beginning of year	4,069,434	3,440,480
Current loss on investment	(61,770)	(21,637)
Additional Government contributions	<u>351,871</u>	<u>650,591</u>
Balance, end of the year	<u>4,359,535</u>	<u>4,069,434</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

8. Accounts Payable and Accrued Expenses:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Accruals	146	-
Statutory payable	<u>249</u>	<u>-</u>
	<u><u>395</u></u>	<u><u>-</u></u>

9. Stated Capital:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Authorised		
Unlimited number of shares of no par value		
Issued and fully paid		
10 ordinary shares at \$1 each	<u><u>-</u></u>	<u><u>-</u></u>

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

10. Advances from Shareholder:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Balance, beginning of the year	4,128,437	3,477,846
Additional contributions	<u>356,871</u>	<u>650,591</u>
Balance, end of the year	<u><u>4,485,308</u></u>	<u><u>4,128,437</u></u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

11. Administrative Expenses:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Accounting and audit	116	-
Consultancies	657	-
Depreciation	22	-
Directors' fees	997	-
Internet	3	-
Miscellaneous	40	-
Outsourced personnel services	125	-
Penalties and interest	10	-
Rent	41	-
Repairs and maintenance	8	-
Stationery	2	-
Telephone	2	-
Travelling	1	-
	<u>2,024</u>	<u>-</u>



Chartered Accountants
& Business Advisors

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

UNCONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars)

31 DECEMBER 2011



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

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of Union Estate Electricity Generation Company Limited, which comprise the unconsolidated statement of financial position as at 31 December 2011, 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;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited unconsolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


Director

Date: November 22, 2016


Director

Date: November 22, 2016

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



INDEPENDENT AUDITORS' REPORT

Chartered Accountants
& Business Advisors

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 2011, 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 2011, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

PKF

**Port of Spain
22 November 2016**

Direct tel (868) 624-4569 | Direct fax (868) 624-4388
PKF | 90 Edward Street | Port-of-Spain | PO Bag 250 Belmont | Trinidad | WI

Partners: Renée-Lisa Philip | Mark K. Superville

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in United States Dollars)

ASSETS

		31 December	
	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		(\$'000)	(\$'000)
Current Assets:			
Cash resources	5	516	-
Prepayments		<u>2</u>	<u>-</u>
Total Current Assets		<u>518</u>	<u>-</u>
Non-Current Assets:			
Property, plant and equipment	6	8	-
Investment in subsidiary	7	<u>689,463</u>	<u>644,200</u>
Total Non-Current Assets		<u>689,471</u>	<u>644,200</u>
Total Assets		<u>689,989</u>	<u>644,200</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Current Liabilities:			
Accounts payable and accrued expenses	8	<u>62</u>	<u>-</u>
Total Liabilities		<u>62</u>	<u>-</u>
Shareholder's Equity:			
Stated capital	9	-	-
Advances from shareholder	10	709,178	653,498
Accumulted deficit		<u>(19,251)</u>	<u>(9,298)</u>
Total Shareholder's Equity		<u>689,927</u>	<u>644,200</u>
Total Liabilities and Shareholder's Equity		<u>689,989</u>	<u>644,200</u>

These unconsolidated financial statements have been authorized by the Board of Directors for issue on 22 November 2016 and signed on their behalf by:

Director: David D. Andrade

Director: [Signature]

(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>2011</u> (\$'000)	<u>2010</u> (\$'000)
Revenue:		
Total Revenue	_____ -	_____ -
Expenditure:		
Administrative expense (Note 11)	_____ 316	_____ -
Total Expenditure	_____ 316	_____ -
Operating loss	(316)	-
Share of investee loss	_____ (9,637)	_____ (3,370)
Total Comprehensive Income	<u>_____ (9,953)</u>	<u>_____ (3,370)</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 United States Dollars)

31 DECEMBER 2011

	Accumulated Deficit (\$'000)
Balance as at 1 January 2010	(5,928)
Total Comprehensive Income	<u>(3,370)</u>
Balance as at 31 December 2010	<u>(9,298)</u>
Balance as at 1 January 2011	(9,298)
Total Comprehensive Income	<u>(9,953)</u>
Balance as at 31 December 2011	<u>(19,251)</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>2011</u> (\$'000)	<u>2010</u> (\$'000)
Operating Activities:		
Total Comprehensive Income	(9,953)	(3,370)
Adjustments :		
Depreciation	<u>4</u>	<u>-</u>
Operating loss before working capital changes	(9,949)	(3,370)
Net change in prepayments	(2)	-
Net change in accounts payable and accruals	<u>62</u>	<u>-</u>
Cash used in operating activities	<u>(9,889)</u>	<u>(3,370)</u>
Investing Activities:		
Purchase of property, plant and equipment	(12)	-
Net change in investment in subsidiary	<u>(45,263)</u>	<u>(97,955)</u>
Cash used in financing activities	<u>(45,275)</u>	<u>(97,955)</u>
Financing Activities:		
Net change in advances from shareholders	<u>55,680</u>	<u>101,325</u>
Cash provided by financing activities	<u>55,680</u>	<u>101,325</u>
Net change in cash and cash equivalents	516	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u><u>516</u></u>	<u><u>-</u></u>
Represented by:		
Cash resources	<u><u>516</u></u>	<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 2011****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 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 the previous year.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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

(b) 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 judgment in the process of applying the Company 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 these financial statements and the reported amounts of income and expenditure 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.

(c) New accounting standards and interpretations -

- i) The Company has not applied the following IFRIC interpretations that became effective during the current year, as they do not apply to the activities of the Company:

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

- ii) The Company has not applied the following standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the Company or have no material impact on its financial statements, except for IFRS 9 Financial Instruments:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Replacement of “fixed dates” for certain exceptions with “the date of transition to IFRSs” (effective for accounting periods beginning on or after 1 July 2011).

IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from hyperinflation (effective for accounting periods beginning on or after 1 July 2011).

IFRS 7 Financial Instruments: Disclosure – Amendments enhancing disclosure about transfers of financial assets (effective for accounting periods beginning on or after 1 July 2011).

IFRS 9 Financial Instruments: Classification and Measurement (effective for accounting periods beginning on or after 1 January 2015).

IFRS 9 Financial Instruments: Accounting for Financial Liabilities and Derecognition (effective for accounting periods beginning on or after 1 January 2015).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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

(c) New accounting standards and interpretations (cont'd) -

IFRS 10	Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 11	Joint Arrangements (effective for accounting periods beginning on or after 1 January 2013).
IFRS 12	Disclosure of Interest in Other Entities (effective for accounting periods beginning on or after 1 January 2013).
IFRS 13	Fair Value Measurement (effective for accounting periods beginning on or after 1 January 2013).
IAS 1	Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for accounting periods beginning on or after 1 July 2012).
IAS 12	Income Taxes – Limited scope amendment - recovery of underlying assets (effective for accounting periods beginning on or after 1 January 2012).
IAS 19	Employee Benefits – Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for accounting periods beginning on or after 1 January 2013).
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (effective for accounting periods beginning on or after 1 January 2013).
IAS 28	Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2013).
IAS 32	Financial Instruments; Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2014).
IAS 34	Interim Financial Reporting – Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for accounting periods beginning on or after 1 January 2011).

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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

(d) Property, plant and equipment -

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using the diminishing balance method.

The following rates are considered appropriate to write-off the assets over their estimated useful lives are applied:

Furniture, fixtures and fittings	-	25%
Office equipment	-	33.3%

The assets' residual values and useful lives are reviewed at each reporting date, and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

(e) 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.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

2. Summary of Significant Accounting Policies (Cont'd):(e) **Financial assets (cont'd) -***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.

(f) **Comparative information -**

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

(g) **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.

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

Cash and cash equivalents comprise cash on hand and deposits held on call with banks.

(i) **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. Because the unconsolidated financial statements are expressed in thousands of dollars rounded to the nearest \$1,000, and the stated capital carries a value of less than five hundred dollars (\$500), the balance is shown as \$nil.

(j) **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 2011.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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

(k) 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, 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.

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:

Financial Instruments

	2011	
	Carrying Value (\$'000)	Fair Value (\$'000)
Financial Assets		
Cash at bank	516	516
Prepayments	2	2
Financial Liabilities		
Accounts payable and accruals	62	62

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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

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

	Effective Rate	2011				Non- Interest Bearing (\$'000)	Total (\$'000)
		Up to 1 year (\$'000)	1 to 5 years (\$'000)	Over 5 years (\$'000)			
Financial Assets							
Cash at bank	0.0%	516	-	-	-	516	
Prepayments	0.0%	-	-	-	2	2	
		<u>516</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>518</u>	
Financial Liabilities							
Accounts payable and accruals	0.0%	-	-	-	62	62	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>62</u>	<u>62</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 has no significant concentration of credit risk.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

3. Financial Risk Management (Cont'd):

Financial Instruments (cont'd)

(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.

UEEGCL 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.

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.

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

	2011			
	Up to <u>1 year</u> (\$'000)	1 to <u>5 years</u> (\$'000)	Over <u>5 years</u> (\$'000)	<u>Total</u> (\$'000)
Financial Assets				
Cash at bank	516	-	-	516
Prepayments	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
	<u>518</u>	<u>-</u>	<u>-</u>	<u>518</u>
Financial Liabilities				
Accounts payable and accruals	<u>62</u>	<u>-</u>	<u>-</u>	<u>62</u>
	<u>62</u>	<u>-</u>	<u>-</u>	<u>62</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States Dollars)****31 DECEMBER 2011****3. Financial Risk Management (Cont'd):****Financial Instruments (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 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.

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

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.

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. Cash Resources:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Cash in hand	1	-
First Citizens Bank Limited	515	-
	<u>516</u>	<u>-</u>

UNION ESTATE ELECTRICITY GENERATION COMPANY LIMITED

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

31 DECEMBER 2011

6. Property, Plant and Equipment:

Cost	Computer Equipment (\$'000)	Furniture Fixtures (\$'000)	Total (\$'000)
Balance as at 1 January 2011	-	-	-
Additions	<u>7</u>	<u>5</u>	<u>12</u>
Balance as at 31 December 2011	<u>7</u>	<u>5</u>	<u>12</u>
Accumulated Depreciation			
Balance as at 1 January 2011	-	-	-
Charge for the year	<u>3</u>	<u>1</u>	<u>4</u>
Balance as at 31 December 2011	<u>3</u>	<u>1</u>	<u>4</u>
Net Book Value			
Balance as at 31 December 2011	<u><u>4</u></u>	<u><u>4</u></u>	<u><u>8</u></u>
Balance as at 31 December 2010	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

7. Investment in Subsidiary:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Balance, beginning of year	644,200	546,245
Current loss on investment	(9,637)	(3,370)
Additional Government contributions	<u>54,900</u>	<u>101,325</u>
Balance, end of the year	<u><u>689,463</u></u>	<u><u>644,200</u></u>

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8. Accounts Payable and Accrued Expenses:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Accruals	23	-
Statutory payable	<u>39</u>	<u>-</u>
	<u>62</u>	<u>-</u>

9. Stated Capital:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Authorised		
Unlimited number of shares of no par value		
Issued and fully paid		
10 ordinary shares at \$1 each	<u>-</u>	<u>-</u>

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

10. Advances from Shareholder:

	31 December	
	<u>2011</u>	<u>2010</u>
	(\$'000)	(\$'000)
Balance, beginning of the year	653,498	552,173
Additional contributions	<u>55,680</u>	<u>101,325</u>
Balance, end of the year	<u>709,178</u>	<u>653,498</u>

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11. Administrative Expenses:

	31 December	
	<u>2011</u> (\$'000)	<u>2010</u> (\$'000)
Accounting and audit	18	-
Consultancies	103	-
Depreciation	4	-
Directors' fees	156	-
Miscellaneous	6	-
Outsourced personnel services	20	-
Penalties and interest	2	-
Rent	6	-
Repairs and maintenance	<u>1</u>	<u>-</u>
	<u>316</u>	<u>-</u>