



**THE NATIONAL GAS COMPANY  
OF TRINIDAD AND TOBAGO LIMITED**



***2008 Annual Report***





## *Mission*

To maximize value from our business transactions for the benefit of Trinidad and Tobago, by leveraging our competencies and unleashing our entrepreneurial spirit.

## *Vision*

To establish Trinidad and Tobago as a major player in the global natural gas business.

## *Corporate Profile*

The National Gas Company of Trinidad and Tobago Limited (NGC), established by the Government of Trinidad and Tobago in August 1975, is important to the continued development of Trinidad and Tobago's natural gas-based energy sector. NGC purchases, transports and sells natural gas to industry as well as maintains and operates the country's gas transmission and distribution pipeline network which has a capacity of 4.4 bcf/d. In 2008, gas sales averaged 1,504 MMscf/d.

Over the last 34 years of operations, NGC's business activities have expanded across the entire local gas value chain. Through subsidiary companies, NGC has made investments in industrial sites and port and marine infrastructure at Point Lisas and La Brea, upstream gas and oil production in the Teak, Samaan and Poui offshore fields, NGLs and LNG production and shipping.

NGC, as a local entity in the dynamic world of energy, continues to be one of the most profitable companies in the country, and in the region, providing a significant input in the economic fortunes of Trinidad and Tobago.

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## *Board of Directors*

*David Small*

*Errol McLeod*

*Carol Pilgrim-Bristol*







*Clarence L. Mitchell*

*Lisle Ramyard*

*Wilson Lalla*

*Dr. Cheryl A. Bennett*



*Maria Thorne*  
*Company Secretary*

# *Directors' Report*

Year Ended 2008 December 31

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 2008 December 31.

## **BUSINESS ACTIVITIES**

During 2008 the Company actively pursued its core business of the acquisition, transportation, distribution and sale of natural gas to industrial and commercial users.

## **FINANCIAL RESULTS**

The Parent Company, The National Gas Company of Trinidad and Tobago Limited (NGC), recorded gross sales of TT\$15.760 billion, an increase of approximately 37.3% above the previous year's figure of TT\$11.482 billion, due mainly to higher gas prices to

customers in the petrochemical sector and income earned from higher crude oil prices in the Teak, Samaan and Poui joint venture.

The Company recorded a Net after Tax Profit of TT\$3.064 billion, representing an increase of TT\$110 million or 3.7% above the previous year's figure of TT\$2.955 billion. This profit position represents the highest ever recorded by the Company in its history and is the sixth consecutive year in which profits after tax have exceeded TT\$1 billion, and third consecutive year in which profits after tax have exceeded TT\$2 billion.

Dividends paid during the year 2008 were TT\$300 million compared to the figure of TT\$200 million paid in 2007. Retained Earnings at the end of the year amounted to TT\$10.963 billion on Issued Share Capital of TT\$1.75 billion.



## *Directors' Report*

### *continued*

	2008 TT\$	2007 TT\$
Sales	15,760,158	11,481,728
Cost of sales	<u>(9,866,192)</u>	<u>(8,047,087)</u>
Gross profit	5,893,966	3,434,641
Other operating income	141,261	63,250
Interest and other investment income	1,654,965	1,346,944
Administrative, maintenance & gen. exp.	(1,602,923)	(209,362)
Impairment expense	(231,861)	(190,000)
Depreciation	(20,247)	(57,045)
Other Expense	(29,325)	(21,636)
Finance Cost	(427,520)	(217,982)
Loss on Foreign Exchange Transaction	<u>(7,627)</u>	<u>(2,320)</u>
Profit before tax	5,370,689	4,146,490
Income tax expense	(2,305,850)	(1,191,484)
Profit for the year	<u>3,064,839</u>	<u>2,955,006</u>
Retained earnings – at beginning of year	8,524,405	5,545,252
Transfer of depreciation for offshore plant and equipment and pipelines	24,161	24,147
Profit for the year	3,064,839	2,955,006
Total income/expense for the year	<u>3,089,000</u>	<u>2,979,153</u>
Dividends paid/proposed	650,000	
Retained earnings – at end of year	<u>10,963,405</u>	<u>8,524,405</u>

## *Directors' Report*

### *continued*

#### **PROPOSED DIVIDENDS**

In accordance with the Company's Dividends Policy and based on its audited financial statements for the year ended 2008 December 31, the Board proposes that the amount of TT\$650 million be declared as dividends for the financial year 2008.

#### **DIRECTORS**

During the year ended 2008 December 31, the membership of the Board comprised Dr. Cheryl A. Bennett, Mrs. Carol Pilgrim-Bristol, Messrs. Wilson Lalla, Errol Mc Leod, Clarence L. Mitchell, Lisle Ramyad and David Small.

In addition, five (5) Board Sub-Committees continued to assist in formulating and guiding the business and policies of the Company.

- (a) **The Audit Committee** was chaired by Mr. David Small and included Mr. Wilson Lalla and Mrs. Carol Pilgrim-Bristol. The Committee held three (3) meetings for the year.
- (b) **The Finance Committee** was chaired by Mr. David Small and included Mr. Wilson Lalla and Mrs. Carol Pilgrim-Bristol. The Committee held two (2) meetings for the year.
- (c) **The Human Resources Committee** was chaired by Dr. Cheryl A. Bennett and included Messrs. Errol Mc Leod and Clarence L. Mitchell. The Committee held six (6) meetings for the year.

- (d) **The Tenders Committee** was chaired by Mr. Clarence L. Mitchell and included Messrs. Errol Mc Leod, Frank Look Kin, Lisle Ramyad and Dr. Cheryl A. Bennett. The Committee held six (6) meetings for the year.

- (e) **The Operations Committee** was chaired by Mr. Clarence L. Mitchell and included Messrs. Wilson Lalla, Frank Look Kin, Lisle Ramyad, David Small, Andrew Jupiter, Prakash Saith and Arnold De Four. The Committee held ten (10) meetings for the year.

#### **SIGNIFICANT EVENTS**

##### *Pipeline Construction*

NGC completed some of its extended pipeline networks and facilities in 2008 at a cost of TT\$1.3 billion to supply natural gas service to downstream users as follows:

1. BUD Pipeline – TT\$1.2 billion
2. 36" Pipeline Loop to Ring Main Pt Lisas PPVS – \$74.5 million
3. Pipeline and Metering Station to UDECOTT – \$3 million
4. Pipeline and Metering Station to Beetham – \$0.5 million

##### *Industrial Estate*

During the year, the construction of the Union Industrial Estate was completed and sold to the National Energy Corporation of Trinidad and Tobago Limited effective 2008 December 31 at a price of TT\$367 million. The consideration for this asset has been treated as a loan with a tenure of 25 years and interest at 3% per annum.

## *Directors' Report* *continued*

The sale of this asset at a price exceeding book value resulted in TT\$56 million of the impairment loss recorded in the previous year being credited back to the Profit and Loss Account.

### *Receivable due from Trinidad and Tobago Electricity Commission (T&TEC)*

Trade Receivables due from T&TEC in the amount of TT\$1.421 billion together with penalty interest of TT\$147 million as at 2008 December 31 was converted to a loan. The loan will have a tenure of seven years with interest payable at a fixed rate of 3% per annum.

An impairment loss of TT\$288 million has been recorded in the Profit and Loss.

### **AUDITORS**

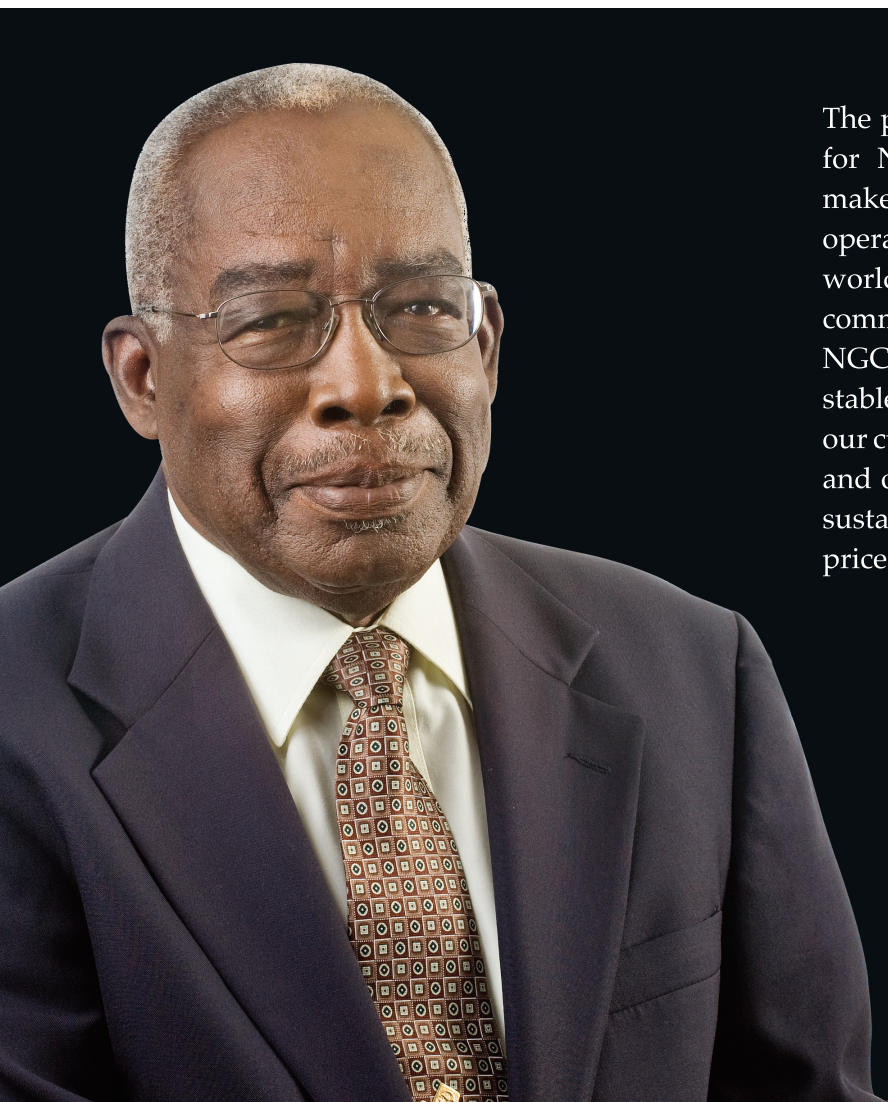
The Auditors, Ernst and Young, retire and being eligible, have expressed their willingness to be re-elected.

**Dated this 22nd day of January, 2010.**



**By ORDER OF THE BOARD**  
**Maria Thorne**  
**Company Secretary**

## *Chairman's Report*



The past year was one of significant change for NGC during which we continued to make good progress at organizational and operational levels. While we witnessed the world slip into recession on the backs of commodities, banking and economic crises, NGC's core gas-related businesses remained stable and enduring. We were able to fulfil our customer and stakeholder commitments, and our commercial gas contracts remained sustainable, even in the face of a harrowing price and economic environment.

*Malcolm A. Jones – Chairman*

Along with our impressive operational results, we continued to make tremendous strides in institutionalizing NGC's Corporate Social Responsibility as one of the distinguishing features of our corporate strategy. Our focused initiatives in this area, such as the development of community facilities and gas safety and literacy programmes, contributed to bringing NGC much closer to its fenceline communities in which critical pipelines and installations are located.

As a consequence of our environment, key elements of our corporate strategy included:

- additions to, improvement and maintenance of our transmission pipeline system which is our major revenue earning asset;
- ongoing development of our human resource capability through structured succession planning and a Leadership Development Programme, as well as Performance Management System.

In 2009 we will continue to implement initiatives aimed at the continuing transformation of NGC into a more relevant, efficient, and purposeful player in the local and global energy value chain. In addition, we will continue to build NGC into a sustainable company that will be resilient in turbulent and uncertain economic circumstances.

The future of the Trinidad and Tobago energy sector does remain an area of concern to us, however. In particular, if proposed initiatives to improve the operating environment for our oil and gas producers do not produce the desired positive result, the resultant stagnation and decline in sectors downstream of the local energy E&P sector can deprive producer and midstream companies of the economic returns they need for future gas sector growth, to the benefit of the people of Trinidad and Tobago.

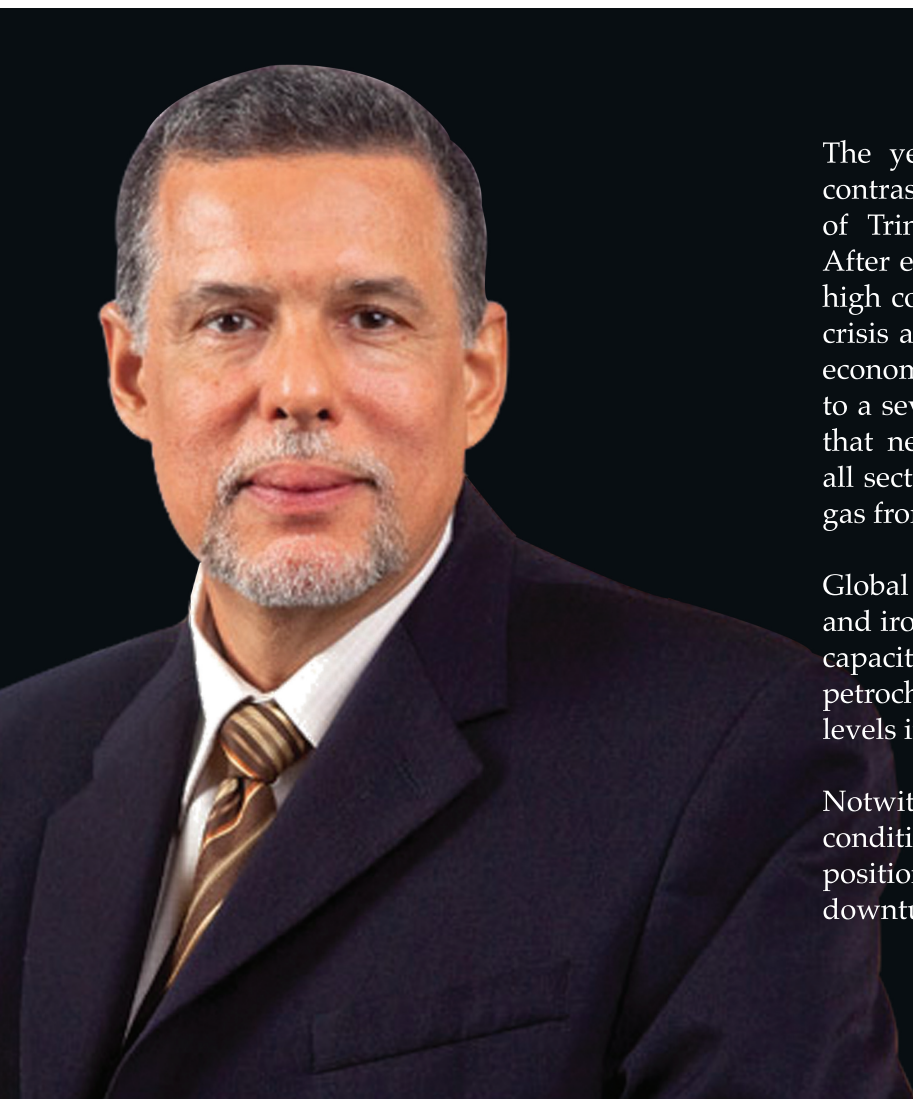
The Board thanks NGC's employees for their months of solid effort and operational and organizational achievements in a very volatile and difficult period. I also wish to express my gratitude to our Shareholder and my fellow members of the Board of Directors for their commitment and support, and heartfelt thanks to our financiers, our joint-venture and investee partners and to our many contractors and customers for their support.



**Malcolm A. Jones**  
**Chairman**



## *President's Report*



The year 2008 was a year of significant contrasts for The National Gas Company of Trinidad and Tobago Limited (NGC). After excellent corporate earnings based on high commodity prices, the global financial crisis and subsequent reversal in the global economy in the fourth quarter of 2008 led to a severe worldwide economic slowdown that negatively impacted industries across all sectors, including those that buy natural gas from NGC.

Global demand for ammonia, methanol, and iron and steel slowed sharply, high cost capacity shut down their operations, and petrochemical prices declined to their lowest levels in recent years.

Notwithstanding this reversal in market conditions, NGC continued to be well positioned to ride out the economic downturn.

*S. Andrew McIntosh – President*



## FINANCIAL PERFORMANCE

In 2008, the Company provided for a dividend payment of TT\$650 million. Overall, gross sales revenue of 37% for NGC totalled \$15.76 billion, an increase over the 2007 figure of \$11.48 billion. NGC's after tax profit was \$3.064 billion, an increase of 37% over the 2007 figure, which was \$2.95 billion. The major contributory factor to this impressive revenue performance was the robustness of international commodity prices, particularly ammonia and methanol, in the first nine months of 2008. Subsidiary and investee companies contributed an additional \$1.3 billion to group profits. Our outstanding financial performance also translated into significant benefits for our Shareholder.

## OPERATIONS

### • Gas Sales

Gas sales averaged 1,504 million standard cubic feet of gas per day (MMscf/d), a decrease of 4.7% from 2007. The shortfall was primarily as a result of extended maintenance downtime at the MHTL M5000 plant from late September 2008 to January 2009. Natural gas sales to the petrochemical sector fell by 4.1% in spite of this sector registering the largest contribution to gas sales, with 69.6%. There was a 20.3% decline in gas sales to the metals industrial sector while sales to the electricity sector fell by 4.6% due to the reduced call on electric demand occasioned by plant downtime. "Take-or-pay" arrangements for the sector were managed such that there was no "take-or-pay" gas in 2008. On the gas acquisition/supply side, bpTT maintained its position as the dominant supplier with 59%. EOG

Resources' market share fell from 25.4% to 22.1%. The other producers registered slight changes to their production levels and maintained their market share. In 2009, NGC projects gas sales to be 1,514 MMscf/d.

### • BUD Commissioning

Operationally, the major achievement for 2008 was the mechanical completion of the offshore segment of the BUD pipeline as well as its commissioning in March 2008. The project was of significance for NGC since it increased NGC's transmission capacity to Point Lisas by 600 MMscf/d to 2 Bcf/d, connecting two new sources of gas from bpTT at its Cassia Hub and EOG from its Oilbird platform. First gas on the project flowed on 11 December 2008.

### • 36-inch Loop to Ring Main – Point Lisas

Built to accommodate the anticipated increase in gas demand by consumers on the Point Lisas Estate, first gas for the project flowed by November. The pipeline loop will minimize pressure drops and velocities in the distribution system at the Estate, thereby ensuring NGC can provide its customers with a consistent supply of natural gas.

### • Gas Compression

We continued to face significant challenges with our compression operations in the Teak and Poui offshore fields. A total of 77.3 MMscf/d of compressed natural gas was collected. While this was 6.5% over the 2007 daily average of 72.6 MMscf/d, it represented a shortfall of 18.6% from the targeted volume of 95 MMscf/d. Overall, performance continued to be constrained by the relatively low on-stream time of 64.5% caused by a variety of factors, including

## *President's Report*

the unavailability of spares and operational issues.

- **Gas Contract**

In the commercial sphere, we successfully executed a gas sales contract for a supply of gas with BHP Billiton (Trinidad 2C) Limited, Total E&P Trinidad B.V., Talisman (Trinidad) Limited and the Government of Trinidad and Tobago for an incremental gas supply to commence in the 2010 time frame. The volume varies from 220-245 MMscf/d over the term of the contract which in itself is 40% of the 560 MMscf/d NGC contracted with BHP, BG/ChevronTexaco and EOG Resources needed for the growing domestic demand.

The contract increases the number of gas suppliers operating in Trinidad to four, namely BHP Billiton, bpTT, BG/Chevron and EOG Resources.

- **Infrastructure development and expansion**

Work continued on the expansion of the gas network to Tobago and expectations are that first gas to Tobago will flow by 2011. The natural gas will come from the Greater Angostura field situated in north-east coast acreage. This will be the first time gas will be moved from fields offshore the north-east coastline. With this development, NGC is constructing a new pipeline network, from the BHP Gas Export Platform located in the Greater Angostura, southwards for 52 miles as the NEO 36-inch-diameter line to Mayaro, and northwards for 33 miles as the Tobago 12-inch-diameter line before reaching Cove

Estate located on Tobago's south coast. This new network represents 10% of the natural gas transported by NGC in the country.

### **INTERNATIONAL MARKETS**

#### **NATURAL GAS**

- **LNG**

Shipping logistics and the proximity to the US make the Atlantic basin, and the US in particular, the natural home for Trinidad LNG. While there are contracted volumes of LNG from Trinidad going to other places, the majority of LNG from Trinidad and Tobago is contracted to the US, where the Henry Hub price quotation is used as the reference price.

#### **PETROCHEMICALS**

- **Ammonia**

The global economic crisis has manifested itself in a sharp decline in ammonia and other fertilizer prices. Notwithstanding a decline in aggregate economic output, ammonia (unlike methanol) is not as closely tied to the fortunes of the global economy. However, a combination of high grain stock levels and the depressed economic conditions (at least until 2010) means that the ammonia market remains depressed.

- **Methanol**

The main factors accounting for methanol demand are the general economic conditions in the main consuming economies, since the demand for methanol derivatives has a heavily pro-cyclic relationship with general economic conditions. While the overall economic recovery is expected to be

much slower than past recessions, there is improving optimism in the methanol sector and a rise in overall confidence.

## **METALS**

### **• Iron and Steel**

The iron and steel market is also suffering from the effects of the global economic crisis. In Trinidad and Tobago, some facilities have been idled while future sector expansion (the Essar Steel project) has been put on hold. Internationally, the outlook for the steel using industries in 2009-2010 is less grim, but still not yet at a long term average.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

I am very pleased to report that the Company's safety performance improved in 2008. However, there remains room for improvement, hence our concerted efforts to monitor safety capability and performance and to educate and retrain employees towards an ingrained EHSS culture.

In 2008, NGC won an Award for CSR in the Category "Sustaining the Environment: Making the Most of Green Opportunities" by submitting its Reforestation Project to the South Trinidad Chamber of Industry and Commerce (STCIC), which hosted its first Corporate Social Responsibility initiative and leadership awards. Based on a "no net loss" principle, NGC is replacing forests cleared during its Cross Island Pipeline Project (CIPP), Beachfield Upstream Development (BUD) pipeline projects and the NEC's Union Industrial Estate (UIE) project by replanting

315 hectares with mixed hardwoods and fruit-bearing trees. In 2008, 50 hectares were successfully replanted. In 2009, NGC will plant and maintain 35 hectares of denuded forests in South Trinidad.

## **SYSTEM AND LEADERSHIP DEVELOPMENT**

We are mindful, however, that as a company we can, and must, do better as our ultimate success will not only be shaped by the performance of our physical assets, but by the human intelligence that sits behind it. While we aspire towards world-class performance, we will not realize it without engaged, energized, committed and satisfied employees. In 2008, we recommitted ourselves to utilizing a more strategic business management tool – the balanced scorecard – to improve upon a number of shortcomings in the system. This model has been allowing us to clearly define our objectives and accountabilities, provide more measurable or defined targets and to report quantitatively rather than qualitatively. We are confident that this new system, along with our leadership development programme, will build an environment that empowers our people to grow professionally to leadership positions that can drive financial performance, monitor business processes and practices while maintaining a balance with other life commitments.

## **OUTLOOK**

Despite the challenges in 2009, we will continue to implement initiatives aimed at continuing the transformation and

## *President's Report*

sustainability of NGC into a company that will be resilient in turbulent and uncertain economic circumstances.

Our operating environment is a dynamic one, with peaks and troughs in a short period of time, as we found out at the end of 2008. However, we can consolidate the gains made from the previous years, and position ourselves to take advantage of future opportunities. I am confident that we can surmount the challenges.

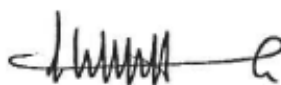
### **TRIBUTE**

In 2008, our long-serving former President, Mr. Frank Look Kin, reached retirement age. Mr. Look Kin is one of Trinidad and Tobago's outstanding energy sector professionals who served us with distinction over the years. In particular, we thank him and his family for "lending him" to us to serve NGC, and by extension, Trinidad and Tobago. Mr. Look Kin assisted in growing this organization and has been instrumental in expanding NGC's pipeline network infrastructure. We pray for his continued good health and happiness and wish him continued success in his new

role as Special Advisor to the Government of Trinidad and Tobago in energy matters.

For myself, I joined NGC in March 2009 and I am committed to evaluating our human capital and to focus on policies and processes. I see the solid gains from the past as having placed us on a sound footing to withstand future business challenges which will be overcome with sound internal structures and cost diligence.

I wish to take the opportunity to thank NGC's employees for their welcome, and, of course, their solid efforts and operational and organizational achievements in a very volatile and difficult period. I also wish to express my gratitude to our Shareholder, the NGC Board and my fellow members of Executive Management for their commitment and support, in this my first year at NGC.



**S. Andrew Mc Intosh**  
**President**





**THE NATIONAL GAS COMPANY  
OF TRINIDAD AND TOBAGO LIMITED**



## Non-Consolidated Financial Statements





# Report of Independent Auditors to the Shareholders of The National Gas Company of Trinidad and Tobago Limited

We have audited the accompanying non-consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited which comprise the balance sheet as at 31 December, 2008 and the Statement of Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of Significant Accounting Policies and other explanatory notes.

## **Management's Responsibility for the Financial Statements**

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

## **Auditors' Responsibility**

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

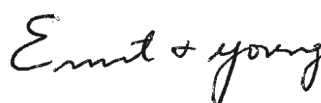
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

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

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

## **Opinion**

In our opinion, the Non-Consolidated Financial Statements give a true and fair view of the financial position of the Company as of 31 December, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain,  
TRINIDAD:  
18 December, 2009

# Non-Consolidated Balance Sheet

As at 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

ASSETS		2008 \$'000	2007 \$'000
<b>NON-CURRENT ASSETS</b>			
	Notes		
Property, plant and equipment	4	3,764,593	3,436,583
Intangible assets	5	3,199	11,614
Investments and advances	6	1,762,045	1,761,650
Financial assets at fair value through profit and loss	7	39,206	—
Deferred tax asset	18	461,535	258,662
Deferred expenses	8	189,887	212,021
Long-term loans receivable	9	2,247,586	745,842
Debt reserve funds	10	84,207	83,355
		<u>8,552,258</u>	<u>6,509,727</u>
<b>CURRENT ASSETS</b>			
Cash and short-term deposits	11	9,614,311	7,038,582
Accounts receivable	12	847,745	2,876,366
Sundry debtors and prepayments	13	1,753,777	1,707,669
Deferred expenses	8	3,644	45,680
Current portion of long-term loans receivable	9	42,134	127,050
Short-term loan receivable	9	—	100,762
Inventories	14	20,475	17,890
Tax recoverable		61,205	81,343
		<u>12,343,291</u>	<u>11,995,342</u>
Total assets		<u>20,895,549</u>	<u>18,505,069</u>

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

# Non-Consolidated Balance Sheet

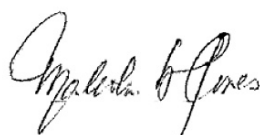
As at 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

		2008 \$'000	2007 \$'000
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>	<b>Notes</b>		
Stated capital	15	1,752,848	1,752,848
Reserve fund	16	438,192	438,192
Other reserves	17	544,149	731,716
Retained earnings		10,963,405	8,524,405
		<u>13,698,594</u>	<u>11,447,161</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	18	534,388	421,090
Long-term debt	19	2,785,781	2,926,241
Deferred income	20	93,817	–
Provisions	21	659,959	473,689
Post retirement medical and group life obligation	22	63,896	83,256
Pension obligation	23	37,838	2,091
Long-term creditors	24	103,120	111,602
		<u>4,278,799</u>	<u>4,017,969</u>
<b>CURRENT LIABILITIES</b>			
Current portion of long-term debt	19	57,084	80,645
Trade creditors	25	876,845	1,790,588
Sundry creditors and accruals	26	1,068,182	988,925
Dividend payable		350,000	–
Income tax payable		566,045	179,781
		<u>2,918,156</u>	<u>3,039,939</u>
Total liabilities		<u>7,196,955</u>	<u>7,057,908</u>
Total equity and liabilities		<u>20,895,549</u>	<u>18,505,069</u>

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

The financial statements of The National Gas Company of Trinidad and Tobago Limited were authorized for issue by The Board of Directors on 18 December, 2009.

 :Director

 : Director

# Non-Consolidated Statement of Income

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2008 \$'000	2007 \$'000
Sales	27	15,760,158	11,481,728
Cost of sales	27	<u>(9,866,192)</u>	<u>(8,047,087)</u>
Gross profit		5,893,966	3,434,641
Other operating income	28	141,261	63,250
Interest and other investment income	29	1,654,965	1,346,944
Administrative, maintenance and general expenses	30	(1,623,170)	(266,407)
Impairment expense	31	(231,861)	(190,000)
Other expenses		(29,325)	(21,636)
Finance costs	32	(427,520)	(217,982)
Loss on foreign exchange transactions		<u>(7,627)</u>	<u>(2,320)</u>
Profit before tax		5,370,689	4,146,490
Income tax expense	18	<u>(2,305,850)</u>	<u>(1,191,484)</u>
Profit for the year		<u><u>3,064,839</u></u>	<u><u>2,955,006</u></u>

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

# Non-Consolidated Statement of Changes in Equity

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	Stated capital \$'000	Reserve fund \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 January, 2007</b>	1,752,848	438,192	763,556	5,545,252	8,499,848
Transfer of depreciation for offshore pipelines	—	—	(24,147)	24,147	—
Net loss on available-for-sale financial assets	—	—	(35,360)	—	(35,360)
Foreign currency translation	—	—	27,667	—	27,667
Total income and expense for the year recognized in equity	—	—	(31,840)	24,147	(7,693)
Profit for the year	—	—	—	2,955,006	2,955,006
Total income/expense for the year	—	—	(31,840)	2,979,153	2,947,313
<b>Balance as at 31 December, 2007</b>	<u>1,752,848</u>	<u>438,192</u>	<u>731,716</u>	<u>8,524,405</u>	<u>11,447,161</u>
<b>Balance as at 1 January, 2008</b>	1,752,848	438,192	731,716	8,524,405	11,447,161
Transfer of depreciation for offshore plant and equipment and pipelines	—	—	(24,161)	24,161	—
Net loss on available-for-sale financial assets	—	—	(107,786)	—	(107,786)
Foreign currency translation	—	—	(55,620)	—	(55,620)
Total income and expense for the year recognized in equity	—	—	(187,567)	24,161	(163,406)
Profit for the year	—	—	—	3,064,839	3,064,839
Total income/expense for the year	—	—	(187,567)	3,089,000	2,901,433
Dividend paid	—	—	—	(300,000)	(300,000)
Dividend payable	—	—	—	(350,000)	(350,000)
<b>Balance as at 31 December, 2008</b>	<u>1,752,848</u>	<u>438,192</u>	<u>544,149</u>	<u>10,963,405</u>	<u>13,698,594</u>

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

# Non-Consolidated Statement of Cash Flows

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>		
Cash generated from operations (Note 33)	5,892,774	3,614,002
Pension & other post retirement contribution paid	(21,417)	(14,555)
Income taxes paid	(1,984,690)	(1,359,089)
Interest received	455,583	419,955
Interest paid	(203,762)	(192,571)
Increase in long-term creditors	(7,783)	(45,105)
Net cash generated from operating activities	<u>4,130,705</u>	<u>2,422,637</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(855,990)	(715,153)
Proceeds on disposal of property, plant and equipment	105,181	687
Net increase in short-term deposits	(4,212,246)	(2,975,847)
Investment and advances to subsidiaries	68,520	71,745
Proceeds from repayment of loans receivables	226,895	123,609
Purchase of long-term investment	(222,113)	—
Increase in debt reserve fund	(1,358)	(3,749)
Dividends received	638,734	634,707
Net cash used in investing activities	<u>(4,252,377)</u>	<u>(2,864,001)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(140,793)	(82,295)
Payment of borrowing costs	(519)	(365)
Dividends paid	(300,000)	(200,000)
Net cash used in financing activities	<u>(441,312)</u>	<u>(282,660)</u>
Net increase in cash and cash equivalents	(562,984)	(724,024)
Net foreign exchange differences	16,374	32,889
Cash and cash equivalents		
- beginning of year	975,334	1,666,469
- end of year (Note 11(b))	<u>428,724</u>	<u>975,334</u>

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



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 1. Corporate information

The Company was incorporated in Trinidad and Tobago in August 1975 and continued in accordance with Section 340(1) of The Companies Act, 1995. It is principally engaged in the purchase, compression, transportation and distribution of natural gas to industrial users.

The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas.

The Company is owned by the Government of Trinidad and Tobago.

## 2.1 Basis of preparation

These financial statements have been prepared under the historical cost basis, except for the revaluation of the Company's offshore plant and equipment and pipelines and available-for-sale investments, which have been measured at fair value. The financial statements are presented in Trinidad and Tobago dollars (TT\$). Separate consolidated financial statements have been prepared.

### Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

## 2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The principal effects of these changes are as follows:

IFRIC 11 IFRS 2 Group and Treasury Share Transactions - This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Company has no such arrangements and therefore the interpretation has no impact on the financial position or performance of the Company.

IFRIC 12 Service Concession Arrangements - This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company has no such arrangement, therefore this interpretation has no impact on the Company.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction - IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 1 Employee Benefits.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.3 Significant accounting judgements, estimates and assumptions

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

### Judgments

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

### Estimates and assumptions

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

#### Impairment of non-financial assets

The Company assesses whether there are indicators of impairment for all-non financial assets at each reporting date. When value in use calculations are undertaken management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Impairment of available-for-sale investments

The Company classifies certain assets as available-for-sale and recognizes movement in their fair value in equity. When fair value declines management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. As at 31 December, 2008 no impairment loss has been recognized in the statement of income. Net losses recognized in the statement of equity has been TT\$107.79 million (2007: TT\$35.36 million).

#### Tax assessments

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

#### Pension and other post employment benefits

The cost of defined benefits pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

#### Asset retirement obligation

The Company has recorded a provision for the estimated cost of decommissioning its offshore plant and equipment. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and expected cost to dismantle and remove the offshore plant and equipment.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.3 Significant accounting judgements, estimates and assumptions (continued)

Carrying value of oil and gas assets

Oil and gas properties are depreciated using the units-of-production (UOP) method over proven developed and undeveloped mineral reserves.

The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proven reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proven reserves;
- the effect on proven reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues.

## 2.4 Summary of significant accounting policies

### (a) Cash and cash equivalents

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

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

### (b) Accounts and other receivables

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

### (c) Inventories

Inventories are valued at the lower of weighted average cost and net realizable value.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (d) Taxes

#### *Current tax*

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

#### *Deferred tax*

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses can be utilized.

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

### (e) Property, plant and equipment

#### i) Non-oil and gas assets

Property, plant and equipment, except for offshore plant and equipment and pipelines, are stated at cost less accumulated depreciation and accumulated impairment losses. Offshore plant and equipment and pipelines are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (e) Property, plant and equipment (continued)

#### i) Non-oil and gas assets (continued)

Machinery and equipment	10%	-	20%
Pipelines and related facilities	4%		
Offshore assets	12.5%	-	25%
Marine infrastructural assets	2.5%		
Other assets	12.5%	-	33.3%
Software	50%		

Leasehold property is amortized as follows:

Land	-	over the term of the lease.
Buildings	-	over fifty (50) years or the term of the lease, whichever is shorter.

All costs relating to assets under construction will upon completion be transferred to their relevant fixed asset categories and are depreciated from that date.

Following initial recognition at cost, offshore plant and equipment and pipelines are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Generally, valuations are performed every five to seven years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss, in which case, the increase is recognized in profit and loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (e) Property, plant and equipment (continued)

#### ii) Oil and gas assets

The Company accounts for its natural gas and crude oil exploration, development and production activities under the full cost method of accounting.

Under this method all costs associated with the exploration for and development of oil and gas reserves are capitalized. These costs include land acquisition costs, geological and geophysical costs, interest and the carrying costs of non-producing properties, cost of drilling productive and non-productive wells, administration costs related to exploration and development activities and related plant and equipment costs, but do not include any costs related to production, general corporate overheads or similar activities. The cost also includes the estimated cost of dismantlement, assets removal and site restoration.

The provision for depletion and amortization is determined using the unit-of-production method based upon the estimated proven developed reserves of oil and gas, as determined by an independent qualified petroleum consultant. Costs associated with the acquisition and evaluations of significant unproven properties are excluded from amounts subject to depletion until such time as the properties are proved or become impaired.

### (f) Intangible assets

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated depreciation.

Intangible assets consist of software that has depreciated over the useful economic life, currently estimated at two (2) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The depreciation period and the depreciation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method as appropriate and treated as charges in accounting estimates.

The depreciation expense on intangible assets with finite lives is recognized in the statement of income in the expense category, consistent with the function of the intangible asset.

### (g) Long-term debt

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

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

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## (h) Foreign currencies

The presentation currency of the Company's financial statements is Trinidad & Tobago dollars (TT\$). The functional currency of the Company is the United States dollar (US\$) because the US\$ is the currency of the primary economic environment in which the Company operates. All balance sheet accounts have been translated using exchange rates in effect at the balance sheet date and income statement amounts have been translated using average exchange rates for the year. Gains and losses resulting from this process have been recorded in translation reserve as a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Resulting exchange differences are recognized in income for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions.

## (i) Borrowing costs

Borrowing costs to finance the construction of property, plant and equipment are capitalized during the period required to complete and prepare the asset for its intended use, using the effective interest method. All other borrowing costs are expensed.

## (j) Trade and other payables

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

Payables to related parties are carried at cost.

## (k) Investments and other financial assets

### Investment in subsidiary companies

Investments in subsidiaries are accounted for at cost less any diminution in value considered permanent.

### Investment in associated company

Investment in associated company is accounted for using the cost method of accounting whereby these investments are initially recorded at cost and subsequently adjusted to recognize any diminution in value considered permanent.

### Financial assets

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

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (k) Investments and other financial assets (continued)

#### Held-to-maturity investments

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

#### Loans and receivables

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

#### Available-for-sale financial investments

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

#### Fair value

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

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (l) Pension and other post employment benefits

The Company maintains a defined benefit pension plan that covers all of its permanent employees effective 1 May, 1977. The funds of the plan are held separately from the Company and are administered by Trustees. The plan is funded by payments from employees and the Company, taking into account the recommendations of independent qualified actuaries.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of independent actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities. All actuarial gains or losses to be recognized are spread forward over the average remaining service lives of employees.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service costs not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the pension asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and refunds from the plan or reductions in the future contributions to the plan.

Pension income/cost is included in staff costs within administrative, maintenance and general expenses in the statement of income.

The Company also provides certain additional post-employment medical and group life benefits to retirees.

### (m) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

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

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (n) Impairment of financial assets

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

#### Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

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

#### Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

### (o) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the income statement over the lease term.

### (p) Revenue recognition

Revenues associated with the sale of gas, oil and condensate are recognized when title and the related rights pass to the customer. Revenue associated with services is recognized upon performance of services. Dividend income is recognized when dividends are declared by the investee company. Interest income is accounted for on the accruals basis.



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (q) Provisions

#### General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amounts of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement. If the effects of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects where appropriate the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage in time is recognised as a finance cost.

#### Asset retirement obligation

The Company has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment and its proportionate share of the Teak, Samaan and Poui (TSP) assets at the end of their useful lives. The related fixed assets are increased in an amount equivalent to the provision and subsequently depreciated as part of the capital costs of the plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset unless related to the time value of money. The unwinding of the discount on the provision is included in finance costs in the income statement.

#### Onerous contract

The Company has recorded a provision for the net unavoidable costs relating to an onerous contract with a customer (Note 21 iii).

#### Provision for Reforestation

The Company has recorded a provision for the cost of reforestation. These estimated costs of replacing forests cleared in the construction of its pipelines were included in the related fixed asset and are to be depreciated as part of the capital cost of the pipelines.

### (r) Financial liabilities

#### Interest bearing loans and borrowings

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

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

Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Summary of significant accounting policies (continued)

### (s) Derecognition of financial assets and liabilities

#### Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### Financial liabilities

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

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

### (t) Derivative financial instruments and hedging

The Company uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Company does not carry any financial instrument which meets the strict criteria for hedge accounting.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 3. Future changes in accounting policies

Standards issued but not yet effective

The Company has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning after 1 January, 2008.

IFRS 8 Operating Segments (effective from 1 January, 2009) requires disclosure of information about the Company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company.

IAS 23 Borrowing Costs was amended (effective from 1 January, 2009) and requires capitalization of borrowing costs that relate to a qualifying asset. The transitional provisions of the standard require prospective application from the effective date.

IAS 32 Financial Instruments: Presentation was amended (effective from 1 January, 2009) regarding Puttable Financial Instruments and Obligations Arising on Liquidation, and requires entities to classify certain types of financial instruments as equity provided they have particular features and meet specific conditions.

IAS 39 Financial Instruments: Recognition and Measurement was amended (effective from 1 July, 2009) regarding Hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item.

IFRS 2 Share-based Payment was amended (effective from 1 January, 2009) regarding Vesting Conditions and Cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions.

IFRS 3 Business Combinations was amended (effective from 1 July, 2009). The amendments were the result of a joint project with the US FASB, and certain fundamental changes and improvements were made to reinforce the existing standard and remedy problems that have emerged with its application.

IFRS 1 First-time Adoption and IAS 27 Consolidated and Separate Financial Statements was amended (effective from 1 January, 2009) and provides guidance on determining the cost of investments in subsidiaries, jointly controlled entities and associates in the financial statements of a parent entity that prepares separate financial statements.

IAS 1 Presentation of Financial Statements was revised (effective 1 January, 2009) and separates owner and non-owner changes in equity, through the introduction of a statement of comprehensive income.

IFRIC 13 Customer Loyalty Programmes (effective from 1 July, 2008) requires that award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. Banks often grant customers award credits (or points) as part of their credit card programme, which may be redeemed for free or discounted goods. Such banks would need to consider whether their customer loyalty programme falls under the scope of the IFRIC.

IFRIC 15 Agreements for the Construction of Real Estate (effective from 1 January, 2009) regarding when and how revenue and related expenses from the sale of real estate as construction progresses should be recognized, and addresses the divergence in accounting treatment arising from such arrangements.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 3. Future changes in accounting policies (continued)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from 1 October, 2008) provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment. It also provides guidance on where within the group the hedging instrument can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 1 July, 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognize a liability and how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.

IFRIC 18 Transfers of Assets from Customers (effective from 1 July, 2009) provides guidance on when and how an entity should recognize items of property, plant and equipment received from their customers.

In May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after 1 January, 2009. The following table shows the IFRSs and topics addressed by these amendments.

IFRS	Subject of Amendment
Part I	<b>Amendments that result in accounting changes for presentation, recognition and measurement purposes</b>
IFRS 5	Plan to sell the controlling interest in a subsidiary.
IAS 1	Current/non-current classification of derivatives.
IAS 16	Recoverable amount.
IAS 19	Curtailments and negative past service cost. Plan administration costs. Replacement of term "fall due". Guidance on contingent liabilities.
IAS 20	Government loans with a below-market interest rate.
IAS 23	Components of borrowing costs.
IAS 27	Measurement of subsidiary held for sale in separate financial statements.
IAS 28	Required disclosures when investments in associates are accounted for at fair value through profit or loss.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 29	Description of measurement basis in financial statements.
IAS 36	Disclosure of estimates used to determine recoverable amount.
IAS 38	Advertising and promotional activities. Unit of production method of amortization.
IAS 39	Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	Property under construction or development for future use as investment property.
IAS 41	Discount rate for fair value calculations.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 3. Future changes in accounting policies (continued)

### **Part II      Amendments that are terminology or editorial changes only**

IFRS 7	Presentation of finance costs.
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 18	Costs of originating a loan.
IAS 20	Consistency of terminology with other IFRSs.
IAS 29	Consistency of terminology with other IFRSs.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 40	Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	Examples of agricultural produce and products. Point-of-sale costs.



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 4. Property, plant and equipment

2008	Freehold land \$'000	Leasehold property \$'000	Machinery & equipment \$'000	Pipeline & related facilities \$'000	Oil & gas assets \$'000	Offshore plant & equipment \$'000	Marine infra-structural assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
<b>Cost/valuation</b>										
At beginning of year	3,316	123,704	88,203	1,884,414	427,152	443,644	93,552	51,481	1,848,570	4,964,036
Additions	-	1,872	5,308	1,285,009	105,536	8,406	-	12,803	(520,133)	898,801
Disposals	-	-	(80)	-	(14,114)	-	(92,983)	(4,454)	(500,006)	(611,637)
Foreign exchange difference	(20)	(747)	(526)	(8,239)	(2,325)	(2,679)	(569)	(283)	(16,358)	(31,746)
	3,296	124,829	92,905	3,161,184	516,249	449,371	-	59,547	812,073	5,219,454
<b>Accumulated depreciation/impairment</b>										
At beginning of year	-	47,267	81,946	595,983	97,182	443,644	37,204	34,227	190,000	1,527,453
Charges for year	-	1,879	2,229	76,522	69,346	-	(3,892)	7,975	-	154,059
Impairment	-	-	-	-	-	8,406	-	-	(55,774)	(47,368)
Disposal	-	-	(80)	-	-	-	(33,075)	(4,078)	(132,582)	(169,815)
Foreign exchange difference	-	(283)	(499)	(3,529)	(410)	(2,679)	(237)	(187)	(1,644)	(9,468)
	-	48,863	83,596	668,976	166,118	449,371	-	37,937	-	1,454,861
Net book value	3,296	75,966	9,309	2,492,208	350,131	-	-	21,610	812,073	3,764,593

Interest capitalized for the year ended 31 December, 2008 is Nil (2007: \$26.183 million).

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

4. Property, plant and equipment									
2007	Freehold land \$'000	Leasehold property \$'000	Machinery & equipment \$'000	Pipeline & related facilities \$'000	Oil & gas assets \$'000	Offshore plant & equipment \$'000	Marine infra-structural assets \$'000	Other assets \$'000	Total \$'000
<b>Cost/valuation</b>									
At beginning of year	3,307	117,290	91,725	1,874,570	304,072	438,325	93,303	50,217	4,247,982
Additions/transfer	–	6,091	2,749	4,734	122,065	4,142	–	7,740	717,632
Disposals	–	–	(6,521)	–	–	–	–	(6,623)	(13,144)
Foreign exchange difference	9	323	250	5,110	1,015	1,177	249	147	11,566
	3,316	123,704	88,203	1,884,414	427,152	443,644	93,552	51,481	4,964,036
<b>Accumulated depreciation/impairment</b>									
At beginning of year	–	45,270	72,099	522,014	49,474	438,325	35,147	32,087	1,194,416
Charges for year	–	1,873	16,142	72,347	47,283	–	1,960	7,863	147,468
Impairment	–	–	–	–	–	4,142	–	–	194,142
Disposal	–	–	(6,515)	–	–	–	–	(5,824)	(12,339)
Foreign exchange difference	–	124	220	1,622	425	1,177	97	101	3,766
	–	47,267	81,946	595,983	97,182	443,644	37,204	34,227	1,527,453
<b>Net book value</b>	3,316	76,437	6,257	1,288,431	329,970	–	56,348	17,254	3,436,583

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 4. Property, plant and equipment (continued)

### (a) Revaluation of offshore plant and equipment and pipelines

#### i. Offshore plant and equipment

The Company revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Company revalued its offshore plant and equipment at an amount of TT\$139.0 million, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of TT\$90.30 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December, 2008.

The offshore plant and equipment was fully impaired in 2005.

#### ii. Pipelines

The Company revalues its pipelines every five to seven years. In January 2000, an independent accredited valuer revalued the Company's pipelines at an amount of TT\$927.09 million. If these pipelines were measured using the cost model, the net carrying amount would have been TT\$145.00 million and TT\$124.49 million respectively, as at 31 December, 2007 and 2008.

### (b) Pipelines and related facilities

Included in "Pipelines and related facilities" is the Trinidad and Tobago Electricity Commission (T&TEC) pipeline system which was acquired by the Company from T&TEC with effect from 1 January, 1977. However, the Company has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired by the Company. Refer also to Note 36(i).

### (c) Assets under construction

The Company has incurred costs of approximately TT\$500 million (inclusive of capitalized interest of TT\$49.512 million) (2007: TT\$490 million) in respect of site development works on the Union Industrial Estate (UIE).

Effective 31 December 2008, the Company transferred the site development works to the National Energy Corporation of Trinidad & Tobago Ltd (NEC) at a value of TT\$367.078 million (US\$58.518 million) (See Note 9 (a)). NEC is in the process of acquiring title to the land on which the site development works were performed.

In 2007 the Company recorded an impairment charge of TT\$190 million for the UIE site development works. An impairment write back of TT\$55.774 million was recorded in the income statement at the date of transfer in 2008

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>5. Intangible assets</b>		
Cost		
At the beginning of year	68,388	71,247
Additions at cost	3,740	590
Disposal	–	(3,631)
Foreign exchange difference	(407)	182
	<u>71,721</u>	<u>68,388</u>
Accumulated depreciation		
At the beginning of year	56,774	36,036
Charges for the year	12,062	25,066
Disposal	–	(3,631)
Foreign exchange difference	(314)	(697)
	<u>68,522</u>	<u>56,774</u>
Net book value	<u>3,199</u>	<u>11,614</u>
<b>6. Investments and advances</b>		
Investments and advances comprise the following:		
a) Investments in subsidiaries	1,129,974	1,022,809
b) Held-to-maturity investments	897	902
c) Available-for-sale financial assets	631,174	737,939
	<u>1,762,045</u>	<u>1,761,650</u>

## a) Subsidiaries

### *La Brea Industrial Development Company Limited (LABIDCO)*

In June 2007, the shareholders of LABIDCO agreed to the re-capitalization of the Company with a new equity split of 81% to NGC and 19% to Petrotrin. This re-capitalization is to be effected by the following means:

- Equity contribution of land valued at TT\$22.605 million by Petrotrin for the land on which LABIDCO's fabrication yard is situated;
- Capitalization of shareholder advances of TT\$86.337 million and TT\$24.574 million (inclusive of the equity contribution of TT\$22.605 million for the land on which the fabrication yard is situated) by NGC and Petrotrin respectively.

The shareholders' decision has not yet been approved nor effected by the Board of Directors of LABIDCO.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 6. Investments and advances (continued)

### (a) Subsidiaries (continued)

*La Brea Industrial Development Company Limited (LABIDCO) (continued)*

#### Liquidation

During 2007 the Board of Directors of LABIDCO considered the options available for the winding up of the company. After evaluating the various options the Board agreed that the preferred option was for the shareholders to relinquish their shareholdings voluntarily and that all the assets and liabilities of the LABIDCO be transferred to NGC's wholly owned subsidiary, National Energy Corporation of Trinidad & Tobago Ltd. (NEC). The Board of the majority shareholder, NGC has accepted the recommendation. However, the approval of the minority shareholder, Petrotrin, is yet to be obtained.

### b) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity dates which the Company intends to hold to maturity.

	2008 \$'000	2007 \$'000
c) Available-for-sale financial assets		
Shares – listed	617,302	723,983
Shares – unlisted	13,872	13,956
	<u>631,174</u>	<u>737,939</u>

#### Listed

Available-for-sale financial assets consist of investments in ordinary shares and the first unit scheme of The Trinidad & Tobago Unit Trust Corporation (a mutual fund) and therefore have no fixed maturity date or coupon rate. The fair value of the listed ordinary shares is determined by reference to published price quotations in an active market.

#### Unlisted

For investments where there is no active market the fair value estimates cannot be reasonably assessed and as such are measured at cost.



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 7. Financial asset at fair value through profit and loss

In 2006 the Company issued a TT\$2,509 million (US\$400 million) bond to be repaid via a bullet payment in January 2036. To meet 50% of the liability, in 2008 the Company invested TT\$222.69 million (US\$35.5 million) in two (2) single tranche credit linked notes at a cost of TT\$111.34 million (US\$17.750 million) each. During the first ten (10) years of the investment there is risk in relation to loss of the principal. At the end of the ten (10) year period, the note converts to a zero coupon bond and this risk no longer applies. Upon maturity of the notes they will have a value of US\$100 million each subject to any loss in value arising from credit events. This investment was accounted for in accordance with IAS 39.

The mark to market value of the investment as at 31 December, 2008 was TT\$ 39.206 million (US\$6.25 million).

	2008 \$'000	2007 \$'000
<b>8. Deferred expenses</b>		
Take-or-pay (Note i)	<b>189,887</b>	254,969
Other (Note ii)	<b>3,644</b>	2,732
	<b>193,531</b>	257,701
Less: current portion	<b>(3,644)</b>	(45,680)
	<b>189,887</b>	212,021

### i) Take-or-pay

Take-or-pay represent the right to take gas under a take-or-pay agreement for which the Company has recognized a liability to pay for gas volumes contractually committed to but not yet taken. The expenditure is recognized on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period.

### ii) Other

This amount comprises mainly shippers reserved capacity which is billed one month in advance.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
9. Loans receivable		
a) Long-term loans receivable		
Trinidad and Tobago Electricity Commission (Note i)	28,312	141,562
Trinidad and Tobago Electricity Commission (Note ii)	1,280,097	–
NEC - Savonetta Pier IV	8,965	24,541
NEC - Union Industrial Estate	269,856	–
Trinidad and Tobago LNG Limited	702,490	706,789
	<u>2,289,720</u>	<u>872,892</u>
Less: current portion of loans	<u>(42,134)</u>	<u>(127,050)</u>
Long-term loans receivable	<u>2,247,586</u>	<u>745,842</u>

## *Trinidad and Tobago Electricity Commission (T&TEC)*

- (i) This loan is for a period of 6 years with interest payable at the rate of 8.75% per annum with a moratorium on principal and interest payment for the first two years of the loan. During this period, interest was capitalized and amalgamated with the loan receivable, which is payable in equal monthly installments over the 4 remaining years with an option for prepayment. The loan agreement was finalized on 6 April, 2005.

The fair value of the loan was TT\$26.538 million at 31 December 2008 (2007: TT\$136.12 million).

- (ii) Trade receivables in the amount of TT\$1.421 billion (US\$ 226.482 million), together with penalty interest of TT\$147.39 million which represents unpaid gas purchases (for the period July 2005 to December 2008), owed by Trinidad & Tobago Electricity Commission ("T&TEC") has been reclassified as a long-term loan receivable at 31 December, 2008 as the Company expects that this balance will be converted to a term loan effective 1 December, 2009. T&TEC is the local utility company that distributes electric power to customers in Trinidad and Tobago and is wholly owned by the Government of Trinidad and Tobago. The loan will be for a period of 7 years with interest payable at a fixed rate of 3% per annum. The loan will be repayable semi-annually commencing on 01 June, 2010. The loan agreement has not yet been finalized.

On initial recognition of the long-term loan receivable at 31 December, 2008, the loan has been impaired by TT\$287.635 million (US\$45.972 million). The impairment test was based on the cash flow arising from the terms of the expected long-term loan between the Company and representatives of the Government of Trinidad and Tobago, using a discount rate of 7%.

The fair value of the long-term loan receivable approximates its carrying value at 31 December 2008.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 9. Loans receivable (continued)

### a) Long-term loans receivable (continued)

#### *National Energy Corporation*

##### *Savonetta Pier*

Effective 1 January, 2000, the Company disposed of Savonetta Pier IV to its subsidiary, National Energy Corporation (NEC), for the sum of \$157.17 million. This amount has been set up as a loan and comprises two (2) amounts: \$38.63 million own funds used in the construction of the Pier and \$118.54 million borrowed from Caribbean Development Bank (CDB). The amount of \$38.63 million was repaid in 2001. Interest is payable based on the interest incurred on the CDB loan. The fair value of this loan approximates its carrying value.

##### *Union Industrial Estate*

Effective 31 December, 2008, the Company disposed of the site development works on the Union Industrial Estate (UIE) to its subsidiary, National Energy Corporation (NEC) for the sum of TT\$367.078 million (US\$58.518 million). This amount has been set up as a loan with tenure of 25 years. The principal repayment is equal semi-annual installments. Interest is payable at 3% per annum. The fair value of this loan as at 31 December, 2008 was TT\$269.856 million (US\$43.019 million). A fair value adjustment of TT\$97.224 million (US\$15.499 million) was recorded as an additional investment in the subsidiary.

#### *Trinidad and Tobago LNG Limited*

The amount represents advances of TT\$702.50 million (US\$111.99 million) (2007: TT\$706.80 million (US\$111.99 million) to Trinidad and Tobago LNG Limited from July 2002 to December 2007. Repayment terms have not been finalized.

This loan is unsecured and interest is payable based on the interest charged on the Trinidad and Tobago LNG Limited's member's loan to Atlantic LNG 4 Company of Trinidad and Tobago Unlimited at a rate of Libor plus a margin which ranges from 1.125% to 2.125% per annum. The effective interest rate at the balance sheet date was 5.362% (2007: 7.306%). The fair value of this loan approximates its carrying value.

	2008 \$'000	2007 \$'000
b) Short-term loan receivable		
Trinidad and Tobago LNG Limited	—	100,762

The short-term loan was required by Trinidad and Tobago LNG Limited to fund their portion of the pre-commercial expenses of Atlantic Train 4. This loan has been repaid in full.

## 10. Debt reserve funds

In accordance with the Letter of Credit and Reimbursement Agreement ("L/C Agreement") dated as of 15 October, 1997 among the Company, The Bank of Nova Scotia Trinidad and Tobago Limited, Citibank N.A., De Nationale Inversteringsbank (NA) N.V., and Kredietbank N.V. Dublin Branch collectively and The Bank of Nova Scotia L/C Agent, the Company maintains certain debt reserve funds which are funded from appropriations from two gas sales contracts. As at 31 December, 2008 and 2007, these funds totaling TT\$84.21 million and TT\$83.36 million respectively were held in interest bearing accounts.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 11. Cash and short-term deposits

	2008 \$'000	2007 \$'000
Cash at banks and on hand	392,787	445,398
Short-term deposits (Note c)	10,285,444	6,593,184
Less: Provision for impairment of short-term deposits (Note c)	(1,063,920)	—
	<u>9,614,311</u>	<u>7,038,582</u>

a) Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Company and earn interest at the respective short term deposit rates. The fair value of cash and short-term deposits is TT\$9,614.31 million (2007: TT\$7,038.58 million).

b) For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2008 \$'000	2007 \$'000
Cash at banks and on hand	392,787	445,398
Short-term deposits (with an original maturity date of less than three months)	<u>35,937</u>	<u>529,936</u>
	<u>428,724</u>	<u>975,334</u>

c) The Company held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT\$1,063.92 million (US\$169.61 million) as at 31 December, 2008 which were due to mature subsequent to 1 January, 2009.

CIB experienced financial and liquidity issues. On 31st January, 2009 the Central Bank of Trinidad & Tobago (CBTT) under Section 44D of the Central Bank Act, Chap. 79:02, assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates of TT\$1,063.92 million and the related accrued interest of TT\$10.64 million (US\$1.694 million) have been fully impaired as there is no basis to determine the timing and quantum, if any, of recovery.

## 12. Accounts receivable

	2008 \$'000	2007 \$'000
Trade receivable	<u>847,745</u>	<u>2,876,366</u>

See Note 9(a)(ii).

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 12. Accounts receivable (continued)

As at 31 December, 2008, trade receivables impaired and fully provided for totalled \$2.62 million (2007: \$2.02 million). Movements in the provision for impairment of receivables were as follows:

	Individually impaired \$'000	Collectively impaired \$'000	Total \$'000
At 1 January, 2007	706	–	706
Charge for year	19	1,997	2,016
Utilized	(706)	–	(706)
At 31 December, 2007	19	1,997	2,016
Charge for year	–	615	615
Foreign currency translation adjustment	–	(13)	(13)
At 31 December, 2008	19	2,599	2,618

As at 31 December the ageing analysis of trade receivables is as follows:

		Past due but not impaired					
\$'000		Neither past due nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
Year	Total						
2008							
T&TEC	–	–	–	–	–	–	–
Other receivable	847,745	789,732	10,586	16,970	6,530	1,192	22,735
	<u>847,745</u>	<u>789,732</u>	<u>10,586</u>	<u>16,970</u>	<u>6,530</u>	<u>1,192</u>	<u>22,735</u>
2007							
T&TEC receivable	1,081,327	66,335	29,639	34,055	36,597	36,739	877,962
Other receivable	1,795,039	1,531,089	210,497	27,745	7,862	12,345	5,501
	<u>2,876,366</u>	<u>1,597,424</u>	<u>240,136</u>	<u>61,800</u>	<u>44,459</u>	<u>49,084</u>	<u>883,463</u>



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>13. Sundry debtors and prepayments</b>		
Sundry debtors and prepayments comprise the following:		
Prepayments - Dolphin Pipeline (Note)	1,191,851	1,199,146
- Other	40,416	17,389
Staff related balances	8,831	3,720
Related party balances	290,554	276,642
Value Added Tax	35,485	32,038
Interest receivable	93,407	103,981
Dividend receivable	22,000	-
Accrued income	6,256	14,234
Other	64,977	61,519
	<u>1,753,777</u>	<u>1,707,669</u>

For terms and conditions relating to related party receivables refer to Note 38.

## Dolphin Pipeline

The National Gas Company of Trinidad and Tobago Limited advanced TT\$1,191.85 million (US\$190 million) to BG and Chevron Texaco in April 2006 and subsequently began receiving monthly pre-transfer payments representing advance part payments for the transportation services to be provided on and from the completion date of pipeline. The advance payment has been accounted for as a prepayment and the pre-transfer payments of TT\$520.136 million (US\$82.918 million) for the period April 2006 to December 2008 as a liability. The Pipeline equipment has not been completed and the transfer to the National Gas Company of Trinidad and Tobago Limited is not expected to take place until 2010.

	2008 \$'000	2007 \$'000
<b>14. Inventories</b>		
Consumable spares	17,271	14,669
TSP spares	2,979	2,997
Other	225	224
	<u>20,475</u>	<u>17,890</u>

## 15. Stated capital

### Authorized

An unlimited number of ordinary shares of no par value

### Issued and fully paid

1,752,848,000 ordinary shares of no par value	<u>1,752,848</u>	<u>1,752,848</u>
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# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 16. Reserve fund

A Reserve Fund has been set up by the Board of Directors with the objective of minimizing the Company's exposure arising from business interruption, adverse gas price fluctuations, and liabilities or losses which may result from accidents on its self-insured assets.

Transfers to the Reserve Fund will be made in such cases where the Company's expected return on equity is exceeded. The fund cap is 25% of the issued stated capital of the parent Company.

## 17. Other reserves

	2008 \$'000	2007 \$'000
Other reserves comprise the following as at 31 December:		
Revaluation surplus for offshore plant and equipment and pipelines	385,574	409,735
Unrealized gain on available-for-sale financial assets	144,478	252,264
Foreign currency translation	14,099	69,717
	<u>544,149</u>	<u>731,716</u>

## 18. Taxes

Current - Corporation tax	2,279,343	1,230,390
- Petroleum profit tax	97,286	11,743
- Green fund	17,574	12,856
	<u>2,394,203</u>	<u>1,254,989</u>
Deferred	(88,353)	(63,505)
	<u>2,305,850</u>	<u>1,191,484</u>

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

18. Taxes (continued)	2008 \$'000	2007 \$'000
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate.		
Accounting profit	5,370,689	4,146,490
Tax at the rate of 35%	1,879,741	1,451,272
Tax exempt income	(230,981)	(225,233)
Non deductible expense	546,146	1,104
Additional tax allowances	–	(116)
Other differences	(4,180)	(22,627)
Prior years' corporation tax	141,677	(32,840)
Prior year's deferred tax	(70,097)	–
Green fund	17,574	12,856
Effect of oil and gas assets taxed at a higher rate	40,128	11,088
Foreign exchange translation	(14,158)	(4,020)
Current year provision	2,305,850	1,191,484
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Accrued interest expense	28,924	29,986
Asset retirement obligation	212,115	174,941
Post retirement medical, group life and pension	35,605	29,141
Dry hole expense	–	21,719
Pre-transfer payments – Dolphin pipeline	182,052	–
Other	2,839	2,875
	461,535	258,662
Deferred tax liability:		
Property, plant and equipment	534,388	421,090

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	Current portion \$'000	Long-term portion \$'000	2008 Total \$'000	2007 Total \$'000
<b>19. Long-term debt</b>				
i) Caribbean Development Bank	8,965	–	<b>8,965</b>	21,384
ii) European Investment Bank	–	–	–	39,159
iii) AKA Ausfuhrkredit GMBH	29,071	72,678	<b>101,749</b>	131,621
iv) First Citizens Bank	19,048	331,320	<b>350,368</b>	329,927
v) US\$400M 30-year bond	–	2,381,783	<b>2,381,783</b>	2,484,795
	<u>57,084</u>	<u>2,785,781</u>	<u><b>2,842,865</b></u>	<u>3,006,886</u>

## Description

**Item (i)** relates to a facility established on 23rd January, 1997 whereby the Company committed to borrow TT\$135.5 million (US\$21.52 million) to finance the construction of marine facilities at Savonetta, Point Lisas. The loan was fully drawn down in 2000.

## Terms and Conditions

The loan provides for 40 equal quarterly installments, and the first repayment of principal commenced in the year 2000. Interest is payable quarterly in arrears and determined annually. The applicable rate for 2008 ranged between 5.92%-6.03% (2007: 6%-6.1%). The fair value of this loan approximates its carrying value.

## Security

Letter of credit secured by specific Gas Sales Contracts.

**Item (ii)** relates to a facility established on 11th February, 1996 whereby the Company committed to borrow ECU45 million, approximately TT\$313.20 million (US\$49.71 million), to finance the construction of new pipelines. The loan was fully drawn down in 1999.

The loan provides for 18 equal semi-annual installments and commenced 10 June, 2000. Interest is payable semi-annually in arrears at the higher of 3% per annum and EIB's lending rate on disbursement date, less a subsidy applicable to all tranches.

Letter of credit secured by specific Gas Sales Contracts.

**Item (iii)** relates to a facility established with AKA Ausfuhrkredit-Gesellschaft GMBH on 10 July 2003 as follows:  
Tranche 1  
US\$38.17 million  
Tranche 2  
EUR 1,135.17 million –  
Insurance Premium

The loan provides for 17 equal and consecutive semi-annual installments commencing June 2004. Interest is payable semi-annually in arrears at the fixed rate of 4.18% per annum commencing June 2004. The fair value of the loan was TT\$102.42 million (US\$16.33 million) at 31 December 2008.

Export Credit  
Insurance provided by  
HERMES.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 19. Long-term debt (continued)

Description	Terms and Conditions	Security
<p><b>Item (iv)</b> relates to a loan facility of TT\$278.52 million (US\$44.4 million) established with FCB Ltd on 17 December 2004 for site development works on Union Industrial Estate.</p>	<p>The loan provides five years moratorium on principal and interest and for 20 equal and consecutive semi-annual installments of TT\$26.16 million (US\$4.17 million) commencing 66 months from the effective date and continuing until the facility is repaid. Interest is payable semi-annually in arrears at FCB's USD Prime lending rate less 2.60% The effective interest rate at 31 December 2008 was 7.4% (2007:7.4%). The fair value of this loan approximates its carrying value.</p>	<p>No collateral/ Security required except for the condition that Union Estate's operating account be opened at FCB Ltd.</p>
<p><b>Item (v)</b> relates to a TT\$2.509 million (US\$ 400 million) bond issued by the Company and arranged by Lehman Brothers/ Citigroup on 20th January 2006 to finance the construction/ acquisition of two new offshore pipelines and for advances to TT LNG to fund its 11.11% of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.</p>	<p>The bond will be redeemed by a bullet payment on 15 January, 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05% commencing in July 2006. The fair value of the bond was TT\$2,190.09 million (US\$348.04 million) at 31 December 2008.</p> <p>Bonds with a nominal value of TT\$88.228 million (US\$14.065 million) were repurchased during the year. The Company recorded a gain of TT\$27.074 million (US\$4.33 million) which has been recognized in the income statement (Note 28).</p>	<p>None.</p>

Maturity profile of long-term debt	2008 \$'000	2007 \$'000
In one year or less	57,084	80,645
In more than one year but not more than two years	67,168	38,139
In more than two years but not more than three years	67,168	64,940
In more than three years but not more than four years	52,632	64,940
In more than four years but not more than five years	38,096	50,315
In more than five years	2,560,717	2,707,907
	<u>2,842,865</u>	<u>3,006,886</u>



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 20. Deferred income

Deferred income represents revenue for gas volumes contractually committed to but not yet taken by customers. Income is recognized on the earlier of the expiration of the deficiency period and when the gas volumes are actually taken.

## 21. Provisions

	Asset retirement obligation \$'000	Environmental obligation \$'000	Onerous contract \$'000	2008 Total \$'000
Balance as at 1 January, 2008	458,491	15,198	—	473,689
Amounts utilized during year	—	(1,290)	—	(1,290)
Unwinding of discount	36,013	—	—	36,013
Increase in provision	43,283	—	110,221	153,504
Foreign currency translation	(2,789)	832	—	(1,957)
Balance as at 31 December, 2008	534,998	14,740	110,221	659,959
Current portion	—	—	—	—
Non-current portion	534,998	14,740	110,221	659,959
	534,998	14,740	110,221	659,959

	Asset retirement Obligation \$'000	Environmental Obligation \$'000	2007 Total \$'000
Balance as at 1 January, 2007	431,519	15,968	447,487
Amounts utilized during year	—	(1,299)	(1,299)
Unwinding of discount	25,796	—	25,796
Foreign currency translation adjustment	1,176	529	1,705
Balance as at 31 December, 2007	458,491	15,198	473,689
Current portion	—	—	—
Non-current portion	458,491	15,198	473,689
	458,491	15,198	473,689

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 21. Provisions (continued)

### i. Asset retirement obligation

The Company has recorded provisions for the net present value of the estimated cost of decommissioning the offshore plant and equipment and the Teak, Samaan and Poui platforms based on studies conducted. A letter of credit was established for the Company's portion of the obligation for Teak, Samaan and Poui platforms. The future estimated payments of the cost are currently anticipated to be 2012 and 2025 respectively. However the ultimate amount and timing of the cost may vary from the original estimate.

### ii. Environmental obligation

The Company has committed to reforestation of land areas equivalent to those cleared for pipeline construction and right of way extension. To this end an environmental obligation was recorded in the financial statements in December 2005.

### iii. Onerous contract

The Company has an onerous compression contract with a customer for which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits to be received from it.

The contract provides for 18 months notice to be given if either party wants to terminate the contract. The Company has provided for the net unavoidable costs expected to be incurred during the 18 month contractual notice period.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>22. Post retirement medical and group life</b>		
<b>Movement on the liability recognized in the balance sheet:</b>		
Value at beginning of the year	83,256	66,996
Foreign exchange translation	(298)	262
Prior year adjustment	–	2,620
Net benefit cost	(18,588)	13,775
Premiums paid	(474)	(397)
Value at end of year	<u>63,896</u>	<u>83,256</u>
<b>Changes in the present value of the defined benefits obligation are as follows:</b>		
Defined benefits obligation at start	83,256	66,996
Prior year adjustment	–	2,620
Service cost	6,631	6,578
Interest cost	6,518	6,074
Effect of plan restructuring	(25,530)	–
Actuarial (gain)/loss	(6,207)	1,123
Foreign exchange translation	(298)	262
Company's premiums paid	(474)	(397)
Defined benefits obligation at end	<u>63,896</u>	<u>83,256</u>
<b>The amounts recognized in the statement of income are as follows:</b>		
Current service cost	6,631	6,578
Interest cost on benefits obligation	6,518	6,074
Net actuarial loss recognized in the year	(6,207)	1,123
Past service cost	(25,530)	–
Net benefits (income)/cost	<u>(18,588)</u>	<u>13,775</u>

The Company expects to contribute TT\$0.45 million to its post retirement medical and group life plans in 2009.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 22. Post retirement medical and group life (continued)

The principal actuarial assumptions used for accounting purposes were:	2008	2007
--	------	------

Medical cost inflation	8.25%	8.25%
Discount rates	8.75%	8.75%
Average individual salary increases	8.25%	8.25%

Effects of one percentage point change in medical expense increase assumption.

	Aggregate service and interest costs \$'000	Year end deferred benefit obligation \$'000
Medical expenses increase by 1% P.A.	3,036	12,142
Medical expenses decrease by 1% P.A.	(2,309)	(9,419)

### Assets allocation as at 31 December

The Company funds the benefits directly by payments of premiums to an insurance company. There are no assets explicitly set aside for this plan.

Experience history	2008 \$'000	2007 \$'000
Defined benefit obligation	63,896	83,256
Fair value of plan assets	<u>—</u>	<u>—</u>
Deficit	<u>63,896</u>	<u>83,256</u>
Experience adjustment on plan liabilities	(6,207)	1,123
Experience adjustment on plan assets	—	—

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

23. Pension obligation	2008 \$'000	2007 \$'000
<b>Benefit asset/liability</b>		
Present value of obligation	339,467	302,064
Fair value of plan assets	(301,629)	(299,973)
Pension liability	37,838	2,091
<b>Movement on the liability recognized in the balance sheet:</b>		
(Asset)/liability value at beginning of the year	2,091	(38,791)
Net pension cost	53,081	56,423
Contributions paid	(17,334)	(15,541)
Liability value at end of the year	37,838	2,091
<b>The amounts recognized in the statement of income are as follows:</b>		
Current service cost	19,606	17,478
Interest cost on benefit obligation	26,183	20,245
Expected return on plan assets	(29,979)	(27,239)
Net actuarial loss recognized in the year	37,271	45,939
Net pension cost	53,081	56,423
Actual return on plan assets	(15,087)	11,000
<b>Changes in the present value of</b>		
<b>The defined benefits obligations are as follows:</b>		
Define benefit obligation at start of the year	302,064	233,070
Service cost	19,606	17,478
Interest cost	26,183	20,245
Members' contribution	5,742	5,559
Actuarial (gain)/loss	(7,782)	29,700
Benefits paid	(5,775)	(3,469)
Expense allowance	(571)	(519)
Defined benefit obligation at end of the year	339,467	302,064

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>23. Pension obligation (continued)</b>		
Changes in fair value of plan assets are as follows:		
Plan assets at start of year	299,973	271,861
Expected returns on plan assets	29,979	27,239
Actuarial loss	(45,066)	(16,239)
Company contributions	17,334	15,541
Members' contributions	5,742	5,559
Benefits paid	(5,775)	(3,469)
Expense allowance	(558)	(519)
Plan assets at end of year	<u>301,629</u>	<u>299,973</u>

The Company expects to contribute TT\$16.6 million to the defined benefit pension plan in 2009.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2008	2007
Equity securities	26%	47%
Debt securities	32%	11%
Money market instruments/cash	35%	31%
Mutual funds	5%	9%
Other-purchased annuities	2%	2%
	<u>100%</u>	<u>100%</u>

The principal actuarial assumptions used for accounting purposes were:

	2008	2007
Discount rate	8.75%	8.75%
Expected return on plan assets (other than purchased annuities)	9.75%	9.75%
Future salary increases	8.25%	8.25%
Pension increases	0%	0%

Expected rate of return on assets is set by reference to estimated long term returns on assets held by plan at that date. Allowance is made for some excess performance from the plan's equity portfolio.



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 24. Long-term creditors

Long-term creditors relate to take-or-pay liabilities expected to be settled more than one (1) year after the balance sheet date.

	2008 \$'000	2007 \$'000
25. Trade creditors		
Trade payables are settled on 30 day terms	<u>876,845</u>	<u>1,790,588</u>

## 26. Sundry creditors and accruals

Accrued interest	87,248	83,432
Accrued material/service amounts	408,113	521,158
Contract provisions	23,190	20,947
Employee related accruals	29,494	31,030
Pre-transfer payments – Dolphin pipeline (See Note 13)	<u>520,137</u>	<u>332,358</u>
	<u>1,068,182</u>	<u>988,925</u>

Terms and conditions of the above financial liabilities

Interest payable is normally settled in accordance with the terms and conditions of the respective loan. See Note 19.

Accrued materials service amounts and contract provisions are non interest bearing and have an average term of two (2) months.

	2008 \$'000	2007 \$'000
27. Sales and cost of sales		
Sales include the following:		
Gas sales	14,936,060	10,847,076
Condensate sales	115,956	89,009
Transport tariffs	3,455	3,553
Compression charges	39,868	39,202
Crude oil	<u>664,819</u>	<u>502,888</u>
	<u>15,760,158</u>	<u>11,481,728</u>

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>27. Sales and cost of sales (continued)</b>		
Cost of sales include the following:		
Gas purchase	9,155,100	7,434,616
Depreciation	145,865	115,480
Impairment – offshore plant and equipment (Note 4(a)(i))	8,405	4,142
Exploration and production costs	47,186	78,126
Production taxes including SPT	221,680	163,390
Maintenance costs	154,347	142,701
Royalties	77,191	60,309
Staff costs	56,418	48,323
	<u>9,866,192</u>	<u>8,047,087</u>
<b>28. Other operating income</b>		
Lease income	18,030	16,879
Operation and maintenance fees	25,322	24,551
Management fees	2,634	6,983
Gain/(loss) on disposal of assets	30,994	(271)
Gain on repurchase of bonds (Note 19)	27,070	–
Other	37,211	15,108
	<u>141,261</u>	<u>63,250</u>
<b>29. Interest and other investment income</b>		
Dividend income	660,738	634,707
Interest income	381,858	329,395
Penalty interest income – T&TEC	147,394	–
LNG production payments	416,156	302,927
Other investment income	48,819	79,915
	<u>1,654,965</u>	<u>1,346,944</u>
<b>30. Expenses</b>		
Administrative, maintenance and general costs include the following:		
Staff costs	177,512	202,067
Maintenance and general expenses	267,490	205,878
Depreciation	20,247	57,045
Provision for short-term deposits (Note 11(c))	1,063,920	–
Provision for irrecoverable receivable	613	(2,070)
Insurance claim (received)/not settled	–	(197,580)
Write back of provision for diminution in value of investment in LABIDCO	(16,833)	1,067
Provision for onerous contract (Note 21 iii)	110,221	–
	<u>1,623,170</u>	<u>266,407</u>

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>30. Expenses (continued)</b>		
Staff costs:		
Wages and salaries	195,043	175,773
National insurance	4,394	2,317
Pension costs	53,081	56,329
Post retirement medical and group life	(18,588)	15,971
	<u>233,930</u>	<u>250,390</u>
Staff costs included within:		
Cost of sales	56,418	48,323
Administrative and general expenses	177,512	202,067
	<u>233,930</u>	<u>250,390</u>
<b>31. Impairment expense</b>		
Union Industrial Estate (Note 4c)	(55,774)	190,000
T&TEC loan receivable (Note 9a(ii))	287,635	—
	<u>231,861</u>	<u>190,000</u>
<b>32. Finance costs</b>		
Interest	208,074	191,711
Interest rate lock	518	495
Decommissioning – unwinding of discount rate	35,920	25,776
Net loss on financial asset at fair value through profit and loss (Note 7)	183,008	—
	<u>427,520</u>	<u>217,982</u>

During December 2005, the Company entered into an agreement with two (2) financial institutions to lock-in the interest rate of the proposed US\$400 million 30-year bond which was issued in January 2006.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>33. Statement of cash flow</b>		
<b>Cash generated from operations</b>		
Profit before tax	5,370,689	4,146,490
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	166,117	172,529
Impairment on property, plant and equipment	(47,369)	194,140
Gain on disposal of property, plant and equipment	(30,989)	271
Finance costs	427,520	217,982
Dividend income	(660,738)	(634,707)
Interest income	(430,674)	(409,313)
Decrease in deferred income	93,575	—
Decrease in deferred expenses	62,442	231,157
Net pension costs	53,081	38,832
Decrease in provision for LABIDCO loss	(16,833)	1,067
Gain on repurchase of bond issue	(27,066)	—
Provision for short-term investment	1,063,920	—
Impairment of T&TEC loan receivable	287,635	—
Increase in onerous contract provision	110,221	—
(Decrease)/increase in post retirement obligation	(18,588)	18,140
<b>Operating profit before working capital changes</b>	<b>6,402,943</b>	<b>3,976,588</b>
Decrease/(increase) in accounts receivable	441,506	(647,338)
(Increase)/decrease in sundry debtors	(131,289)	58,616
Increase in inventories	(2,684)	(1,802)
(Decrease)/increase in trade creditors and sundry creditors and accruals	(817,702)	227,938
	<b>5,892,774</b>	<b>3,614,002</b>

## 34. Contingent liabilities

### i. Taxes

For income years 1993 to 1996 and 1999 the Company has objected to certain adjustments of TT\$134.67 million by the Board of Inland Revenue to the Company's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the accounts for any additional tax liabilities, penalties or interest.

The Company has accrued for additional tax liabilities relating to prior years of income; no provision for interest on these balances has been made in these financial statements as management is confident that they will be successful in obtaining a waiver of interest.

### ii. Litigation matters

The Company has been named as defendant in various lawsuits and proceedings which are at various stages of litigation and their outcomes are difficult to predict. In the Company's opinion, however, the disposition of these matters is not likely to have a materially adverse effect on the Company's financial condition or results of operations.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
35. Capital commitments		
Approved and contracted capital expenditure	<u>2,866,356</u>	<u>441,162</u>

## 36. Other commitments

### i. Compensation to land owners

As at 31 December, 2008 the Company is unable to accurately estimate the compensation that might be payable to owners of land along Rights of Way of the Company's pipelines. Accordingly, no provision has been made for any amounts that might be owed to the landowners.

### ii. Guarantees

The Company has provided the following guarantees as at 31 December, 2008:

- (i) Bank guarantee for an amount of TT\$51.46 million in respect of a loan obtained by La Brea Industrial Development Company Limited. The loan balance is TT\$44.50 million at 31 December, 2008.
- (ii) Guarantee of obligations under gas transportation agreements by NGC Pipeline Company Limited.
- (iii) Guarantee payment to a financial institution under loan arrangements for NGC Pipeline Company Limited. The loan balance is TT\$1,030.39 million (US\$164.26 million) at 31 December, 2008.

## 37. Operating lease commitments

### Company as a lessee

Future minimum rentals payable under non-cancelable operating lease as at 31 December are as follows:

	2008 \$'000	2007 \$'000
Within one year	12,562	11,990
One to five years	13,325	24,403

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 38. Commitment contracts

### *Purchases*

The Company purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers, with terms varying from 15 to 23 years. Under these long-term take-or-pay contracts, the Company is obliged to take any natural gas up to specified volume that is offered at the current price up to a specified volume or pay a specified amount if the company is unable to take the natural gas.

### *Sales*

Under long-term take-or-pay sales contracts, the Company's customers are obligated to take any natural gas that is offered to them at the current price, up to a specified percentage of the volume contracted or to pay a specified amount if they are unable to take the natural gas. Increases in the gas prices that the customers pay under these contracts are not capped, but the prices paid for natural gas cannot go below a certain minimum price.

## 39. Related party transactions

The Company is wholly-owned by the Government of Trinidad and Tobago. The Company has entered into several agreements with various agencies/state owned companies of the Government, for the supply of gas. The sales to and purchases from related parties are at arms length, except for the gas sales contract with T&TEC. Outstanding balances at the year end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December, 2008 the Company has not made any provisions for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Significant subsidiaries and associate interests at 31 December, 2008 are as follows:

Name of Company	Country of incorporation	Proportion of issued equity capital held
<i>Subsidiary Companies</i>		
National Energy Corporation of Trinidad and Tobago Limited (NEC)	Trinidad and Tobago	100%
NGC Pipeline Company Limited	Trinidad and Tobago	100%
Trinidad and Tobago LNG Limited	Trinidad and Tobago	100%
La Brea Industrial Development Company Limited (LABIDCO)	Trinidad and Tobago	83%
NGC NGL Company Limited	Trinidad and Tobago	80%
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	62.16%
<i>Associated Company</i>		
Trinidad and Tobago Marine Petroleum Company Limited (TRINTOMAR)	Trinidad and Tobago	20%



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 39. Related party transactions (continued)

The following table provides the total amount of material transactions, which have been entered into with related parties as at or for the years ended 31 December 2008 and 2007.

		Income from related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
<b>Government of Trinidad and Tobago</b>					
Other receivables	<b>2008</b>	—	—	<b>90,617</b>	—
	<b>2007</b>	—	—	7,086	—
<b>Fellow State Enterprises:</b>					
Trinidad and Tobago Electricity Commission:					
Gas sales	<b>2008</b>	<b>345,069</b>	—	—	—
	<b>2007</b>	397,268	—	1,081,328	—
Loan receivable	<b>2008</b>	<b>155,151</b>	—	<b>1,308,409</b>	—
	<b>2007</b>	17,510	—	141,562	—
Petroleum Company of Trinidad and Tobago Limited	<b>2008</b>	<b>224,044</b>	—	<b>37,324</b>	—
	<b>2007</b>	199,284	—	52,472	—
<b>Joint Venture:</b>					
Phoenix Park Gas Processors Ltd.	<b>2008</b>	<b>715,357</b>	—	<b>70,100</b>	—
	<b>2007</b>	636,699	—	131,116	—

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 39. Related party transactions (continued)

		Income from related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
<b>Associates:</b>					
National Helicopter Services Limited	<b>2008</b>	<b>501</b>	<b>32,449</b>	<b>—</b>	<b>3,006</b>
	2007	—	10,856	—	3,572
<b>Subsidiaries:</b>					
Trinidad and Tobago LNG Limited	<b>2008</b>	—	—	<b>406</b>	—
	2007	—	—	8,902	—
Long and short-term loan receivable	<b>2008</b>	<b>39,819</b>	—	<b>702,490</b>	—
	2007	58,971	—	807,552	—
Interest receivable	<b>2008</b>	—	—	—	—
	2007	—	—	14,757	—
NGC Pipeline Company Limited	<b>2008</b>	—	<b>65,951</b>	—	—
Transportation tariff	2007	—	81,200	—	9,681
Advances	<b>2008</b>	—	—	<b>137,966</b>	<b>3,643</b>
	2007	—	—	165,581	—
Operations, maintenance and service fees	<b>2008</b>	<b>26,573</b>	—	—	—
	2007	30,969	—	—	—
NGC Trinidad and Tobago LNG Limited	<b>2008</b>	<b>165,640</b>	—	—	—
Dividend income	2007	197,917	—	—	—
Management fees	<b>2008</b>	<b>626</b>	—	—	—
	2007	631	—	—	—

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 39. Related party transactions (continued)

		Income from related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
<b>Subsidiaries: (continued)</b>					
NGC NGL Company Limited					
Dividend income	<b>2008</b>	<b>425,023</b>	—	—	—
	2007	356,934	—	—	—
Management fees	<b>2008</b>	<b>626</b>	—	—	—
	2007	631	—	—	—
La Brea Industrial Development Company Limited					
Lease rental income	<b>2008</b>	—	<b>160</b>	—	—
	2007	—	104	—	—
Miscellaneous payables	<b>2008</b>	—	—	—	<b>4,930</b>
	2007	—	—	—	9,123
National Energy Corporation of Trinidad and Tobago Limited					
Management fees	<b>2008</b>	<b>1,001</b>	—	<b>1,001</b>	—
	2007	2,921	—	2,921	—
Dividend income	<b>2008</b>	—	—	—	—
	2007	20,965	—	—	—
Other income	<b>2008</b>	<b>17,975</b>	—	—	—
	2007	—	—	—	—
Rental expense	<b>2008</b>	—	<b>2,327</b>	—	—
	2007	—	1,500	—	—
Loans and advances	<b>2008</b>	<b>991</b>	—	<b>279,363</b>	<b>3,550</b>
	2007	1,785	—	24,541	—
Miscellaneous receivables	<b>2008</b>	—	—	<b>58,495</b>	—
	2007	—	—	69,700	—

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 39. Related party transactions (continued)

The Company purchases services of immaterial value from various Government agencies at arm's length transactions.

Compensation of key management personnel	2008 \$'000	2007 \$'000
Short-term employee benefits	18,952	14,643
Post employment benefit	2,222	2,150
	<u>21,174</u>	<u>16,793</u>

## 40. Financial risk management objectives and policies

The Company has various financial assets such as investments in ordinary shares and the first unit scheme of the Trinidad and Tobago Unit Trust Corporation, trade receivables, short-term investments and cash which arise directly from its operations. The Company's financial liabilities comprise bank loans, trade and sundry payables. The main purpose of these financial liabilities is to raise finance for the Company's operations.

The Company may enter into derivative transactions such as interest rate swap. The purpose is to manage the interest rate and currency risk arising from the Company's operations and its sources of finance.

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

### Credit risk

The Company trades only with recognized creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The outstanding trade receivable from The Trinidad and Tobago Electricity Commission (T&TEC) as at 31 December, 2008 together with unpaid gas purchases to September, 2009 will be converted to a loan effective 1 December, 2009. The Government of Trinidad and Tobago is the sole shareholder of T & TEC and the Company and continues to monitor the situation to ensure that the trade receivables are paid in a timely manner. With respect to credit risk arising from other financial assets of the Company, the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 40. Financial risk management objectives and policies (continued)

### Liquidity risk

The Company monitors its risks to a shortage of funds by managing the maturity of both financial investments and financial assets (e.g. accounts receivables and short-term deposits) and projected cash flows from operations. The Company's objective is to maintain a balance between continuity of funding and flexibility.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December, 2008 based on contractual undiscounted payments (i.e. principal and interest).

Year ended 31 Dec 2008	On demand \$'000	> 3 mths \$'000	3-12 mths \$'000	1-5 yrs \$'000	> 5 yrs \$'000	Total \$'000
Long-term debt	—	78,890	162,508	926,065	6,093,234	7,260,697
Trade creditors	—	876,845	—	—	—	876,845
Other payables	—	455,004	22,787	—	—	477,791
Other financial liabilities	—	—	350,000	103,120	—	453,120
	—	1,410,739	535,295	1,029,185	6,093,234	9,068,453
Year ended 31 Dec 2007						
Long-term debt	—	88,603	186,161	956,556	6,581,071	7,812,391
Trade creditors	—	1,772,904	17,685	—	—	1,790,589
Other payables	—	568,049	19,565	—	—	587,614
Other financial liabilities	—	—	—	111,602	—	111,602
	—	2,429,556	223,411	1,068,158	6,581,071	10,302,196

### Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 40. Financial risk management objectives and policies (continued)

### Interest rate risk (continued)

The Company's policy is to manage its interest cost using a mix of fixed and variable rates. The Company has used derivative financial instruments, such as interest rate swaps, to hedge its risk associated with interest rate fluctuations whereby the Company agrees to exchange at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December, 2008 after taking into account the effect of interest rate swaps, approximately 50% of the Company's borrowings are at a fixed rate of interest (2007: 50%).

### Interest rate risk table

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowing). There is minimal impact to the Company's equity.

	Increase/ decrease in interest rate	Increase/ decrease on profit before tax \$'000
Long-term debt		
2008	10% (10%)	(2,646) 2,646
2007	10% (10%)	(2,695) 2,695
Loan receivables		
2008	10% (10%)	4,268 (4,268)
2007	10% (10%)	5,876 (5,876)

### Foreign currency risk

The Company has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Company's functional currency.



# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 40. Financial risk management objectives and policies (continued)

### Foreign currency risk (continued)

The Company also has currency exposure from loans denominated in currencies other than the Company's functional currency.

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

	Increase/ decrease in exchange rate	Effect on profit before tax \$'000
<b>2008</b>	<b>0.01 (0.01)</b>	<b>813 (813)</b>
2007	0.01 (0.01)	1,230 (1,230)

### Other price risks

The Company is exposed to equity price risks arising from its investments in ordinary shares in NEL and the first unit scheme of the Unit Trust Corporation (a mutual fund). These equity instruments are held for strategic rather than trading purposes and the Company does not actively trade these investments.

The following table demonstrates the sensitivity to a reasonably possible change in the price of these equity instruments, with all other variables held constant, of the Company's equity. There is no impact to the Company's profit before tax.

	Increase/ decrease in equity price	Effect on equity \$'000
<b>2008</b>	<b>(3-10%) (3-10%)</b>	<b>61,111 (61,111)</b>
2007	3-10% (3-10%)	72,329 (72,329)

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 40. Financial risk management objectives and policies (continued)

### Capital management

The primary objective of the Company's Capital Management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize share-holder value. It also manages its capital to ensure that the Company will be able to continue as a going concern. The Company's overall strategy remains unchanged from 2007.

The capital structure of the Company consists of share capital, reserves and retained earnings. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure the Company may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objective's policies or process during the years ended 31 December, 2008 and 31 December, 2007.

The Company monitors capital using a gearing ratio, which is net debt divided by equity plus net debt. The Company's policy is to maintain a gearing ratio between 25% and 30%. The Company includes within net debt interest bearing loans and borrowings. Capital includes stated capital reserves and retained earnings.

	2008 \$'000	2007 \$'000
Net debt	2,842,865	3,006,886
Equity	13,698,594	11,447,161
Debt plus equity	16,541,459	14,454,047
Gearing ratio	0.17	0.21

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 40. Financial risk management objectives and policies (continued)

### Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements.

	Carrying amounts		Fair value	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Financial assets</b>				
Cash and short-term deposits	9,614,311	7,038,582	9,614,311	7,038,582
Available-for-sale investments	631,174	737,939	631,174	737,939
Trade debtors	847,745	2,876,366	847,745	2,876,372
Loans receivable	2,289,720	875,860	2,287,946	880,175
Debt reserve fund	84,207	83,355	84,207	83,555
<b>Financial liabilities</b>				
Fixed rate borrowings	2,483,532	2,616,416	2,287,674	2,556,449
Floating rate borrowings	359,333	390,470	359,333	390,470
Other financial liabilities	1,878,036	2,460,782	1,878,036	2,460,782

### Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, short-term investments, sundry debtors and current liabilities are a reasonable estimate of fair values because of the short term nature of these instruments.

### Long-term financial assets and liabilities

The fair value of the Company's floating rate long-term loan receivable and debt approximates its carrying amount given the floating nature of the loans at prevailing market rates.

The fair value of investments that are actively traded in financial markets is determined by reference to quoted market prices at the close of business at the balance sheet date. For investments where there is no active market the fair value estimates cannot be reasonably assessed and as such are measured at cost.

# Notes to the Non-Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 40. Financial risk management objectives and policies (continued)

### Derivative financial instruments and hedging

The Company used derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Company does not carry any financial instrument which meets the strict criteria for hedge accounting.

## 41. Dividends

No dividends have been declared for the year 2008 (2007: \$650 million). Subsequent to year end, an interim dividend of \$200 million was paid for the 2008 financial year.



**THE NATIONAL GAS COMPANY  
OF TRINIDAD AND TOBAGO LIMITED**



## Consolidated Financial Statements





# Report of Independent Auditors' to the Shareholders of The National Gas Company of Trinidad and Tobago Limited

We have audited the accompanying consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited which comprise the consolidated balance sheet as at 31 December, 2008 and the consolidated statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **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 International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **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.

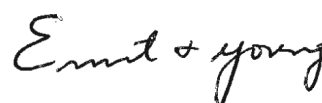
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

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 auditor considers 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 give a true and fair view of the financial position of the Group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain,  
TRINIDAD:  
18 December, 2009

# Consolidated Balance Sheet

As at 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

ASSETS	2008 \$'000	2007 \$'000 Restated
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment (note 4)	5,649,491	5,358,106
Intangible assets (note 5)	3,199	11,614
Investment property (note 6)	464,197	69,149
Interest in joint venture (note 7)	708,458	666,435
Investments and advances (note 8)	960,657	1,069,441
Derivative financial instruments (note 9)	39,206	–
Deferred tax asset (note 20)	588,451	394,554
Deferred expenses (note 10)	184,104	206,386
Long-term loan receivable (note 11)	1,982,586	736,568
Debt reserve funds (note 12)	164,882	162,296
	<u>10,745,231</u>	<u>8,674,549</u>
<b>CURRENT ASSETS</b>		
Cash and short-term deposits (note 13)	11,027,132	8,217,556
Accounts receivable (note 14)	1,094,366	3,222,155
Current portion of long-term loan receivable (note 11)	28,314	111,784
Short-term loan receivable (note 11)	–	90,244
Inventories (note 15)	21,268	39,576
Sundry debtors and prepayments (note 16)	1,807,675	1,549,101
Deferred expenses (note 10)	3,646	45,680
Income taxes receivable	71,333	81,988
	<u>14,053,734</u>	<u>13,358,084</u>
Total current assets		
	<u>24,798,965</u>	<u>22,032,633</u>

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

# Consolidated Balance Sheet

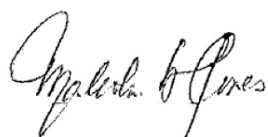
As at 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000 Restated
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Stated capital (note 17)	1,752,848	1,752,848
Reserve fund (note 18)	438,192	438,192
Other reserves (note 19)	536,459	729,020
Retained earnings	12,529,611	9,757,618
Equity attributable to equity holders of the parent	15,257,110	12,677,678
Minority interests	315,496	261,677
	<u>15,572,606</u>	<u>12,939,355</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liability (note 20)	824,721	674,022
Long-term debt (note 21)	3,825,517	4,061,943
Provisions (note 22)	666,591	480,361
Post retirement medical and group life obligation (note 23)	63,896	83,256
Pension obligation (note 24)	37,838	2,091
Deferred income (note 25)	186,438	62,197
Long-term creditors (note 26)	103,120	111,602
Total non-current liabilities	<u>5,708,121</u>	<u>5,475,472</u>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (note 21)	144,846	162,664
Trade creditors (note 27)	907,770	2,125,620
Sundry creditors and accruals (note 28)	1,468,319	1,071,499
Deferred income (note 25)	59,313	56,986
Provisions (note 22)	264	266
Income taxes payable	587,726	200,771
Dividends payable	350,000	—
Total current liabilities	<u>3,518,238</u>	<u>3,617,806</u>
Total liabilities	<u>9,226,359</u>	<u>9,093,278</u>
Total equity and liabilities	<u>24,798,965</u>	<u>22,032,633</u>

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

The consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited were authorized for issue by The Board of Directors on 18 December, 2009.

 : Director

 : Director

# Consolidated Statement of Income

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	Note	2008 \$'000	2007 \$'000 Restated
Sales	29	17,744,608	12,876,021
Cost of sales	29	<u>(11,374,789)</u>	<u>(8,954,556)</u>
Gross profit		6,369,819	3,921,465
Other operating income	30	144,521	42,161
Interest and investment income	31	1,400,806	1,116,051
Share of income from joint venture	7	735,197	645,788
Administrative, maintenance & general expenses	32	(1,690,282)	(295,714)
Impairment expense	33	(331,105)	(190,000)
Other expenses		(42,073)	(21,856)
Finance costs	34	(509,898)	(317,851)
Loss on foreign exchange transactions		<u>(6,563)</u>	<u>(2,812)</u>
Profit before tax		6,070,422	4,897,232
Income tax expense	20	<u>(2,410,291)</u>	<u>(1,321,657)</u>
Profit for the year		<u>3,660,131</u>	<u>3,575,575</u>
Attributable to:			
Equity holders of the Parent		3,397,832	3,335,168
Minority interests		<u>262,299</u>	<u>240,407</u>
Net profit for the year		<u>3,660,131</u>	<u>3,575,575</u>

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

# Consolidated Statement of Changes in Equity

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	Stated capital \$'000	Reserve fund \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
<b>Balance as at 1 January, 2007 – originally stated</b>	1,752,848	438,192	758,504	6,340,880	9,290,424	230,333	9,520,757
Effect of restatement (Note 2.5(x))	–	–	–	57,423	57,423	–	57,423
<b>Balance as at 1 January 2007 restated</b>	1,752,848	438,192	758,504	6,398,303	9,347,847	230,333	9,578,180
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	(24,147)	24,147	–	–	–
Net losses on available-for-sale financial assets	–	–	(34,958)	–	(34,958)	–	(34,958)
Foreign currency translation	–	–	29,621	–	29,621	634	30,255
Total income and expense for the year recognized in equity	–	–	(29,484)	24,147	(5,337)	634	(4,703)
Profit for the year	–	–	–	3,335,168	3,335,168	240,407	3,575,575
Total income/expense for the year	–	–	(29,484)	3,359,315	3,329,831	241,041	3,570,872
Dividends	–	–	–	–	–	(209,697)	(209,697)
<b>Balance as at 31 December, 2007 (restated)</b>	1,752,848	438,192	729,020	9,757,618	12,677,678	261,677	12,939,355
<b>Balance as at 1 January, 2008</b>	1,752,848	438,192	729,020	9,757,618	12,677,678	261,677	12,939,355
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	(24,161)	24,161	–	–	–
Net losses on available-for-sale financial assets	–	–	(107,786)	–	(107,786)	–	(107,786)
Foreign currency translation	–	–	(60,614)	–	(60,614)	(1,439)	(62,053)
Total income and expense for the year recognized in equity	–	–	(192,561)	24,161	(168,400)	(1,439)	(169,839)
Profit for the year	–	–	–	3,397,832	3,397,832	262,299	3,660,131
Total income/expense for the year	–	–	(192,561)	3,421,993	3,229,432	260,860	3,490,292
Dividends paid	–	–	–	(300,000)	(300,000)	(207,041)	(507,041)
Dividends payable	–	–	–	(350,000)	(350,000)	–	(350,000)
<b>Balance as at 31 December, 2008</b>	1,752,848	438,192	536,459	12,529,611	15,257,110	315,496	15,572,606

The accompanying notes form an integral part of these financial statements

# Consolidated Statement of Cash Flows

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000 Restated
<b>Cash flows from operating activities</b>		
Cash generated from operations (note 35)	6,447,501	4,080,633
Pension contributions paid	(21,417)	(14,555)
Income taxes paid	(2,051,036)	(1,405,564)
Interest paid	(277,289)	(293,471)
Interest received	475,496	412,879
Decrease in long-term creditors	(7,783)	(45,105)
Net cash generated from operating activities	<u>4,565,472</u>	<u>2,734,817</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and investment property	(978,414)	(758,970)
Proceeds on disposal of property, plant and equipment	72,367	687
Net change in short-term investments	(4,341,319)	(3,105,604)
Proceeds from repayment of loan receivables	201,368	87,086
Increase in debt reserve fund	(3,569)	(82,690)
Dividends received	993,308	773,741
Derivative financial instrument	(222,113)	—
Net cash used in investing activities	<u>(4,278,372)</u>	<u>(3,085,750)</u>
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(227,780)	(163,584)
Payment of borrowing costs	(519)	(365)
Dividends paid	(506,330)	(409,701)
Net cash used in financing activities	<u>(734,629)</u>	<u>(573,650)</u>
Net decrease in cash and cash equivalents	(447,529)	(924,583)
Net foreign exchange differences	25,575	34,383
Cash and cash equivalents		
- beginning of year	1,869,566	2,759,766
-end of year (note 13 (b))	<u>1,447,612</u>	<u>1,869,566</u>

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



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 1. Corporate information

The National Gas Company of Trinidad and Tobago Limited and subsidiaries ("the Group") is a diversified company primarily engaged in the purchase, transmission, and distribution of natural gas in Trinidad and Tobago. The Company is wholly owned by the Government of Trinidad and Tobago. The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Point Lisas, Trinidad.

The Group's subsidiaries, joint venture and associate are as follows:

Name of Company	Country of incorporation	Percentage equity interest
<i><b>Subsidiary Companies</b></i>		
National Energy Corporation of Trinidad and Tobago Limited	Trinidad and Tobago	100%
NGC Pipeline Company Limited	Trinidad and Tobago	100%
Trinidad and Tobago LNG Limited	Trinidad and Tobago	100%
La Brea Industrial Development Company Limited	Trinidad and Tobago	83%
NGC NGL Company Limited	Trinidad and Tobago	80%
NGC Trinidad and Tobago LNG Company Limited	Trinidad and Tobago	62.16%
<i><b>Associated Company</b></i>		
Trinidad and Tobago Marine Petroleum Company Limited (TRINTOMAR)	Trinidad and Tobago	20%
<i><b>Joint Venture</b></i>		
Phoenix Park Gas Processors Limited	Trinidad and Tobago	41%*
<i><b>Other</b></i>		
Atlantic 1 Holdings LLC	United States of America	6.2%**
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	11.11%***

\* owned 51% by NGC NGL Company Limited

\*\* owned 10% by NGC Trinidad and Tobago LNG Company Limited

\*\*\* owned by Trinidad and Tobago LNG Limited

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.1 Basis of preparation

These financial statements have been prepared under the historical cost basis, except for the revaluation of the Group's offshore plant and equipment, pipelines and available-for-sale investments, which have been measured at fair value. The financial statements are presented in Trinidad and Tobago dollars (TT\$).

### Statement of compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

### Principles of consolidation

The financial statements of the Group include the accounts of the parent and its subsidiary companies. All intra-group balances, transactions, and income and expenses have been eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

## 2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

- IFRIC 11 – IFRS 2 Group and Treasury Share Transactions
- IFRIC 12 – Service Concession Arrangements
- IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The principal effects of these changes are as follows:-

### IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Group has no such arrangements and therefore the interpretation has no impact on the financial position or performance of the Group.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.3 Changes in accounting policy and disclosures (continued)

### IFRIC 12 – Service Concession Arrangements

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Group has no such arrangement, therefore, this interpretation has no impact on the Group.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction.

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 1 Employee Benefits.

This interpretation is not expected to have a significant impact on the Group.

## 2.4 Significant accounting judgements, estimates and assumptions

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

### Judgments

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

### Estimates and assumptions

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

#### Impairment of non-financial assets

The Group assesses whether there are indicators of impairment for all non financial assets at each reporting date. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Impairment of available-for-sale investments

The Group classifies certain assets as available for sale and recognizes movement in their fair value in equity. When fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognized in profit or loss. As at 31 December, 2008 no impairment loss has been recognized in the statement of income. Net losses recognized in the statement of equity have been TT\$108 million (2007: TT\$35 million).

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.4 Significant accounting judgements, estimates and assumptions (continued)

### Estimates and assumptions (continued)

#### Tax assessments

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

#### Pension and other post employment benefits

The cost of defined benefits pension plans and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, future salary increases mortality rates and future pension increases. Due to the long term nature of these plans such estimates are subject to significant uncertainty.

#### Carrying value of oil and gas assets

Oil and gas properties are depreciated using the units-of-production (UOP) method over proven developed and undeveloped mineral reserves.

The calculation of the unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proven reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- changes in proven reserves;
- the effect on proven reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues.

#### Asset retirement obligation

The Group has recorded a provision for the estimated cost of decommissioning its offshore plant and equipment. In determining the amount of provision, assumptions and estimates are required in relation to discount rates and expected cost to dismantle and remove the offshore plant and equipment.

## 2.5 Summary of significant accounting policies

### (a) Cash and cash equivalents

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

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

### (b) Accounts and other receivables

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (c) Inventories

Inventories are valued at the lower of weighted average cost and net realizable value. The cost of LNG inventories comprises feed gas cost, and other direct and production costs including transportation tariff and processing fees. Net realizable value is the estimate of the selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

### (d) Taxes

#### *Current tax*

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

#### *Deferred tax*

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the carry-forward of unused tax losses can be utilized.

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

### (e) Property, plant and equipment

#### (i) Non-oil and gas assets

Property, plant and equipment, except for offshore plant and equipment and pipelines, is stated at cost less accumulated depreciation and accumulated impairment losses. Offshore plant and equipment and pipelines are measured at fair value, less depreciation and impairment, charged subsequent to the date of the revaluation.

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

Machinery and equipment	10%-50%
Pipelines and related facilities	4%
Offshore plant and equipment	12.5%
Marine infrastructural assets	2.5%-20%
Other assets	6.6%-33.3%
Software	50%

Leasehold property is amortized as follows:

Land	-	over the term of the lease.
Buildings	-	over fifty (50) years or the term of the lease, whichever is shorter.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (e) Property, plant and equipment (continued)

#### (i) Non-oil and gas assets (continued)

All costs relating to assets under construction will upon completion be transferred to their relevant fixed asset categories and are depreciated from that date.

Following initial recognition at cost, offshore plant and equipment and pipelines are carried at a revalued amount, which is the fair value at the date of the revaluation, less any subsequent accumulated depreciation and impairment losses. Generally, valuations are performed every five to seven years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit and loss, in which case, the increase is recognized in profit and loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### (ii) Oil and gas assets

The Group accounts for its natural gas and crude oil exploration, development and production activities under the full cost method of accounting.

Under this method all cost associated with the exploration for and development of oil and gas reserve are capitalized. These costs include land acquisition costs, geological and geophysical costs, interest and the carrying costs of non-producing properties, cost of drilling productive and non-productive wells, administration costs related to exploration and development activities and related plant and equipment costs, but do not include any cost related to production, general corporate overheads or similar activities.

The cost also includes the estimated cost of dismantlement, assets removal and site restoration.

The provision for depletion and amortization is determined using the unit-of-production method based upon the estimated proven developed reserves of oil and gas, as determined by an independent qualified petroleum consultant. Costs associated with the acquisition and evaluation of significant unproven properties are excluded from amounts subject to depletion until such time as the properties are proved or become impaired.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (f) Investment property

Investment property is stated at cost, less accumulated depreciation less impairment. Depreciation is provided on a straight line basis over the estimated economic useful lives of the assets at the following rates:

Fabrication yard	3.33%
Development cost	10% - 33%

No depreciation is provided on freehold land.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of income in year of retirement or disposal.

### (g) Intangible assets

Intangible assets acquired separately are measured at initial recognition at cost. Following initial recognition, intangible assets are carried at cost, less any accumulated depreciation.

Intangible assets consist of software which is depreciated over the useful economic life currently estimated at two (2) years, and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The depreciation period and the depreciation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the depreciation period or method as appropriate and treated as charges in accounting estimates.

### (h) Long-term debt

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

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

### (i) Foreign currencies

The presentation currency of the Group's financial statements is Trinidad & Tobago dollars (TT\$). However, the functional currency of the parent company and four (4) of its subsidiaries is the United States dollar (US\$) because it is the currency of the primary economic environment in which these entities operate. All balance sheet accounts have been translated using exchange rates in effect at the balance sheet date and income statement amounts have been translated using average exchange rates for the year. Gains and losses resulting from this process have been recorded in translation reserve as a separate component of equity.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Resulting exchange differences are recognized in income for the year. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate as at the dates of initial transactions.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (j) Borrowing costs

Borrowing costs to finance the construction of property, plant and equipment are capitalized during the period required to complete and prepare the asset for its intended use, using the effective interest method. All other borrowing costs are expensed.

### (k) Trade and other payables

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

Payables to related parties are carried at cost.

### (l) Investments and other financial assets

Investment in joint venture

NGC NGL Company Limited, an 80% owned subsidiary, has a 51% interest in Phoenix Park Gas Processors Limited (PPGPL), which is a jointly controlled entity involved in the extraction of propane, butanes and natural gasoline from the natural gas stream.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity, in which each venturer has an interest. Despite its controlling interest, the Group does not exercise unilateral control over PPGPL's significant operating and financial decisions and, therefore, accounts for PPGPL under the equity method of accounting. The statement of income reflects the Group's share of PPGPL's results of operations. If there has been a change recognized directly in PPGPL's equity, the Group recognizes its share of any changes and discloses this, where applicable, in the statement of changes in equity.

Investment in associated company

Investment in associated company is accounted for using the cost method of accounting, whereby these investments are initially recorded at cost and subsequently adjusted to recognize any diminution in value considered permanent.

Financial assets

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

Held-to-maturity investments

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

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (l) Investments and other financial assets (continued)

#### Loans and receivables

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

#### Available-for-sale financial investments

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

#### Fair value

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

#### Amortised cost

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

### (m) Pension and other post employment benefits

The Group maintains a defined benefit pension plan, which covers all of its permanent employees effective 1 May, 1977. The funds of the plan are held separately from the Companies and are administered by Trustees. The plan is funded by payments from employees and the Group, taking into account the recommendations of independent qualified actuaries.

The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of income, amended so as to spread the regular cost over the service lives of employees in accordance with the advice of independent actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities. All actuarial gains or losses to be recognized are spread forward over the average remaining service lives of employees.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service cost not yet recognized and the fair value of plan assets out of which the obligations are to be settled directly.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (m) Pension and other post employment benefits (continued)

If such aggregate is negative, the pension asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognized net actuarial losses and refunds from the plan or reductions in the future contributions to the plan.

Pension income/cost is included in staff costs within administrative, maintenance and general expenses in the statement of income.

The Group also provides certain additional post-employment medical and group life benefits to retirees.

### (n) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

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

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (o) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value, less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

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

### (p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the statement of income amended over the lease term.

### (q) Revenue recognition

Revenues associated with the sale of gas, oil and condensate are recognized when title and the related rights pass to the customer. Revenue associated with services is recognized upon performance of services. Dividend income is recognized when dividends are declared by the investee company. Interest income is accounted for on the accruals basis.

### (r) Provisions

#### General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amounts of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss net of any reimbursement. If the effects of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage in time is recognised as a finance cost.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (r) Provisions (continued)

#### Asset retirement obligation

The Group has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment and its proportionate share of the Teak, Samaan and Poui (TSP) assets at the end of their useful lives. The related fixed assets are increased in an amount equivalent to the provision and subsequently depreciated as part of the capital costs of the plant and equipment. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset unless related to the time value of money. The unwinding of the discount on the provision is included in finance costs in the statement of income.

#### Provision for reforestation

The Group has recorded a provision for the cost of reforestation. These estimated costs of replacing forests cleared in the construction of its pipelines were included in the related fixed asset and are to be depreciated as part of the capital cost of the pipelines.

### (s) Financial liabilities

#### Interest bearing loans and borrowings

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

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

Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

### (t) Derecognition of financial assets and liabilities

#### Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement ; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (t) Derecognition of financial assets and liabilities (continued)

#### Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### Financial liabilities

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

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

### (u) Derivative financial instruments and hedging

The Group used derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Group does not carry any financial instrument which meets the strict criteria for hedge accounting.

### (v) Government grants

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

### (w) Deferred capital grants

Capital grants received from the Government of Trinidad and Tobago for the purchase of property are recognised where there is reasonable assurance that the grant funds will be received and utilised in accordance with all stipulated conditions missing. An amount equivalent to the depreciation charge on the relevant property, plant and equipment is released to income over the expected useful life of the asset.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 2.5 Summary of significant accounting policies (continued)

### (x) Restatement

The Group has restated its financial statements as at 31 December, 2007 in respect of a change in the economic useful life of the marine assets of its subsidiary, The National Energy Corporation Limited. This adjustment was recorded retrospectively in accordance with IAS 8.

This restatement increased previously reported amounts as follows:

As at or for the year ended 31 December, 2007

	Profit before taxation \$'000	Property, plant & equipment \$'000	Deferred taxation liability \$'000
As originally reported	4,886,451	5,272,152	652,184
Marine infrastructural assets	<u>10,781</u>	<u>87,345</u>	<u>21,838</u>
As restated	<u>4,897,232</u>	<u>5,359,497</u>	<u>674,022</u>

### (y) Comparative information

Certain changes in presentation have been made in these financial statements as follows:

- The reclassification of \$1.391 million from property, plant and equipment to investment property. The comparative figure of cost of \$104.955 million and accumulated depreciation/impairment of \$103.564 million in investment property has been restated accordingly. This reclassification has no effect on the profit and loss for the current and previous year.
- Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year. These reclassifications have no effect on the profit and loss for the current and previous year.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 3. Future changes in accounting policies

Standards issued but not yet effective

The Group has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning after 1 January 2008.

IFRS 8 Operating Segments (effective from January 1, 2009) requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group.

IAS 23 Borrowing Costs was amended (effective from January 1, 2009) and requires capitalization of borrowing costs that relate to a qualifying asset. The transitional provisions of the standard require prospective application from the effective date.

IAS 32 Financial Instruments: Presentation was amended (effective from 1 January, 2009) regarding Puttable Financial Instruments and Obligations Arising on Liquidation, and requires entities to classify certain types of financial instruments as equity provided they have particular features and meet specific conditions.

IAS 39 Financial Instruments: Recognition and Measurement was amended (effective from 1 July, 2009) regarding Hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item.

IFRS 2 Share-based Payment was amended (effective from 1 January, 2009) regarding Vesting Conditions and Cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions.

IFRS 3 Business Combinations was amended (effective from 1 July, 2009). The amendments were the result of a joint project with the US FASB, and certain fundamental changes and improvements were made to reinforce the existing standard and remedy problems that have emerged with its application.

IFRS 1 First-time Adoption and IAS 27 Consolidated and Separate Financial Statements was amended (effective from 1 January, 2009) and provides guidance on determining the cost of investments in subsidiaries, jointly controlled entities and associates in the financial statements of a parent entity that prepares separate financial statements.

IAS 1 Presentation of Financial Statements was revised (effective 1 January, 2009) and separates owner and non-owner changes in equity, through the introduction of a statement of comprehensive income.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 3. Future changes in accounting policies (continued)

In May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 1, 2009. The following table shows the IFRSs and topics addressed by these amendments

IFRS	Subject of Amendment
<b>Part I</b>	<b>Amendments that result in accounting changes for presentation, recognition and measurement purposes</b>
IFRS 5	Plan to sell the controlling interest in a subsidiary.
IAS 1	Current/non-current classification of derivatives.
IAS 16	Recoverable amount.
IAS 19	Curtailments and negative past service cost. Plan administration costs. Replacement of term "fall due". Guidance on contingent liabilities.
IAS 20	Government loans with a below-market interest rate.
IAS 23	Components of borrowing costs.
IAS 27	Measurement of subsidiary held for sale in separate financial statements.
IAS 28	Required disclosures when investments in associates are accounted for at fair value through profit or loss.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 29	Description of measurement basis in financial statements.
IAS 36	Disclosure of estimates used to determine recoverable amount.
IAS 38	Advertising and promotional activities. Unit of production method of amortization.
IAS 39	Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	Property under construction or development for future use as investment property.
IAS 41	Discount rate for fair value calculations.
<b>Part II</b>	<b>Amendments that are terminology or editorial changes only</b>
IFRS 7	Presentation of finance costs.
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 18	Costs of originating a loan.
IAS 20	Consistency of terminology with other IFRSs.
IAS 29	Consistency of terminology with other IFRSs.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 40	Consistency of terminology with IAS 8. Investment property held under lease.
IAS 41	Examples of agricultural produce and products. Point-of-sale costs.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 3. Future changes in accounting policies (continued)

IFRIC 13 Customer Loyalty Programmes (effective from July 1, 2008) requires that award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. Banks often grant customers award credits (or points) as part of their credit card programme, which may be redeemed for free or discounted goods. Such banks would need to consider whether their customer loyalty programme falls under the scope of the IFRIC.

IFRIC 15 Agreements for the Construction of Real Estate (effective from January 1, 2009) regarding when and how revenue and related expenses from the sale of real estate as construction progresses should be recognized, and addresses the divergence in accounting treatment arising from such arrangements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from October 1, 2008) provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment. It also provides guidance on where within the group the hedging instrument can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective from July 1, 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognize a liability and how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so.

IFRIC 18 Transfers of Assets from Customers (effective from July 1, 2009) provides guidance on when and how an entity should recognize items of property, plant and equipment received from their customers.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 4. Property, plant and equipment

2008	Freehold land \$'000	Leasehold property \$'000	Machinery Development \$'000	Pipeline & equipment \$'000	Oil & related facilities \$'000	Offshore gas assets \$'000	Marine plant & equipment \$'000	infrastructure assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
<b>Cost/valuation</b>											
At beginning of year	3,846	133,588	1,760	94,567	3,471,031	427,152	443,644	748,924	57,178	1,853,057	7,234,747
Additions	-	-	-	5,382	1,285,009	105,536	8,406	1,414	13,240	(435,190)	983,797
Transfers	-	-	-	-	-	-	-	-	-	(500,006)	(500,006)
Disposals	-	(3,094)	-	(117)	-	(14,114)	-	(24,818)	(5,570)	(2,403)	(50,116)
Foreign exchange difference	(25)	(747)	-	(526)	(17,896)	(2,325)	(2,679)	(3,181)	(283)	(16,358)	(44,020)
	3,821	129,747	1,760	99,306	4,738,144	516,249	449,371	722,339	64,565	899,100	7,624,402
<b>Accumulated depreciation/ impairment</b>											
At the beginning of year	-	49,038	256	86,955	727,752	97,182	443,644	243,528	38,286	190,000	1,876,641
Charges for year	-	2,120	169	2,697	139,458	69,346	-	20,003	8,702	-	242,495
Transfers	-	-	-	-	-	-	-	-	-	(206,873)	(206,873)
Impairment	-	-	-	-	-	-	8,406	48,033	-	40,491	96,930
Disposals	-	-	-	(115)	-	-	-	(19,083)	(5,322)	-	(24,520)
Foreign exchange difference	-	(283)	-	(500)	(4,169)	(410)	(2,679)	(237)	(187)	(1,297)	(9,762)
	-	50,875	425	89,037	863,041	166,118	449,371	292,244	41,479	22,321	1,974,911
<b>Net book value</b>	3,821	78,872	1,335	10,269	3,875,103	350,131	-	430,095	23,086	876,779	5,649,491

Interest capitalized for the year ended 31 December, 2008 is \$Nil (2007: \$26 million).

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 4. Property, plant and equipment

2007	Freehold land \$'000	Leasehold property \$'000	Development costs \$'000	Machinery & equipment \$'000	Pipeline & related facilities \$'000	Oil & gas assets \$'000	Offshore plant & equipment \$'000	Marine structural assets \$'000	Other assets \$'000	Assets under construction \$'000	Total \$'000
<b>Cost/valuation</b>											
At beginning of year	3,834	127,169	1,032	97,747	3,452,809	304,072	438,325	705,803	55,449	1,285,932	6,472,172
Additions/transfer at cost	-	6,096	728	3,091	9,424	122,065	4,142	42,872	8,205	577,000	773,623
Disposals/transfer	-	-	-	(6,521)	-	-	-	-	(6,623)	(13,161)	(26,305)
Foreign exchange difference	12	323	-	250	8,798	1,015	1,177	249	147	3,286	15,257
	3,846	133,588	1,760	94,567	3,471,031	427,152	443,644	748,924	57,178	1,853,057	7,234,747
<b>Accumulated Depreciation/impairment</b>											
At the beginning of year	-	46,802	(333)	76,643	590,464	49,474	438,325	221,239	35,560	-	1,458,174
Charges for year	-	2,113	589	16,607	135,909	47,283	-	22,277	8,461	-	233,239
Impairment	-	-	-	-	-	-	4,142	-	-	190,000	194,142
Disposals/transfer	-	-	-	(6,515)	-	-	-	(85)	(5,836)	-	(12,436)
Foreign exchange difference	-	123	-	220	1,379	425	1,177	97	101	-	3,522
	-	49,038	256	86,955	727,752	97,182	443,644	243,528	38,286	190,000	1,876,641
<b>Net book value</b>	3,846	84,550	1,504	7,612	2,743,279	329,970	-	505,396	18,892	1,663,057	5,358,106

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 4. Property, plant and equipment (continued)

### (a) Revaluation of offshore plant and equipment and pipelines

#### i. Offshore plant and equipment

The Group revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Parent Company revalued its offshore plant and equipment at an amount of TT\$139 million to be depreciated over the assets' remaining useful life of eight years. A corresponding amount of TT\$90.3 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December, 2008.

The offshore plant and equipment was fully impaired in 2005.

#### ii. Pipelines

The Group revalues its pipelines every five to seven years. In January 2000, an independent accredited valuer revalued the Group's pipelines at an amount of TT\$927 million. If these pipelines were measured using the cost model, the net carrying amount would have been TT\$124.49 million and TT\$145 million respectively, as at 31 December, 2008 and 2007.

### (b) Pipelines and related facilities

Included in "Pipelines and related facilities" is the Trinidad and Tobago Electricity Commission (T&TEC) pipeline system, which was acquired by the Parent Company from T&TEC with effect from 1 January, 1977. However, the Parent Company has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired by the Parent Company. Refer also to note 38.

### (c) Impairment

See note 33.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>5. Intangible assets</b>		
<b>Cost</b>		
At the beginning of year	68,388	71,247
Additions/transfers at cost	3,740	590
Disposals	–	(3,631)
Foreign exchange difference	(407)	182
	<u>71,721</u>	<u>68,388</u>
<b>Accumulated depreciation</b>		
At the beginning of year	56,774	35,211
Charges for the year	12,062	25,066
Disposals	–	(3,631)
Foreign exchange difference	(314)	128
	<u>68,522</u>	<u>56,774</u>
<b>Net book value</b>	<u>3,199</u>	<u>11,614</u>
<b>6. Investment property</b>		
<b>Cost</b>		
At beginning of the year	178,247	177,371
Additions	58,264	–
Transfers	500,932	876
	<u>737,443</u>	<u>178,247</u>
<b>Accumulated depreciation/impairment</b>		
At beginning of the year	109,098	107,137
Transfers	206,873	–
Depreciation charge for the year	2,329	1,961
Impairment	(45,054)	–
	<u>273,246</u>	<u>109,098</u>
<b>Net book value</b>	<u>464,197</u>	<u>69,149</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 7. Interest in joint venture

The NGC NGL Company Limited's 51% share of the assets, liabilities, and income and expenses of PPGPL as at 31 December, 2008 and 2007 are as follows:

	2008 \$'000	2007 \$'000
Share of PPGPL's balance sheet:		
Current assets	589,904	886,978
Non-current assets	1,213,349	1,118,031
Current liabilities	(241,573)	(370,030)
Non-current liabilities	(853,222)	(968,544)
Net assets	708,458	666,435
Share of PPGPL's income statement:		
Revenue	2,877,856	2,403,144
Cost of sales	(1,545,232)	(1,227,486)
Operating and other expenses	(201,337)	(163,855)
Finance costs	(14,353)	(16,509)
Profit before tax	1,116,934	995,294
Income tax expense	(381,737)	(349,506)
Profit for the year	735,197	645,788

## 8. Investments and advances

Investments and advances comprise the following:

	2008 \$'000	2007 \$'000
Held-to-maturity investments (note a)	897	902
Investment in Atlantic 1 Holdings LLC, at cost	152,963	153,903
Investment in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited, at cost	175,623	176,697
Available-for-sale financial assets (note b)	631,174	737,939
	960,657	1,069,441

### (a) Held-to-maturity

These are investments with fixed or determinable payments and fixed maturity dates which the Group intends to hold to maturity.

### (b) Available-for-sale financial assets

Shares – listed	617,302	723,983
Shares – unlisted	13,872	13,956
	631,174	737,939

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 8. Investments and advances (continued)

### (b) Available-for-sale financial assets (continued)

#### Listed

Available-for-sale financial assets consist of investments in ordinary shares and the first unit scheme of The Trinidad & Tobago Unit Trust Corporation (a mutual fund), and therefore have no fixed maturity date or coupon rate. The fair value of the listed ordinary shares is determined by reference to published price quotations in an active market.

#### Unlisted

For investments where there is no active market, the fair value estimates cannot be reasonably assessed, and as such are measured at cost.

## 9. Financial asset at fair value through profit and loss

In 2006, the Company issued a US\$400 million bond to be repaid via a bullet payment in January 2036. To meet 50% of the liability, in 2008 the company invested US\$35.5 million in two (2) single tranche credit-linked notes at a cost of US\$17.750 million each. During the first ten (10) years of the investment there is risk in relation to loss of the principal. At the end of the ten (10) year period, the note converts to a zero coupon bond and this risk no longer applies. Upon maturity of the notes, they will have a value of US\$100 million each subject to any loss in value arising from credit events. This investment was accounted for in accordance with IAS 39.

The market to market value of the investment as at 31 December, 2008 was TT\$39.206 million (US\$6.25 million).

	2008 \$'000	2007 \$'000
10. Deferred expenses		
Take-or-pay	187,750	252,066
Less: current portion	(3,646)	(45,680)
	<u>184,104</u>	<u>206,386</u>

Take-or-pay represents the right to take gas under a take-or-pay agreement for which the Group has recognized a liability to pay for gas volumes contractually committed to but not yet taken. The expenditure is recognized on the earlier of when the gas volumes are actually taken or on expiration of the deficiency recovery period. The Group expects to take the underlying volumes of gas prior to the expiration of the contractual term.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>11. Loans receivable</b>		
(a) Long-term loans receivable		
Trinidad and Tobago Electricity Commission (note i)	28,314	141,562
Trinidad and Tobago Electricity Commission (note ii)	1,280,096	–
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	702,490	706,790
	<b>2,010,900</b>	848,352
Less: current portion of loans	<b>(28,314)</b>	(111,784)
Long-term loans receivable	<b>1,982,586</b>	736,568

## *Trinidad and Tobago Electricity Commission (T&TEC)*

- i. This loan is for a period of 6 years with interest payable at the rate of 8.75% per annum with a moratorium on principal and interest payment for the first two years of the loan. During this period, interest was capitalized and amalgamated with the loan receivable, which is payable in equal monthly installments over the 4 remaining years with an option for prepayment. The loan agreement was finalized on 6 April, 2005.

The fair value of the loan was TT\$26.538 million at 31 December 2008 (2007: TT\$136.12 million).

- ii. Trade receivables in the amount of TT\$1.421 billion (US\$ 226.482 million), together with penalty interest of TT\$147.39 million, which represent unpaid gas purchases for the period July, 2005 to December, 2008, owed by Trinidad & Tobago Electricity Commission ("T&TEC") has been reclassified as a long-term loan receivable at 31 December, 2008 as the Group expects that this balance will be converted to a loan effective 1 December, 2009. T&TEC is the local utility company that distributes electric power to customers in Trinidad and Tobago and is wholly owned by the Government of Trinidad and Tobago. The loan will be for a period of 7 years with interest payable at a fixed rate of 3% per annum. The loan will be repayable semi-annually commencing on 1 June, 2010. The loan agreement has not yet been finalized.

On initial recognition of the long-term loan receivable at 31 December, 2008, the loan has been impaired by TT\$287.635 million (US\$45.972 million). The impairment test was based on the cash flow arising from the terms of the expected long-term loan between the Parent Company and representatives of the Government of Trinidad and Tobago, using a discount rate of 7%.

The fair value of the long-term loan approximates its carrying value at 31 December, 2008.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 11. Loans receivable (continued)

### (a) Long-term loans receivable (continued)

#### *Atlantic LNG 4 Company of Trinidad and Tobago Unlimited*

Pursuant to the Atlantic LLC Agreement, the Members are obligated to make Member's Loans and working capital contributions in proportion to each Member's Percentage Interest to fund the construction, commissioning and operations of the ALNG Train 4. The maximum aggregate principal amount of the long-term Member's Loan is US\$1.2 Billion of which the Group's proportion is 11.11% (US\$133.3 million). As at 31 December, 2008 the Group has contributed US\$111.988 million (2007: US\$111.988 million), which represents its share of the long-term Member's Loan. Repayment terms have not been finalized.

This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of Libor plus a margin which ranges from 1.125% to 2.125% per annum. The effective interest rate at the balance sheet date was 5.362% (2007: 7.306%). The fair value of this loan approximates its carrying value.

### (b) Short-term loan receivable

	2008 \$'000	2007 \$'000
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	–	90,244

The short-term loan receivable was required to fund the pre-commercial expenses of Train 4. These funds are cash called as required. The maximum aggregate principal amount of the short-term member's loan available to be drawn down is US\$148 million of which Trinidad and Tobago LNG Limited's proportion is 11.11% or US \$16.443 million. This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of Libor plus an applicable margin. This loan has been repaid in full.

## 12. Debt reserve funds

In accordance with the Letter of Credit and Reimbursement Agreement ("L/C Agreement") dated as of October 15, 1997 among the Parent Company, The Bank of Nova Scotia Trinidad and Tobago Limited, Citibank N.A., De Nationale Inversteringsbank (NA) N.V., and Kredietbank N.V. Dublin Branch collectively and The Bank of Nova Scotia L/C Agent, the Parent Company maintains certain debt reserve funds which are funded from appropriations from two gas sales contracts. As at 31 December, 2008 and 2007, these funds, totaling TT\$84.21 million and TT\$83.31 million respectively, were held in interest bearing accounts. In accordance with the Security agreement, the lenders required that one of the subsidiary companies maintain a Debt Reserve Fund. As at 31 December, 2008 these funds totaling TT\$80.675 million were held in an interest bearing account.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 13. Cash and short-term deposits

	2008 \$'000	2007 \$'000
Cash at banks and on hand	1,121,597	1,323,815
Short-term deposits	10,988,089	6,893,741
Less: Provision for impairment of short-term deposits	(1,082,554)	–
	<u>11,027,132</u>	<u>8,217,556</u>

- a) Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Company and earn interest at the respective short term deposit rates. The fair value of cash and short-term deposits is TT\$11,027.132 million (2007: TT\$8,217.556 million).
- b) For the purposes of the cash flow statement cash and cash equivalents comprised the following at 31 December.

	2008 \$'000	2007 \$'000
Cash at banks and on hand	1,121,597	1,323,815
Short-term deposits (with an original maturity date of less than three months)	326,015	545,751
	<u>1,447,612</u>	<u>1,869,566</u>

- c) The Group held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT\$1,082.55 million as at 31 December, 2008, which were due to mature subsequent to 30 January, 2009.

CIB experienced financial and liquidity issues. On 31st January, 2009 the Central Bank of Trinidad & Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates of \$1,082.5 million and the related accrued interest of TT\$10.7 million have been fully impaired as there is no basis to determine the timing and quantum, if any, of recovery.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 14. Accounts receivable

	2008 \$'000	2007 \$'000
Trade receivable	<u>1,094,366</u>	<u>3,222,155</u>

See note 11(a) (ii).

As at 31 December, 2008, trade receivables impaired and fully provided for totaled \$6.2 million. Movements in the provision for impairment of receivables were as follows:

	Individually impaired \$'000	Collectively impaired \$'000	Total \$'000
At 1 January, 2007	706	5,974	6,680
Charge for year	19	2,826	2,845
Utilized	(706)	(1,995)	(2,701)
At 31 December, 2007	19	6,805	6,824
Charge for year	—	615	615
Utilized	—	(1,259)	(1,259)
Foreign currency translation adjustment	—	(13)	(13)
At 31 December, 2008	<u>19</u>	<u>6,148</u>	<u>6,167</u>

As at 31 December, 2008 the ageing analysis of trade receivables is as follows:

	Total \$'000	Neither past due nor impaired \$'000	<30 days \$'000	30-60 days \$'000	Past due but not impaired 60-90 days \$'000	90-120 days \$'000	>120 days \$'000
2008							
Other receivable	<u>1,094,366</u>	<u>1,003,871</u>	<u>14,993</u>	<u>22,822</u>	<u>7,977</u>	<u>1,156</u>	<u>43,547</u>
2007							
T&TEC receivable	1,081,327	66,335	29,639	34,055	36,597	36,739	877,962
Other receivable	<u>2,140,828</u>	<u>1,844,023</u>	<u>232,616</u>	<u>33,116</u>	<u>7,964</u>	<u>13,985</u>	<u>9,124</u>
	<u>3,222,155</u>	<u>1,910,358</u>	<u>262,255</u>	<u>67,171</u>	<u>44,561</u>	<u>50,724</u>	<u>887,086</u>



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>15. Inventories</b>		
Finished goods - LNG	597	20,875
Consumable spares	17,467	15,480
TSP spares	2,979	2,997
Other	225	224
	<u>21,268</u>	<u>39,576</u>

## 16. Sundry debtors and prepayments

Sundry debtors and prepayments comprise the following:

Prepayments-Dolphin Pipeline (note)	1,191,851	1,199,146
- Other	232,334	20,123
Staff related balances	8,831	3,720
Related party balance	3,070	1,616
Value Added Tax	112,772	62,990
Interest receivable	38,845	107,441
Dividends receivable	53,992	—
Accrued income	6,256	14,234
Other	159,724	139,831
	<u>1,807,675</u>	<u>1,549,101</u>

### Dolphin Pipeline

The National Gas Company of Trinidad and Tobago Limited advanced US\$190 million to BG and Chevron Texaco in April 2006 and subsequently began receiving monthly pre-transfer payments representing advance part payments for the transportation services to be provided on and from the completion date of pipeline. The advance payment has been accounted for as a prepayment, and the pre-transfer payments of US\$82.918 million for the period April 2006 to December 2008 as a liability. The Pipeline equipment has not been completed and the transfer to the National Gas Company of Trinidad and Tobago Limited is not expected to take place until 2010.

	2008 \$'000	2007 \$'000
<b>17. Stated capital</b>		
<b>Authorized</b>		
An unlimited number of ordinary shares of no par value		
<b>Issued and fully paid</b>		
1,752,848,000 ordinary shares of no par value	<u>1,752,848</u>	<u>1,752,848</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 18. Reserve Fund

A Reserve Fund has been set up by the Board of Directors with the objective of minimizing the Group's exposure arising from business interruption, adverse gas price fluctuations, and liabilities or losses which may result from accidents on its self-insured assets.

Transfers to the Reserve Fund will be made in such cases where the Group's standard return on equity is exceeded. The fund cap is 25% of the issued stated capital of the Parent Company.

	2008 \$'000	2007 \$'000
19. Other reserves		
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines	385,575	409,735
Unrealized gain on available-for-sale financial assets	144,478	252,264
Foreign currency translation	<u>6,406</u>	<u>67,021</u>
	<u>536,459</u>	<u>729,020</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>20. Taxation</b>		
Current - Corporation tax	2,332,998	1,262,568
- Petroleum profit tax	97,286	11,743
- Business levy	784	65
- Green fund levy	20,794	15,197
	<u>2,451,862</u>	<u>1,289,573</u>
Deferred	<u>(41,571)</u>	<u>32,084</u>
	<u>2,410,291</u>	<u>1,321,657</u>
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	<u>6,070,422</u>	<u>4,897,232</u>
Tax at the rate of 35%	2,124,648	1,714,031
Tax exempt income	(369,360)	(350,945)
Non-allowable expenses	557,348	848
Additional tax allowances	-	(116)
Other differences	3,507	(1,888)
Prior years' corporation tax	141,677	(30,271)
Prior years' deferred tax	(75,696)	(19,141)
Business levy	784	66
Green fund	21,328	15,197
Tax losses utilized	(946)	(1,388)
Tax loss for which benefit was not recognized	-	1,097
Tax effect of subsidiaries at different rate	(19,973)	(13,028)
Effect of oil and gas assets taxed at a different rate	40,128	11,088
Foreign exchange transaction	<u>(13,154)</u>	<u>(3,893)</u>
Income tax provision	<u>2,410,291</u>	<u>1,321,657</u>
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Property, plant and equipment	10,617	21,719
Accrued interest expense	30,582	37,942
Tax losses	114,030	127,936
Asset retirement obligation	212,115	174,941
Post retirement medical and group life and pension	35,605	29,141
Pre-transfer payment - Dolphin Pipeline	182,052	-
Other	<u>3,450</u>	<u>2,875</u>
	<u>588,451</u>	<u>394,554</u>
Deferred tax liability:		
Property, plant and equipment	<u>824,721</u>	<u>674,022</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

21. Long-term debt	2008 \$'000	2007 \$'000
(i) Caribbean Development Bank	8,965	21,384
(ii) European Investment Bank (EIB)	—	39,159
(iii) AKA Ausfuhrkredit GmbH	101,749	131,621
(iv) First Citizens Bank Limited	350,368	329,927
(v) US \$400M 30-year bond	2,381,782	2,484,795
(vi) CALYON	1,033,974	1,110,892
(vii) First Citizens Bank Limited	49,021	55,540
(viii) RBTT	44,504	51,289
	<b>3,970,363</b>	<b>4,224,607</b>
Less: current portion	<b>(144,846)</b>	<b>(162,664)</b>
	<b>3,825,517</b>	<b>4,061,943</b>

## Description

**Item (i)** relates to a facility established on 23 January, 1997 whereby the Parent Company committed to borrow US\$21.52 million (TT\$135.5 million) to finance the construction of marine facilities at Savonetta, Point Lisas. The loan was fully drawn down in 2000.

## Terms and conditions

The loan provides for 18 equal semi-annual installments, which commenced on 10 June, 2000. Interest is payable semi-annually in arrears at the higher of 3% per annum and EIB's lending rate on disbursement date, less a subsidy applicable to all tranches. This loan is carried at an amount which reflects its contracted obligation.

## Security

Letter of credit secured by specific gas sales contract.

**Item (ii)** relates to a facility established on 11 February, 1996 whereby the Parent Company committed to borrow ECU 45 million, approximately US\$49.71 million (TT\$313.2 million) to finance the construction of new pipelines. The loan was fully drawn down in 1999.

The loan provides for 40 equal quarterly installments, and the first repayment of principal commenced in the year 2000. Interest is payable quarterly in arrears and determined annually. The applicable rate for 2008 ranged between 5.92% – 6.03% (2007: 6% - 6.1%). The fair value of this loan approximates its carrying value.

Letter of credit secured by specific gas sales contracts.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 21. Long-term debt (continued)

Description	Terms and conditions	Security
<p><b>Item (iii)</b> relates to a facility established with AKA GmbH (AusfuhrkreditGesellschaft mbH) on 10 July, 2003 as follows:</p> <p>Tranche 1 US\$38.17 million; and</p> <p>Tranche 2 EUR 1,135.17 million – Insurance Premium.</p>	<p>The loan provides for 17 equal consecutive semi-annual installments commencing June 2004. Interest is payable semi-annually in arrears at the fixed rate of 4.18% per annum commencing June 2004. The fair value of the loan was US\$16.22 million (TT\$102.42 million) at December 2008.</p>	<p>Export credit insurance provided by HERMES.</p>
<p><b>Item (iv)</b> relates to a loan facility of US\$44.4 million established with First Citizens Bank Ltd. on 17 December, 2004 for site development works on Union Industrial Estate.</p>	<p>The loan provides five years' moratorium on principal and interest and for 20 equal and consecutive semi-annual installments of US\$4.17 million commencing 66 months from the effective date and continuing until the facility is repaid. Interest is payable semi-annually in arrears at First Citizens Bank Ltd's USD prime lending rate less 2.60%. The effective interest rate as at 31 December, 2008 was 7.4% (2007: 7.4%). The fair value of this loan approximates its carrying value.</p>	<p>No collateral/security required except for the condition that Union Estate's operating account be established at First Citizens Bank Ltd.</p>
<p><b>Item (v)</b> relates to a US\$ 400 million bond issued by the Parent Company and arranged by Lehman Brothers /Citigroup on 20 January 2006 to finance the construction/acquisition of two new offshore pipelines and for advances to TT LNG to fund its 11.11% of its offshore shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.</p>	<p>The bond will be redeemed for a bullet payment on 15 January, 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05% commencing in July 2006. The fair value of the bond was US\$348.36 million (TT\$2,185.23 million) at 31 December 2008.</p> <p>Bonds with a nominal value of US\$14.065 million were repurchased during 2008. The Company recorded a gain of TT\$27.07 million which has been recognized in the income statement (Note 30).</p>	<p>None.</p>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 21. Long-term debt (continued)

Description	Terms and conditions	Security
<p><b>Item (vi)</b> relates to a facility established with a group of lenders led by CALYON on 23 December, 2004 for US\$200 million (TT\$1,260 million).</p>	<p>Principal is repayable in 30 consecutive semi-annual installments, which commenced 1 June, 2006 and matures on 1 December, 2021. Interest is payable quarterly. The interest rate is based on the relevant type Euro/Base rate advances requested plus a margin ranging between 1.50% per annum to 2.50% per annum (Eurodollar rate advances) and 0.50% per annum to 1.50% per annum (Base rate advances). As at 31 December, 2008, all drawdowns were Eurodollar rate advances. A 15 year interest rate hedge became effective on 1 December, 2005 for fifty per cent (50%) of the financing (US\$100.0 million) at a fixed rate of interest of 4.98% per annum plus the margins noted above. The fair value of the loan was TT\$1,096,880 million at 31 December, 2008. (2007: TT\$911,608 million).</p> <p>The average Libor rate for the year ended 31 December, 2008 was 5.779% (2007: 5.779%). The effective interest rate at the balance sheet date is 4.91250% (2006: 5.3481%) exclusive of the above margin.</p>	<p>Collateral accounts, which include a debt service reserve account, assignment of the borrower's rights, title and interest in specified term sheets relating to transportation agreements, receivables and inventory, assignment of insurances policies and the company's shares owned by the parent.</p>
<p><b>Item (vii)</b> relates to a facility established with First Citizens Bank Ltd. for TT\$67.9 million on 17 May, 2004 by the National Energy Corporation of Trinidad and Tobago Limited in pursuit of its capital expansion programme.</p>	<p>This loan provides for two equal semi-annual payments of interest only followed by 18 semi-annual payments of principal and interest. Interest is fixed at a rate of 6.20% per annum. The fair value of the loan was TT\$47.266 million at 31 December, 2008 (2007: TT\$54.352 million).</p>	<p>Assignment of pier user contracts, chattel mortgage over two tugboats with carrying amounts totaling TT\$47.151 million (2007: TT\$49.007 million) and assignment of all risk marine and special perils insurance coverage over the tugboats.</p>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 21. Long-term debt (continued)

Description	Terms and conditions	Security
Item (viii) relates to a Bond issued on 22 May, 2005 whereby the Parent Company committed to borrow TT\$62 million to finance the construction of the fabrication yard and dock expansion. The Trustee is RBTT Trust Ltd.	The bond provides for 2 semi annual payments of interest only followed by 18 semi annual payments of principal and interest. Interest rate is fixed at 6.05% per annum. The fair value of the bond was TT\$51.289 million at December, 2008 (2007: TT\$58.059 million).	Bond is guaranteed by The National Gas Company of Trinidad and Tobago Limited and The Petroleum Company of Trinidad and Tobago Limited.
		<div>2008</div> <div>2007</div> <div>\$'000</div> <div>\$'000</div>
<b>Maturity profile of long-term debt</b>		
In one year or less		150,309 162,664
In more than one year but not more than two years		164,307 135,497
In more than two years but not more than three years		171,452 160,013
In more than three years but not more than four years		164,468 167,345
In more than four years but not more than five years		140,080 160,506
In more than five years		3,179,747 3,438,582
		<div>3,970,363</div> <div>4,224,607</div>



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 22. Provisions

	Asset retirement obligation \$'000	Environmental obligation \$'000	Onerous contract \$'000	2008 Total \$'000	2007 Total \$'000
Balance as at 1 January, 2008	458,491	22,136	—	<b>480,627</b>	454,425
Amounts utilized during year	—	(1,290)	—	<b>(1,290)</b>	(1,299)
Unwinding of discount	36,013	—	—	<b>36,013</b>	25,796
Increase in provision	43,283	—	10,221	<b>153,504</b>	—
Foreign currency translation	(2,789)	790	—	<b>(1,999)</b>	1,705
Balance as at 31 December, 2008	<u>534,998</u>	<u>21,636</u>	<u>110,221</u>	<b><u>666,855</u></b>	<u>480,627</u>
Current portion	—	264	—	<b>264</b>	266
Non-current portion	<u>534,998</u>	<u>21,372</u>	<u>110,221</u>	<b><u>666,591</u></b>	<u>480,361</u>
	<u>534,998</u>	<u>21,636</u>	<u>110,221</u>	<b><u>666,855</u></b>	<u>480,627</u>

### (i) Asset retirement obligation

The Group has recorded provisions for the net present value of the estimated cost of decommissioning the offshore plant and equipment and the Teak, Samaan and Poui platforms based on studies conducted. A letter of credit was established for the Group's portion of the obligation for the Teak, Samaan and Poui platforms. The future estimated payments of the cost are currently anticipated to be 2012 and 2025 respectively. However the ultimate amount and timing of the cost may vary from the original estimate.

### (ii) Environmental obligation

The Group has committed to reforestation of land areas equivalent to those cleared for pipeline construction and right of way extension. To this end an environmental obligation was recorded in the financial statements in December 2005.

### (iii) Onerous contract

The Group has an onerous compression contract with a customer for which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits to be received from it.

The contract provides for 18 months notice to be given if either party wants to terminate the contract. The Group has provided for the net unavoidable costs expected to be incurred during the 18 month contractual notice period.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>23. Post retirement medical and group life</b>		
Post retirement medical and group life	<u>63,896</u>	<u>83,256</u>
<b>Movement on the liability recognized in the balance sheet:</b>		
Value at beginning of the year	83,256	66,996
Foreign exchange translation	(298)	262
Prior year adjustment	—	2,620
Net benefit cost	(18,588)	13,775
Premiums paid	<u>(474)</u>	<u>(397)</u>
Value at end of year	<u>63,896</u>	<u>83,256</u>
<b>Changes in the present value of the defined benefits obligation are as follows:</b>		
Defined benefits obligation at start	83,256	66,996
Prior year adjustment	—	2,620
Service cost	6,631	6,578
Interest cost	6,518	6,074
Benefit improvement	(25,530)	—
Actuarial (gain)/loss	(6,207)	1,123
Foreign exchange translation	(298)	262
Company's premiums paid	(474)	(397)
Expense allowance	<u>—</u>	<u>—</u>
Defined benefits obligation at end	<u>63,896</u>	<u>83,256</u>

The Group expects to contribute TT\$0.45 million to its post retirement medical and group life plans in 2009.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>23. Post retirement medical and group life (continued)</b>		
<b>Movement on the liability recognized in the balance sheet:</b>		
<b>The amounts recognized in the statement of income are as follows:</b>		
Current service cost	6,631	6,578
Interest cost on benefits obligation	6,518	6,074
Net actuarial loss recognized in the year	(6,207)	1,123
Past service cost	(25,530)	—
Net benefits cost	<u>(18,588)</u>	<u>13,775</u>
<b>The principal actuarial assumption used for accounting purpose were:</b>		
Medical cost inflation	8.25%	8.25%
Discount rates	8.75%	8.75%
Average individual salary increases	8.25%	8.25%
Effects of one percentage point change in medical expense increase assumption.		
	Aggregate service and interest costs \$'000	Year end deferred benefit obligation \$'000
Medical expense increase by 1% P.A	3,036	12,142
Medical expense decrease by 1% P.A	(2,309)	(9,419)
<b>Assets allocation as at 31 December</b>		
The Group funds the benefits directly by payments of premiums to an insurance company. There are no assets explicitly set aside for this plan.		
	2008 \$'000	2007 \$'000
<b>Experience history</b>		
Defined benefit obligation	63,896	83,256
Fair value of plan assets	—	—
Deficit	<u>63,896</u>	<u>83,256</u>
Experience adjustment on plan liabilities	(6,207)	(1,123)
Experience adjustment on plan assets	—	—

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>24. Pension obligation</b>		
<b>Benefit asset/(liability)</b>		
Present value of obligation	(339,467)	(302,064)
Fair value of plan assets	<u>301,629</u>	<u>299,973</u>
Pension liability	<u>(37,838)</u>	<u>(2,091)</u>
<b>Movement on the asset recognized in the balance sheet:</b>		
Asset value at beginning of the year	(2,091)	38,791
Net pension cost	(53,081)	(56,423)
Contributions paid	<u>17,334</u>	<u>15,541</u>
Liability value at end of the year	<u>(37,838)</u>	<u>(2,091)</u>
<b>The amounts recognized in the statement of income are as follows:</b>		
Current service cost	19,606	(17,478)
Interest cost on benefit obligation	26,183	(20,245)
Expected return on plan assets	(29,979)	27,239
Net actuarial gain recognized in the year	37,271	(45,939)
Past service cost	<u>—</u>	<u>—</u>
Net pension cost	<u>(53,081)</u>	<u>(56,423)</u>
Actual return on plan assets	<u>(15,087)</u>	<u>11,000</u>
<b>Changes in the present value of the defined benefits obligation are as follows:</b>		
Defined benefit obligation at start of the year	302,064	233,070
Service cost	19,606	17,478
Interest cost	26,183	20,245
Members' contribution	5,742	5,559
Benefit improvement	—	—
Actuarial (gain)/loss	(7,782)	29,700
Benefits paid	(5,775)	(3,469)
Expense allowance	(571)	(519)
Defined benefit obligation at end of the year	<u>339,467</u>	<u>302,064</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

24. Pension obligation (continued)	2008 \$'000	2007 \$'000
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Changes in fair value of plan assets are as follows:

Plan assets at start of year	299,973	271,861
Expected returns on plan assets	29,979	27,239
Actuarial gain/(loss)	(45,066)	(16,239)
Company contributions	17,334	15,541
Members' contributions	5,742	5,559
Benefits paid	(5,775)	(3,469)
Expense allowance	(558)	(519)
	<hr/>	<hr/>
Plan assets at end of the year	301,629	299,973

The Company expects to contribute TT\$16.6 million to its defined benefit pension plan in 2009.

	2008	2007
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equity securities	26%	47%
Debt securities	32%	11%
Money market instruments/cash	35%	31%
Mutual funds	5%	9%
Other-deposits administrative contract	0%	0%
Other-purchased annuities	2%	2%
	<hr/>	<hr/>
	100%	100%

The principal actuarial assumptions used for accounting purposes were:

Discount rate	8.75%	8.75%
Expected return on plan assets	9.75%	9.75%
Future salary increases	8.25%	8.25%
Pension increases	0%	0%

Expected rate of return on assets set by reference to estimated long term returns on assets held by plan at that date. Allowance is made for some excess performance from the plan's equity portfolio.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 25. Deferred income

Deferred income comprises revenue which is deferred into future periods. It comprises the following:

	2008 \$'000	2007 \$'000
Gas sales (note a)	93,817	—
Government grant (note b)	55,325	20,627
Transportation tariff (note c)	77,741	81,377
Pier user charge (note d)	12,192	12,144
Other	6,676	5,035
	<u>245,751</u>	<u>119,183</u>
Less: Current portion	<u>(59,313)</u>	<u>(56,986)</u>
	<u>186,438</u>	<u>62,197</u>

Notes:

- (a) This represents revenue for gas volumes contractually committed to but not yet taken by customers. Income is recognized on the earlier of the expiration of the deficiency period and when the gas volumes are actually taken.
- (b) This amount relates to two government grants.
- (c) This amount comprises shippers' reserve capacity, which is billed one month in advance.
- (d) This amount comprises pier user charges, which are billed in advance.

## 26. Long-term creditors

Long-term creditors relate to take-or-pay liabilities expected to be settled more than one year after the balance sheet date.

	2008 \$'000	2007 \$'000
27. Trade creditors		
Trade payables are settled on 30 day terms.	<u>907,770</u>	<u>2,125,620</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

28. Sundry creditors and accruals	2008 \$'000	2007 \$'000
Accrued interest	92,200	91,389
Accrued material/service amounts	780,824	609,545
Contract provisions	46,406	27,927
Employee related accruals	28,483	32,885
Pre-transfer payments – Dolphin Pipeline	520,406	332,358
	<u>1,468,319</u>	<u>1,094,104</u>

Terms and conditions of the above financial liabilities:

Interest payable is normally settled in accordance with the terms and conditions of the respective loan. See note 21.

Accrued materials service amounts and contract provisions are non interest bearing and have an average term of two (2) months.

29. Sales and cost of sales	2008 \$'000	2007 \$'000
Sales include the following:		
Gas sales	14,936,060	10,847,076
Condensate sales	115,956	89,009
Transport tariffs	213,188	207,856
Compression charges	39,868	39,202
Crude oil income	664,819	502,888
LNG sales	1,526,383	934,432
Marine facilities and services	248,334	255,558
	<u>17,744,608</u>	<u>12,876,021</u>

Cost of sales include the following:

Gas purchase	10,299,042	8,103,200
Depreciation	234,232	212,886
Impairment – offshore plant and equipment	8,405	4,142
Other operating cost	255,656	173,685
Production taxes including SPT	221,680	163,390
Maintenance cost	170,231	106,646
Staff cost	61,166	52,172
Royalties	77,191	60,309
Exploration and production cost	47,186	78,126
	<u>11,374,789</u>	<u>8,954,556</u>



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>30. Other operating income:</b>		
Lease income	17,926	16,879
Gain on repurchase of bonds	27,070	–
Other	99,525	25,282
	<u>144,521</u>	<u>42,161</u>
<b>31. Interest and investment income</b>		
Dividend income	357,984	342,426
Interest income	418,462	439,902
Penalty interest income – T&TEC	147,394	–
LNG production payments	416,155	302,927
Other investment income	60,811	30,796
	<u>1,400,806</u>	<u>1,116,051</u>
<b>32. Expenses</b>		
Administrative, maintenance and general expenses include the following :		
Staff costs (see below)	196,429	217,835
Maintenance and general expenses	282,962	229,776
Depreciation	21,756	48,582
Insurance claim (received)/not settled	–	(197,580)
Provision for short term deposits	1,078,301	–
Provision for irrecoverable receivables	613	(2,899)
Provision for onerous contract	110,221	–
	<u>1,690,282</u>	<u>295,714</u>
Staff costs:		
Wages and salaries	218,235	195,182
National Insurance	4,867	2,525
Post retirement medical and group life	(18,588)	15,971
Pension costs	53,081	56,329
	<u>257,595</u>	<u>270,007</u>
Staff costs included within:		
Cost of sales	61,166	52,172
Administrative and general expenses	196,429	217,835
	<u>257,595</u>	<u>270,007</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>33. Impairment expense</b>		
Union Industrial Estate (note i)	16,877	190,000
Labidco – marine infrastructural assets (note ii)	71,650	–
Labdico – investment property (note ii)	(45,057)	–
T & TEC loan receivable (note 11(a)ii)	287,635	–
	<u>331,105</u>	<u>190,000</u>

i) In 2008 an impairment review was conducted on the investment property at Union Industrial Estate. The recoverable amounts were based on the value in use. In determining the value in use the pre-tax cash flows were discounted at a rate of 7.4% with a terminal cap rate of 7%. This resulted in an impairment loss to the Group of \$16.877 million. (2007: \$190 million)

ii) In 2008, the Group conducted an impairment review of its LABIDCO operations. The recoverable amounts were based on the value in use. In determining the value in use, the pre-tax cash flows were discounted at a rate of 8.35% for land with a terminal cap rate of 6%, and at a discount and terminal cap rate of 7.66% for port operations and fabrication yard. This resulted in an impairment of \$71.65 million for the marine infrastructural assets included within property, plant and equipment and an impairment reversal of \$45.057 million to investment property.

	2008 \$'000	2007 \$'000
<b>34. Finance costs</b>		
Interest	290,452	291,580
Interest rate lock	518	495
Decommissioning – unwinding of discount rate	35,920	25,776
Derivative instrument	183,008	–
	<u>509,898</u>	<u>317,851</u>

During December 2005, the Group entered into an agreement with two (2) financial institutions to lock-in the interest rate of the proposed US\$400 million 30-year bond which was issued in January 2006.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

	2008 \$'000	2007 \$'000
<b>35. Statement of cash flow</b>		
<b>Cash generated from operations</b>		
Profit before tax	6,070,422	4,897,232
<b>Adjustments to reconcile net profit with net cash from operating activities:</b>		
Depreciation	255,993	260,262
Impairment	51,875	194,140
Finance costs	502,453	317,849
(Gain)/loss on disposal of property, plant and equipment	(41,935)	284
Share of profit from joint venture	(735,197)	(645,788)
Dividend income	(357,984)	(349,211)
Decrease/(increase) in deferred income	126,835	(6,027)
Decrease in deferred expenses	62,626	229,733
Net pension costs	53,081	38,832
(Decrease)/increase in post retirement benefit	(18,588)	18,140
Increase in onerous contract provision	110,221	—
Provision for short-term investments	1,082,554	—
Gain on repurchase of bond issue	(27,066)	—
Impairment of T&TEC loan receivable	287,635	—
Interest and investment income	(465,818)	(446,146)
<b>Operating profit before working capital changes</b>	<b>6,957,107</b>	<b>4,509,300</b>
Decrease/(increase) in accounts receivable	539,957	(820,935)
(Increase)/decrease in sundry debtors	(239,945)	48,935
Decrease/(increase) in inventories	18,040	(22,735)
(Decrease)/increase in trade creditors, sundry creditors and accruals	(827,658)	366,068
	<b>6,447,501</b>	<b>4,080,633</b>

## 36. Contingent liabilities

### (i) Taxes

For income years 1993 to 1996 and 1999 the Parent Company has objected to certain adjustments of TT\$134.67 million by the Board of Inland Revenue to the Parent Company's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision have been made in the accounts for any additional tax liabilities, penalties or interest.

The Group has accrued for additional tax liabilities relating to prior years of income; no provision for interest on these balances has been made in these financial statements as management is confident that they will be successful in obtaining a waiver of interest.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 36. Contingent liabilities (continued)

### (ii) Litigation matters

The Group has been named as defendant in various lawsuits and proceedings which are at various stages of litigation, and their outcomes are difficult to predict. In the Group's opinion, however, the disposition of these matters is not likely to have a materially adverse effect on the Group's financial condition or results of operations.

	2008 \$'000	2007 \$'000
37. Capital commitments		
Approved and contracted capital expenditure	<u>3,453,359</u>	<u>452,767</u>

## 38. Other commitments

As at 31 December, 2008 the Group is unable to accurately estimate the compensation that might be payable to owners of land along Rights of Way of the Group's pipelines. Accordingly, no provision has been made for any amounts that might be owed to the landowners.

	2008 \$'000	2007 \$'000
39. Operating lease commitments		
(i) Group as a lessee		
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	12,562	11,990
One to five years	<u>13,325</u>	<u>24,403</u>
	<u>25,887</u>	<u>36,393</u>

### (ii) Group as a lessor

Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:

Within one year	28,095	35,432
One to five years	79,727	151,491
More than five years	<u>428,386</u>	<u>318,367</u>
	<u>536,208</u>	<u>505,290</u>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 40. Commitment contracts

### Purchases

The Group purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers, with terms varying from 15 to 23 years. Under these long-term take-or-pay contracts, the Group is obliged to take any natural gas up to specified volume that is offered at the current price up to a specified volume or pay a specified amount if the Group is unable to take the natural gas.

### Sales

Under long-term take-or-pay sales contracts, the Group's customers are obligated to take any natural gas that is offered to them at the current price, up to a specified percentage of the volume contracted or to pay a specified amount if they are unable to take the natural gas. Increases in the gas prices that the customers pay under these contracts are not capped, but the prices paid for natural gas cannot go below a certain minimum price.

## 41. Related party transactions

The Parent Company is wholly-owned by the Government of Trinidad and Tobago. The Group has entered into several agreements with various agencies/state owned companies of the Government, for the supply of gas. The sales to and purchases from related parties are at arms length, except for the gas sales contract with T&TEC. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December, 2008 and 2007, the Group has not made any provisions for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 41. Related party transactions (continued)

The following table provides the total amount of material transactions, that have been entered into with related parties as at or for the year ended 31 December.

		Income from related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
<b>Government of Trinidad and Tobago</b>					
Other receivables	<b>2008</b>	—	—	<b>243,948</b>	—
	<b>2007</b>	—	—	58,408	—
Grants	<b>2008</b>	<b>534,115</b>	—	—	—
	<b>2007</b>	69,700	—	—	—
Management fees	<b>2008</b>	<b>15,963</b>	—	—	—
	<b>2007</b>	3,837	—	—	—
<b>Fellow State Enterprises</b>					
Trinidad and Tobago Electricity Commission					
Gas sales	<b>2008</b>	<b>345,609</b>	—	—	—
	<b>2007</b>	397,268	—	1,081,328	—
Loan receivable	<b>2008</b>	<b>155,151</b>	—	<b>1,308,409</b>	—
	<b>2007</b>	17,510	—	141,562	—
Petroleum Company of Trinidad and Tobago Limited	<b>2008</b>	<b>224,044</b>	—	<b>37,324</b>	—
	<b>2007</b>	199,284	—	52,472	—
—					
<b>Associated Company</b>					
National Helicopter Services Limited	<b>2008</b>	<b>501</b>	<b>32,449</b>	—	<b>3,006</b>
	<b>2007</b>	—	10,856	—	3,572

Furthermore, the Group purchases services of immaterial value from various Government agencies at arm's length transactions.

	<b>2008</b> <b>\$'000</b>	<b>2007</b> <b>\$'000</b>
<b>Compensation of key management personnel</b>		
Short term employee benefits	<b>23,355</b>	17,535
Post employment benefit	<b>2,222</b>	2,150
	<b><u>25,577</u></b>	<b><u>19,685</u></b>

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 42. Financial risk management objectives and policies

The Group has various financial assets, such as investments in ordinary shares and the first unit scheme of the Trinidad and Tobago Unit Trust Corporation, trade receivables, short term investments and cash which arise directly from its operations. The Group's financial liabilities comprise bank loans, trade and sundry payables. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The Company also enters into derivative transactions such as interest rate swap. The purpose is to manage the interest rate and currency risk arising from the Group's operations and its sources of finance.

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

### Credit risk

The Group trades only with recognized credit worthy third parties. In addition receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The outstanding trade receivable from T&TEC as at 31 December, 2008, together with unpaid gas purchases from January to September, 2009 will be converted to a loan effective 1 December, 2009. The Government of Trinidad and Tobago is the sole shareholder in both Companies, and continues to monitor the situation to ensure that trade receivables are paid in a timely manner. With respect to credit risk arising from other financial assets of the Group the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

### Liquidity risk

The Group monitors its risks to a shortage of funds by managing the maturity of both financial investments and financial assets (e.g. accounts receivables and short term investments) and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility.



# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 42. Financial risk management objectives and policies (continued)

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

	On demand \$'000	≤3mths \$'000	3-12mths \$'000	1-5 yrs \$'000	≥5 yrs \$'000	Total \$'000
<b>31 Dec 2008</b>						
Long-term debt	702,490	78,890	255,670	1,341,308	6,726,807	9,105,165
Trade creditors	–	1,114,992	–	–	–	1,114,992
Other payables	406	619,204	22,787	230	–	642,627
Other financial liabilities	–	116,310	350,000	103,120	–	569,430
	<u>702,896</u>	<u>1,929,396</u>	<u>628,457</u>	<u>1,444,658</u>	<u>6,726,807</u>	<u>11,432,214</u>
<b>Year ended 31 Dec 2007</b>						
Long-term debt	706,790	88,603	273,692	1,374,033	7,311,985	9,755,103
Trade creditors	–	2,275,239	17,685	230	–	2,293,154
Other payables	8,902	675,524	19,565	131	–	704,122
Other financial liabilities	–	61,684	–	111,602	–	173,286
	<u>715,692</u>	<u>3,101,050</u>	<u>310,942</u>	<u>1,485,996</u>	<u>7,311,985</u>	<u>12,925,665</u>

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rates. The Group has used derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations, whereby the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon national principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December, 2008 after taking into account the effect of interest rate swaps approximately 50% of the Group's borrowings are at a fixed rate of interest (2007: 50%)

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 42. Financial risk management objectives and policies (continued)

### Interest rate risk table

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowing). There is minimal impact on the Group's equity.

	Increase/ decrease in percentage	Effect on profit before tax
Long term debt		
<b>2008</b>	<b>10%</b> <b>(10%)</b>	<b>2,655</b> <b>(2,655)</b>
2007	10% (10%)	4,261 (4,261)

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases in currencies other than the Group's functional currency.

The Group also has currency exposure from loans denominated in currencies other than the Group's functional currency.

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

	Increase/ decrease in TT dollar rate	Effect on profit before tax \$'000
<b>2008</b>	<b>0.01</b> <b>(0.01)</b>	<b>813</b> <b>(813)</b>
2007	0.01 (0.01)	1,230 (1,230)

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 42. Financial risk management objectives and policies (continued)

### Other price risks

The Group is exposed to equity price risks arising from its investments in ordinary shares in NEL and the first unit scheme of the Unit Trust Corporation (a mutual fund). These equity instruments are held for strategic rather than trading purposes and the Group does not actively trade these investments.

The following table demonstrates the sensitivity to a reasonably possible change in the price of these equity instruments with all other variables held constant of the Group's equity. There is no impact to the Group's profit before tax.

	Increase/ decrease in equity price	Effect on equity price \$'000
2008	3-10% (3-10%)	61,111 (61,111)
2007	3-10% (3-10%)	72,329 (72,329)

### Capital management

The primary objective of the Group's Capital Management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize share-holder value. It also manages its capital to ensure that the Group will be able to continue as a going concern. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of share capital, reserves and retained earnings. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust capital structure the Group may issue new shares by transfers from retained earnings, adjust the dividend payment to shareholders or make transfers to its reserves. No changes were made in the objectives policies or process during the years ended 31 December, 2008 and 31 December, 2007.

The Group monitors capital using a gearing ratio which is net debt divided by equity plus net debt. The Group's policy is to keep the gearing ratio between 25% and 30%. The Group includes within net debt interest bearing loans and borrowing. Capital includes stated capital reserves and retained earnings.

	2008 \$'000	2007 \$'000
Net debt	3,970,363	4,224,607
Equity	15,572,606	12,939,355
Debt plus equity	19,542,969	17,163,962
Gearing ratio	0.20	0.25

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 43. Financial instruments

### Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements.

	Carrying amounts		Fair value	
	2008 \$'000	2007 \$'000	2008 2007	2007 \$'000
<b>Financial assets</b>				
Cash and short-term deposits	11,027,132	8,217,556	11,027,132	8,217,556
Available-for-sale investments	631,174	737,939	631,174	737,939
Debt reserve funds	164,882	83,355	164,882	83,355
Loans receivable	2,010,899	848,352	2,009,124	852,667
Trade debtors	1,094,366	3,222,155	1,094,366	3,232,595
<b>Financial liabilities</b>				
Fixed rate borrowings	2,577,056	2,723,245	2,366,270	3,946,498
Floating rate borrowings	1,393,309	1,501,362	1,393,309	1,501,362
Other financial liabilities	1,960,595	3,000,516	1,960,595	3,000,516

# Notes to the Consolidated Financial Statements

For the Year Ended 31 December, 2008

(Amounts expressed in Trinidad and Tobago dollars)

## 43. Financial instruments (continued)

### Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and cash equivalents, short-term investments, sundry debtors and current liabilities are a reasonable estimate of fair values because of the short term nature of these instruments.

### Long-term financial assets and liabilities

The fair value of the Group's floating rate long-term loan receivable and debt approximates its carrying amount given the floating nature of the loans at prevailing market rates.

The fair value of investments that are actively traded in financial markets is determined by reference to quoted market prices at the close of business at the balance sheet date. For investments where there is no active market the fair value estimates cannot be reasonably assessed and as such measured at cost.

### Derivative financial instruments and hedging

The Group used derivative financial instruments, such as interest rate swaps, to hedge its risks associated with interest rate and foreign currency fluctuations. Such financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The Group does not carry any financial instrument which meets the strict criteria for hedge accounting.

As at 31 December, 2008 the Group had an interest rate swap agreement in place with notional amount of 89,450 whereby it receives a fixed rate of interest of 4.98% and pays a variable rate equal to LIBOR  $\pm$  1.625% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its 50% secured loan. The secured loan and interest rate swap have the same critical terms.

## 44. Dividends

No dividends have been declared for the year 2008 (2007: \$650 million). Subsequent to year end, an interim dividend of \$200 million was paid for the 2008 financial year.

## Five-Year Financial Review: 2004-2008

### INCOME STATEMENT

TT\$ ('000)	2008	2007 Restated	2006 Restated	2005	2004 Restated
Sales	17,744,608	12,876,021	11,274,937	8,024,288	6,240,204
Cost Of Sales	(11,374,789)	(8,954,556)	(7,991,467)	(5,758,367)	(4,524,785)
Gross Profit	6,369,819	3,921,465	3,283,470	2,265,921	1,715,419
Net Operating Costs	(2,070,023)	(510,382)	(648,149)	(388,567)	(215,697)
Operating Profit/(Loss)	4,299,796	3,411,083	2,635,321	1,877,354	1,499,722
Interest and					
Investment Income	2,136,003	1,761,839	1,620,006	974,261	745,203
Finance Costs	(509,898)	(317,851)	(332,650)	(142,893)	(46,581)
Other Income	144,521	42,161	103,309	48,299	64,121
Profit Before Tax	6,070,422	4,897,232	4,025,986	2,757,021	2,262,465
Taxation	(2,410,291)	(1,321,657)	(1,223,698)	(854,131)	(666,192)
Net Profit for the Year	3,660,131	3,575,575	2,802,288	1,902,890	1,596,273
Minority Interest	(262,299)	(240,407)	(223,185)	(137,203)	(103,146)
Net Profit Attributable To Equity Holders Of Parent	3,397,832	3,335,168	2,579,103	1,765,687	1,493,127

### BALANCE SHEET

TT\$ ('000)	2008	2007 Restated	2006 Restated	2005	2004 Restated
Net Current Assets (Current Assets-Liabilities)	10,535,496	9,740,278	6,886,152	2,006,485	1,228,087
Loan Receivable	1,982,586	736,568	843,437	936,492	362,008
Investments And Advances	1,669,115	1,735,876	1,545,661	1,841,882	2,275,975
Fixed Assets	6,116,887	5,438,869	5,043,704	4,740,445	3,758,451
Pension Assets	0	0	38,791	84,765	82,177
Derivative Items	39,206	0	0	0	0
Deferred Items	772,555	600,938	647,390	706,204	376,543
Debt Reserve Funds	164,882	162,296	79,391	76,011	74,171
	21,280,727	18,414,825	15,084,526	10,392,284	8,157,412
Financed By:					
Long Term Debt And Accruals	4,696,962	4,739,253	4,864,462	2,212,380	1,223,463
Deferred Items	1,011,159	736,219	699,307	605,190	475,620
Minority Interest	315,496	261,677	230,333	172,721	187,527
Shareholders' Equity:					
Share Capital	1,752,848	1,752,848	1,752,848	920,766	920,766
Capital Reserves	974,651	1,167,212	1,196,696	1,319,948	1,312,021
Retained Earnings	12,529,611	9,757,618	6,340,880	5,161,279	4,038,015
	21,280,727	18,414,827	15,084,526	10,392,284	8,157,412

# Five-Year Financial Review: 2004-2008

## BALANCE SHEET

As at 2008, December 31

(With Comparative Figures - TT\$'000)

	@31/12/2008	@31/12/2007	@31/12/2006	@31/12/2005	@ 31/12/2004
			Restated		Restated
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	1,121,597	1,323,815	1,530,510	1,458,051	1,233,746
Short-term Investments	9,905,535	6,893,741	4,463,010	793,078	270,957
Accounts receivable	1,094,366	3,222,155	2,442,209	1,661,837	1,101,263
Current portion of loans receivable	28,314	111,784	111,528	102,641	74,648
Short-term loan receivable	-	90,244	66,842	-	-
Inventories	21,268	39,576	16,764	34,996	18,071
Sundry debtors and prepayments	1,807,675	1,549,101	1,513,577	269,368	86,501
Income Taxation Receivable	71,333	81,988	609	126	26,228
Deferred Expenses	3,646	45,680	206,610	-	-
<b>Total current assets</b>	<b>14,053,734</b>	<b>13,358,084</b>	<b>10,351,659</b>	<b>4,320,097</b>	<b>2,811,414</b>
<b>NON-CURRENT ASSETS</b>					
Property, Plant and Equipment	6,116,887	5,438,869	5,043,704	4,740,445	3,758,451
Pension Assets	-	-	38,791	84,765	82,177
Interest on joint venture	708,458	666,435	449,684	377,547	311,818
Investment and Advances	960,657	1,069,441	1,095,977	1,464,335	1,964,157
Deprivative Assets	39,206	-	-	-	-
Deferred Taxation	588,451	394,554	369,215	315,838	56,876
Deffered Expenses	184,104	206,386	278,175	390,366	319,667
Long - Term Receivables	1,982,586	736,568	843,437	936,492	362,008
Debt Reserve Fund	164,882	162,296	79,391	76,011	74,171
<b>Total non-current assets</b>	<b>10,745,231</b>	<b>8,674,549</b>	<b>8,198,374</b>	<b>8,385,799</b>	<b>6,929,325</b>
<b>TOTAL ASSETS</b>	<b>\$ 24,798,965</b>	<b>22,032,633</b>	<b>18,550,033</b>	<b>12,705,896</b>	<b>9,740,739</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

### CURRENT LIABILITIES

Current Portion					
of long-term debt	\$ 144,846	162,664	155,569	163,359	100,777
Trade creditors	907,770	2,125,620	2,059,568	1,193,984	1,077,782
Sundry creditors and accruals	1,468,319	1,071,499	776,591	577,344	366,744
Divident Payable	350,000	-	200,000	200,000	-
Taxation Payable	587,726	200,771	214,953	154,017	38,024
Deferred Income	59,313	56,986	56,750	23,802	-
Environmental obligation	264	266	2,076	1,106	-
<b>Total current liabilities</b>	<b>3,518,238</b>	<b>3,617,806</b>	<b>3,465,507</b>	<b>2,313,612</b>	<b>1,583,327</b>

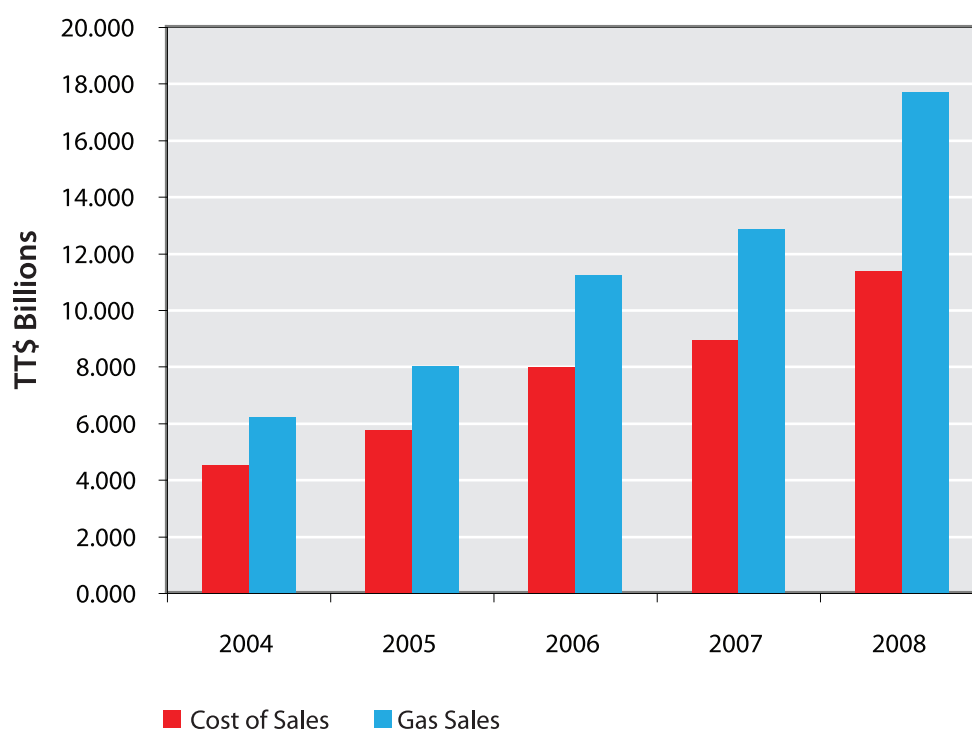


## Five-Year Financial Review: 2004-2008

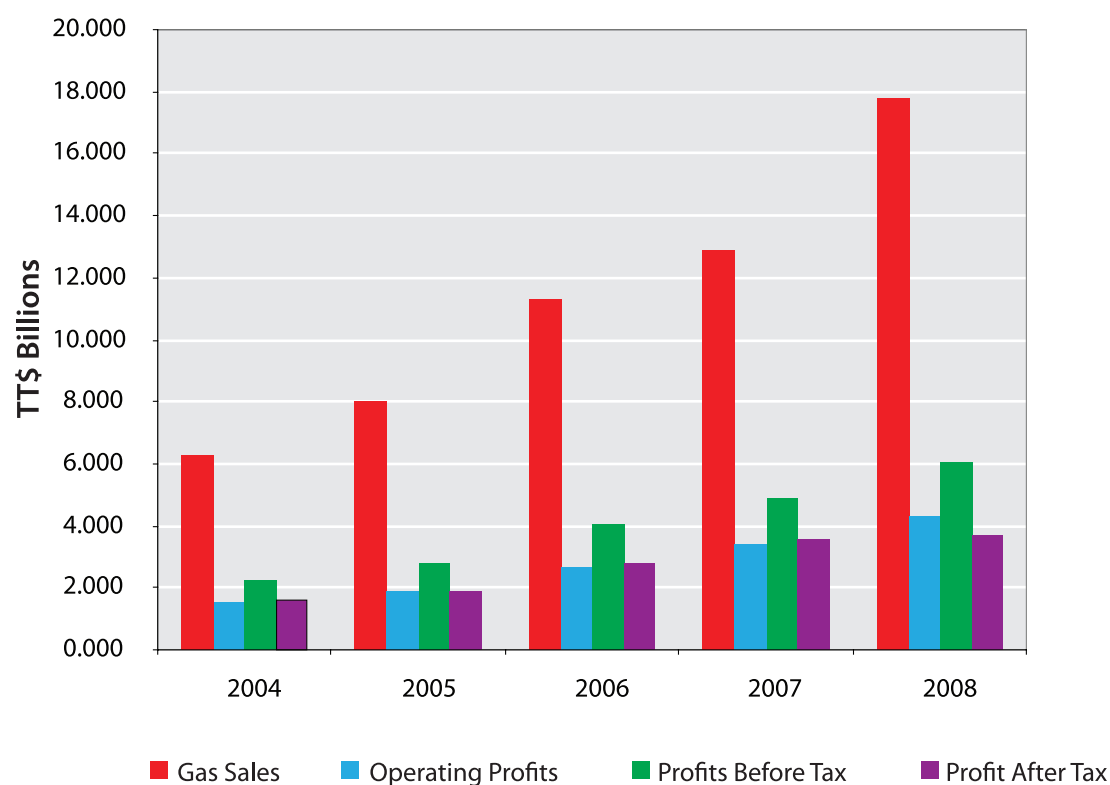
	@31/12/2008	@31/12/2007	@31/12/2006 Restated	@31/12/2005	@ 31/12/2004 Restated
<b>NON - CURRENT LIABILITIES</b>					
Deferred tax Liability	824,721	674,022	624,594	572,098	475,620
Net long-term debt	3,825,517	4,061,943	4,195,348	1,506,446	688,896
Pension Obligation	37,838	2,091	-	-	-
Asset retirement obligation	534,998	458,491	431,519	408,432	323,001
Post retirement obligation	63,896	83,256	66,996	34,282	-
Deferred Income	186,438	62,197	74,713	33,092	-
Net long-term creditors	103,120	111,602	156,707	247,252	211,566
Environmental obligation	21,372	21,870	13,892	15,968	-
Onerous contract	110,221	-	-	-	-
<i>Total long-term liabilities</i>	<u>5,708,121</u>	<u>5,475,472</u>	<u>5,563,769</u>	<u>2,817,570</u>	<u>1,699,083</u>
<i>Total liabilities</i>	<u>9,226,359</u>	<u>9,093,278</u>	<u>9,029,276</u>	<u>5,131,182</u>	<u>3,282,410</u>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	1,752,848	1,752,848	1,752,848	920,766	920,766
Reserve fund	438,192	438,192	438,192	146,668	146,668
Other / Revaluation reserve	536,459	729,020	758,504	1,173,280	1,165,353
Retained Earnings	12,529,611	9,757,618	6,340,880	5,161,279	4,038,015
	<u>15,257,110</u>	<u>12,677,678</u>	<u>9,290,424</u>	<u>7,401,993</u>	<u>6,270,802</u>
<b>MINORITY INTEREST</b>	315,496	261,677	230,333	172,721	187,527
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<u>\$ 24,798,965</u>	<u>22,032,633</u>	<u>18,550,033</u>	<u>12,705,896</u>	<u>9,740,739</u>
<b>Leverage/Gearing</b>					
Long Term Debt (Greater than one year) x 100 =	19.72%	23.89%	30.59%	16.59%	9.64%
Long Term Debt + Shareholder's Equity + Minority interest					
<b>Return on Assets</b>					
Net Profit Attributable to Shareholders X 100 =	13.70%	15.10%	13.90%	13.90%	15.33%
Total Liab. & Shareholders' Equity					

## Five-Year Financial Review: 2004-2008

### SALES TO COST OF SALES

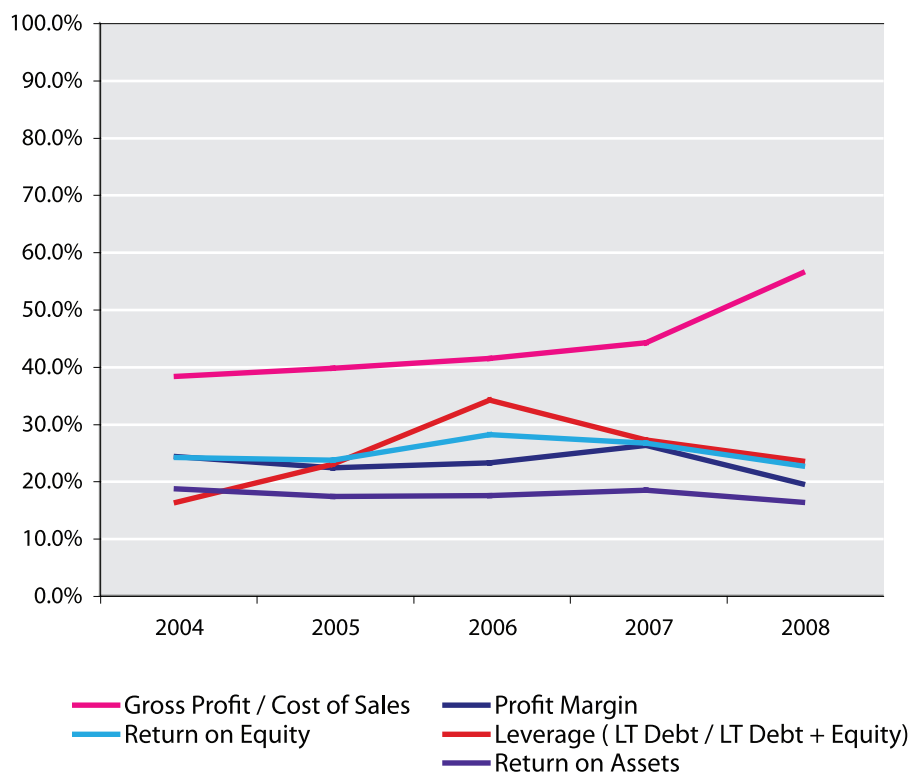


### SALES TO PROFITABILITY

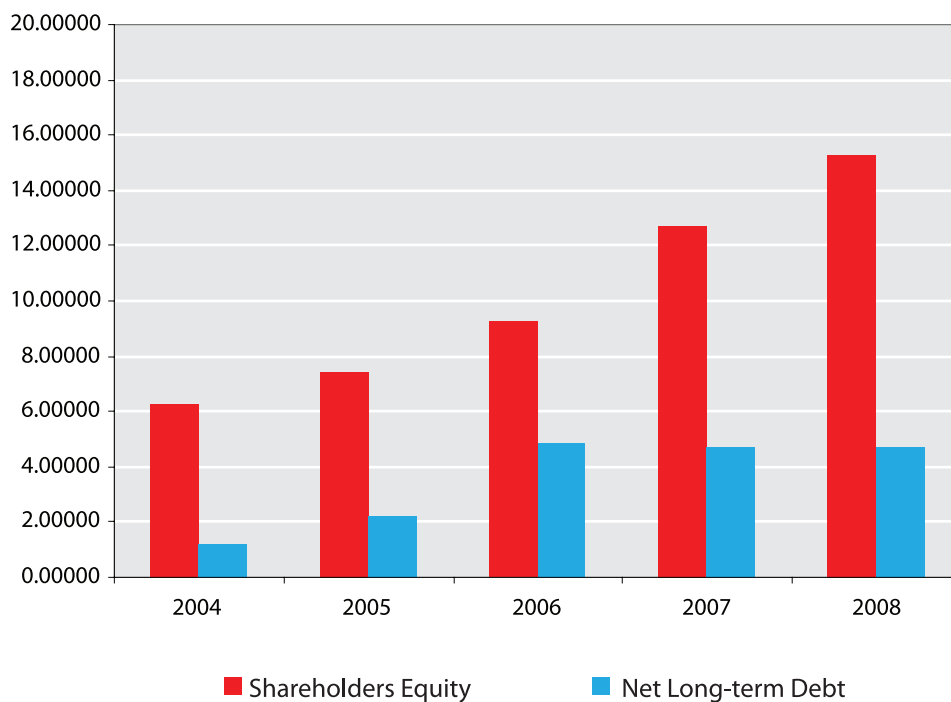


## Five-Year Financial Review: 2004-2008

### CORPORATE PERFORMANCE INDICATORS

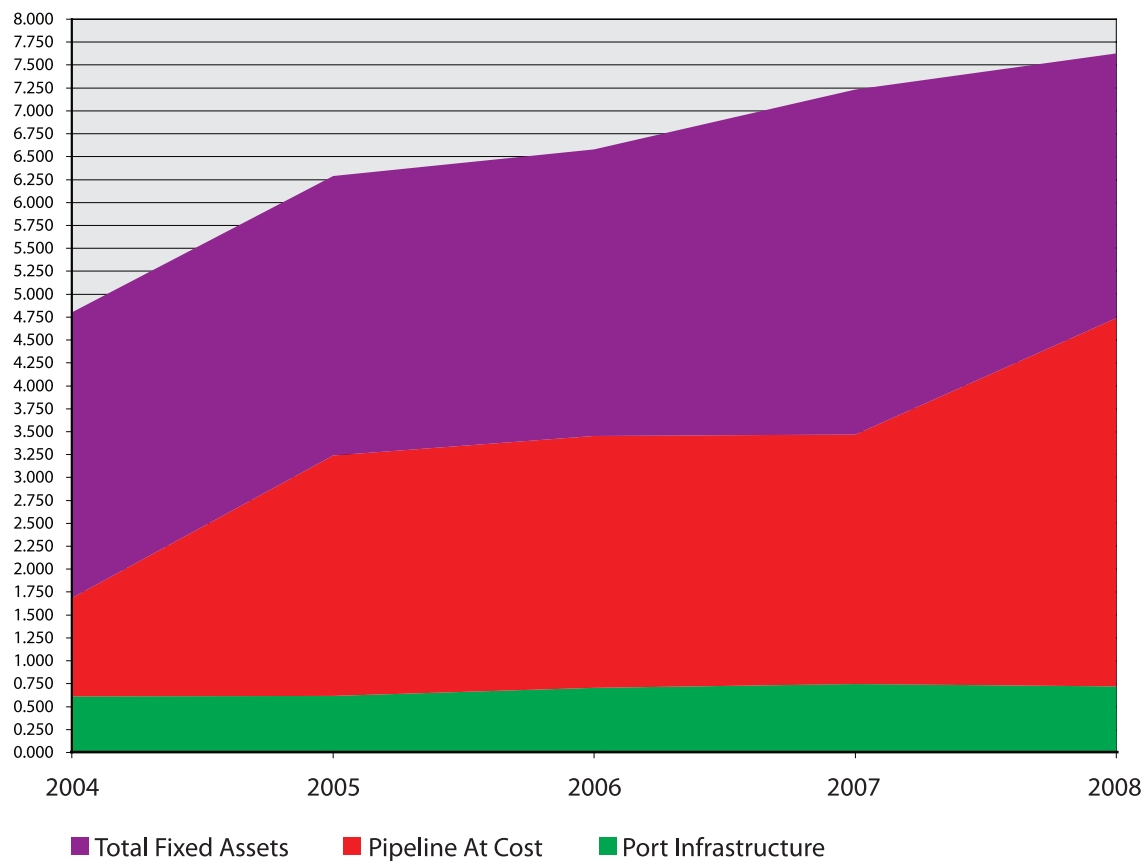


### CAPITAL EMPLOYED (TT\$ Billions)

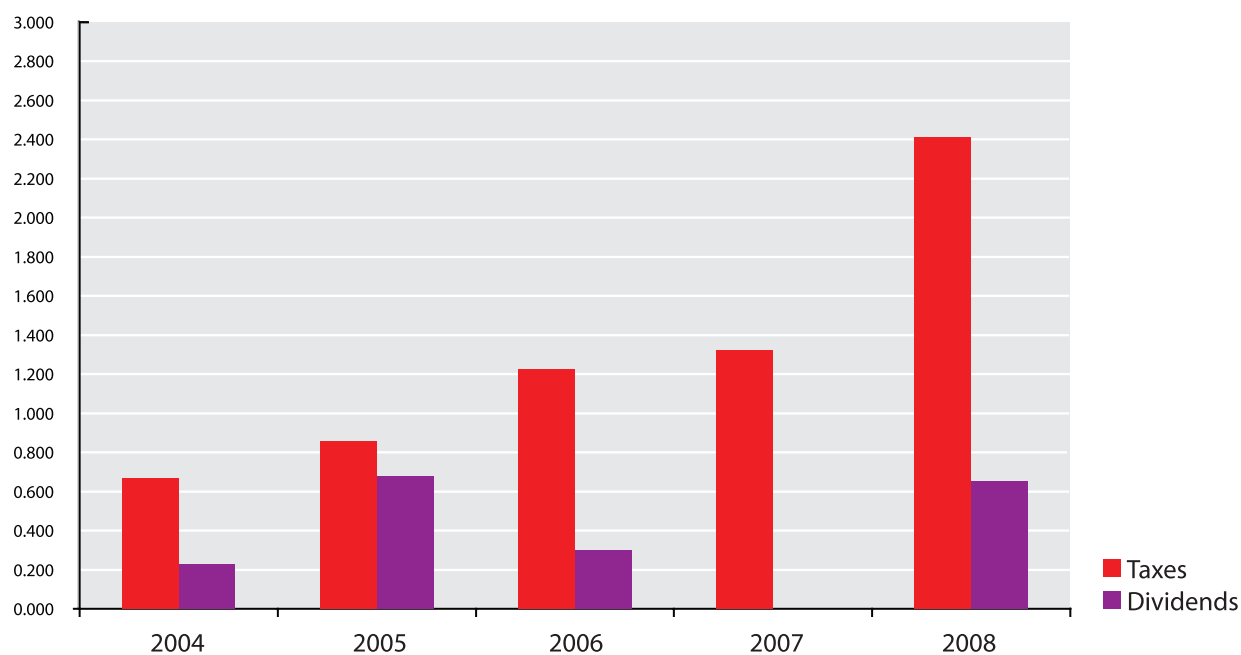


## Five-Year Financial Review: 2004-2008

### GROWTH IN FIXED ASSETS (TT\$ Billions)



### TAXES & DIVIDENDS CONTRIBUTED TO THE TREASURY (TT\$ Billions)



## *Corporate Information*

### **PRINCIPAL OFFICERS**

**Frank Look Kin**  
President

**Rebecca Ramdhanie**  
VP, Finance and Information Management

**Arnold De Four**  
VP, Commercial

**Stephen Julien**  
VP, Transmission & Distribution

**Wade Hamilton**  
VP, Technical Services

**Maria Thorne**  
VP, Legal and Corporate Management/  
Company Secretary

### **ADDRESS**

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Email: [info@ngc.co.tt](mailto:info@ngc.co.tt)  
Website: [www.ngc.co.tt](http://www.ngc.co.tt)

### **BANKERS**

**Citibank (Trinidad & Tobago) Limited**  
12 Queen's Park East  
Port of Spain  
Republic of Trinidad and Tobago  
West Indies

**Citibank, N.A.**  
111 Wall Street  
New York City  
NY 10005  
USA

**Scotiabank Trinidad and Tobago Limited**  
Scotia Centre  
56-58 Richmond Street  
Port of Spain  
Republic of Trinidad and Tobago  
West Indies

### **TRUSTEES OF COMPANY'S PENSION FUND**

**First Citizens Bank Mortgage and Trust  
Company Limited**  
9 Queen's Park East  
Port of Spain  
Republic of Trinidad and Tobago  
West Indies

### **AUDITORS**

**Ernst & Young Chartered Accountants**  
Sweet Briar Road  
St. Clair  
Port of Spain  
Republic of Trinidad and Tobago  
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**THE NATIONAL GAS COMPANY  
OF TRINIDAD AND TOBAGO LIMITED**

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