THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

09

Annual Report

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Mission

To create exceptional national value from natural gas and energy businesses

Vision

To be a valued partner in the global energy business

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THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

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THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

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 owns, maintains and operates the country's gas transmission and distribution pipeline network which has a capacity of 4.4 bcf/d. In 2009, gas sales averaged 1,611 MMscf/d.

Over the last 34 years of operations, NGC's business activities have expanded across the entire local gas value chain. Through subsidiary, associate and joint venture 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 key local entity in the dynamic world of energy, continues to be one of the most profitable companies in both the country and the region, providing significant input in the economic fortunes of Trinidad and Tobago.

Chairman's Report

Introduction

The impact of a tumultuous global economic environment that emerged in 2008 was felt to a greater extent in 2009. The regional and national economies in general and The National Gas Company of Trinidad and Tobago Limited in particular did not escape unscathed. Prominent for us was the spectacular failure of the CL Financial Group. This situation had and continues to have repercussions throughout the region and, concomitant with the slump in petrochemical prices, has negatively impacted the local economy and NGC.

Notwithstanding these challenging circumstances, the Group recorded a cumulative pre-tax profit of $2,316 million and core sales revenue of $9,125 million. We maintained and, in one instance, improved our international investment grade credit ratings while our revenue generating fixed asset base grew by 27% from $5,650 million in 2008 to $7,128 in 2009. The Board has declared a dividend of $650 million for the benefit of our shareholder.

Malcolm A. Jones – Chairman

Global Developments

Our operations are impacted significantly by global development. In this regard, we note that at year's end there was a gradual stabilization of the world's economies as government stimulus packages and the low interest rate environment began to take effect. Forecasters, however, cautioned that threats still existed and that the recovery is likely to be characterized by modest economic growth.

With regard to the US, our largest trading partner, although the deterioration of key economic indicators abated, rising unemployment continued to be a cause of concern. While analysts expected an improvement in global GDP in the last quarter of 2009, there was concern in some quarters that the rising unemployment and stagnating consumption could delay a full recovery. The US economy was projected to contract 2.6% in 2009 and to achieve modest growth of 0.8% in 2010. The Euro area was expected to fare worse, with contractions of 4.8% and 0.3% expected for 2009 and 2010 respectively.

Asia, driven in part by the largest fiscal stimulus package relative to GDP of any region in the world, rebounded from the crisis at a faster rate than its Western counterparts. China was expected to grow by 7.5% in 2009 and 8.5% in 2010 and India by 5.4% and 6.5% respectively. The other economies of the region were being pulled along by these strong growth rates.

Overall global economic activity was forecast to contract by 1.4% in 2009 but return to growth of 2.5% in 2010. On the other hand, global inflation was estimated at just 1.7%, down from around 6% one year earlier. Despite renewed pressure from rising commodity prices and rebounding stock markets, significant excess capacity is expected to keep global inflation subdued through 2010.

The Local Economy

After 16 consecutive years of solid growth, the Trinidad and Tobago economy was projected to contract by up to 3% in 2009. In actuality, this was partly attributable to the negative effect on the energy sector, by reduced exploration locally and the recession internationally. This, together with the decline of prices for all energy-based commodities, adversely impacted Government's fiscal position. A deficit of TT$7.7 billion, to be funded by debt, was budgeted for 2009/10 fiscal. However, total government debt is expected to be 42% of GDP in 2009 and rise further to a manageable 45% in 2010. Between January and September 2009 the unemployment rate increased to 5.3% in 2009, compared to 4.6% for the corresponding period in 2008.

The country continued to have strong reserves with import cover at 11 months and with the Heritage and Stabilization Fund standing at US$2.9 billion at year end. Headline inflation decreased from 15.4% in September 2008 to 4.3% in August, 2009. Overall, however, the country's economic fundamentals remain strong and the Trinidad and Tobago economy is expected to grow, albeit slowly, in 2010.

Commodity Prices

In 2009, relatively abundant supply and low prices characterized gas markets. In the US natural gas prices fell to their lowest level in seven years. The wellhead price average US$3.71 per Mcf during 2009 compared with $7.96 in 2008. The price of gas at Henry Hub fell from an average of US$5.23 per mmbtu in January to a low of $2.99 in September. Notwithstanding a recovery, the methanol price averaged US$241 per tonne, in 2009, 52.2% below the 2008 average. Ammonia prices averaged US$223 per tonne while the average urea price was US$260.99 per tonne. A comparison to 2008 prices revealed that ammonia prices fell by 61.8% and urea prices by 54.7%.

LNG

Despite the global recession in 2008 and 2009, global demand for LNG increased by almost 22% in volume terms between 2006 and 2009. However, prices dipped from around US$8 per mmbtu in early 2008 to about $3-$4 per mmbtu in 2009. Although exports from Trinidad and Tobago to the US decreased by 11% to 326 Bcf in 2009 compared to 2008, this country remained the largest exporter of LNG to the US in 2009.

Outlook

The year ahead will be another challenging one for our Company and the national economy. The Central Bank of Trinidad and Tobago projects that, barring a major adverse shock, the Trinidad and Tobago economy is expected to recover, with growth of around 2% in 2010. The recovery of commodity prices that commenced in the 3rd quarter of 2009 is expected to continue into 2010.

But even as times are challenging, we continue to face the future with optimism, fully mindful that there will be opportunities for businesses like NGC which are prepared and continue to prepare. In this regard, the Group is well positioned to seek and to take advantage of any opportunities that may arise. We have a well-capitalized balance sheet, strong revenue flow and a staff and management that are focused on our core business of transporting and selling gas. We will continue to emphasize Safety, Risk Management and Asset Management.

Tribute

In closing, I take this opportunity to thank the Board, Management and Staff for their cooperation and commitment over the past 12 months. I also take the opportunity to publicly thank our immediate past President Mr. Frank Look Kin, for 12 years and 10 months of distinguished service and leadership to NGC. I wish him all the best in his future endeavours. At the same time, I extend a hearty welcome to our new President, Mr. S. Andrew Mc Intosh, who comes to us with a long and illustrious career in the energy sector. The Board and I wish him success as he proceeds to define and implement his strategic agenda.

Malcolm A. Jones
Chairman

Board of Directors

Carol Pilgrim-Bristol

Errol McLeod

Dr. Cheryl A. Bennett

Clarence L. Mitchell

David Small

Lisle Ramyad

Wilson Lalla

Maria Thorne
Company Secretary

Directors' Report

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December, 2009.

BUSINESS ACTIVITIES

During 2009, 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$8.056 billion, a decrease of approximately 48.9% from the previous year's amount of TT$15.760 billion. This reduction in gross sales arose because commodity prices for ammonia, methanol and oil were significantly lower in 2009 than in 2008 and hence the gas prices to customers in the petro-chemical sector and crude oil prices for the sale of oil from the Teak, Samaan and Poui joint venture were lower.

The Company recorded a Net After Tax Profit of TT$1.278 billion representing a decrease of TT$1.787 billion or 58% from the previous year's figure of TT$3.065 billion. This decrease resulted from the decrease in prices as mentioned above.

Dividends paid during the year 2009 were TT$850 million compared to the amount of TT$300 million paid in 2008. Retained Earnings at the end of the year amounted to TT$11.615 billion and Issued Share Capital to TT$1.75 billion.

PROPOSED DIVIDENDS

Dividends in the amount of TT$650 million have been proposed by the Board.

A summary of the Non-Consolidated Statement of Comprehensive Income and Financial Position of the Company for the year ended 31 December, 2009 follows:

	2009 $'000	2008 $'000
Sales	**8,055,565**	15,760,158
Cost of sales	**(6,835,563)**	(9,866,192)
Gross profit	**1,220,002**	5,893,966
Other operating income	**122,466**	141,261
Interest and other investment income	**1,266,299**	1,654,965
Administrative and general expenses	**(559,740)**	(1,623,170)
Impairment expense		55,774
Other expenses	**(31,036)**	(29,325)
Finance cost	**(224,814)**	(715,155)
Loss on foreign exchange transaction	**(19,350)**	(7,627)
Profit before tax	**1,773,827**	5,370,689
Income tax expense	**(496,060)**	(2,305,850)
Profit for the year	**1,277,767**	3,064,839
Other comprehensive income		
Available-for-sale financial assets	**223,060**	(107,786)
Foreign currency translation	**194,010**	(55,620)
Other comprehensive income for the year, net of tax	**417,070**	(163,406)
Total comprehensive income for the year	**1,694,837**	2,901,433
Retained earnings		
At beginning of year	**10,963,405**	8,524,405
Transfer of depreciation for offshore plant and equipment and pipelines	**23,997**	24,161
Profit for the year	**1,277,767**	3,064,839
Total income/expense for the year	**1,301,764**	3,089,000
Dividends paid/proposed	**(650,000)**	(650,000)
Retained earnings – at end of year	**11,615,619**	10,963,405

DIRECTORS

During the year ended December 31, 2009, the membership of the Board comprised Mr. Malcolm A. Jones (Chairman), Dr. Cheryl A. Bennett, Mrs. Carol Pilgrim-Bristol, Messrs. Wilson Lalla, Errol McLeod, Clarence L. Mitchell, Lisle Ramyad and David Small.

In addition, five 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 Messrs. Wilson Lalla, Kesraj Seegobin, representative of the Ministry of Finance and Mrs. Carol Pilgrim-Bristol. The Committee held four 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 four meetings for the year.

(c) **The Human Resources Committee** was chaired by Dr. Cheryl A. Bennett and included Messrs. Errol McLeod and Clarence L. Mitchell. The Committee held eleven meetings for the year.

(d) **The Tenders Committee** was chaired by Mr. Clarence L. Mitchell and included Messrs. Errol McLeod, Dr. Cheryl A. Bennett, S. Andrew Mc Intosh and Lisle Ramyad. The Committee held eleven meetings for the year.

(e) **The Operations Committee** was chaired by Mr. Clarence L. Mitchell and included Messrs. David Small, Lisle Ramyad, Wilson Lalla, S. Andrew Mc Intosh, President NGC; Arnold De Four, VP Commercial; and Andrew Jupiter, President NEC. The Committee held eleven meetings for the year.

SIGNIFICANT EVENTS

Pipeline Construction

In March 2010, the Cabinet agreed that NGC would assume ownership of the Tobago natural gas pipeline, and funds in the sum of US$16.1 million (TT$102.41 million), advanced by the Government of Trinidad and Tobago to NGC for the construction of the Tobago natural gas pipeline, be treated as equity. The amount of TT$102.41 million received from Government in respect of the construction of this pipeline has been reflected as "capital subscribed" in the financial statements as at 31 December, 2009 as these amounts are to be converted into additional share capital in 2010. As at 31 December, 2009 the amount of TT$548 million (US$86.2 million) has been reclassified from sundry debtors and prepayments to Property, Plant and Equipment (Assets under construction) in respect of capital expenditure incurred to date on the construction of the Tobago Pipeline.

In addition to the construction of the pipeline to Tobago, NGC continued its infrastructure expansion programme through the construction of the North East Offshore (NEO) pipeline which runs from the Angostura Field to Beachfield and completed the following extended pipeline networks and facilities in 2009 which will supply natural gas to downstream users:

1. Pipeline and Metering Station to AUM
2. Pipeline and Metering Station to Ethylchem Limited
3. Pipeline and Metering Station to King's Wharf

Receivable Due from National Energy Corporation of Trinidad and Tobago Limited (NEC)

During 2009, NGC granted a loan to NEC to finance the construction of material storage and handling facilities at the Union Industrial Estate. The maximum loan amount is US$82 million which represents 80% of the total cost of the facilities of US$97.84 million. The loan is to be repaid via a maximum of 30 semi-annual instalments commencing two years from the date of the execution of the loan agreement of 24 June, 2010. Interest is payable at a maximum rate of 7% per annum. Drawdowns amounted to US$8.2 million (TT$52.133 million) as at 31 December, 2009.

AUDITOR

The Auditor, Ernst & Young, retired and being eligible, have expressed their willingness to be re-elected.

Dated this 24th day of March, 2011

BY ORDER OF THE BOARD
Maria Thorne
Company Secretary

Operations' Report

Overview

The company's operations encountered many challenges in 2009. Importantly, operations for the year 2009 represented a scaling down from the unprecedented heights attained in the first three quarters of 2008. In the second half of 2009, the market recovered somewhat from the price slump that occurred in the 4th quarter of 2008 and the first two quarters of 2009. This was as a result of the global economic downturn and the associated softening of commodity prices and demand.

Financial Performance

Sales revenue was $9,125 million and on a consolidated basis NGC and its subsidiary, associated and investee companies recorded an after tax profit of $1,712 million.

Significantly, the company maintained its international investment grade credit rating of "A3" from Moody's and "Cari AAA" from CariCRIS while its rating from Standard and Poor's was upgraded from BBB+ to A-. And as at December 31, 2009 the group long-term debt portfolio stood at $3,737 million with immediate capex project funding requirements of $768.5 million.

Operations

Supply

Average daily supply of gas for 2009 was 1,611 MMscf/d. This increase was chiefly due to the coming onstream of one new ammonia plant which offset the effects of the economic downturn. The lowest average monthly supply volume of 1,351 MMscf/d was recorded in January. This average increased to 1,593 MMscf/d in February and held relatively constant for the rest of the year. BPTT remained the dominant supplier, accounting for 52% of total supply with EOG Resources and British Gas Texaco accounting for 21.4% and 23.8% respectively. Pipeline system availability averaged 100% during the year.

Demand/Utilization

The demand mix remained relatively stable during 2009. Average annual utilization was

S. Andrew Mc Intosh – President

1,595 MMscf/d. As usual, the majority of the gas, 72.7%, was utilized for the manufacture of petrochemicals, with 16.9% for power generation and 4.8% for the metal industries. On October 21st 2009, local methanol giant, Methanol Holdings (Trinidad) Limited (MHTL) held its AUM Ammonia Plant Commissioning Ceremony to celebrate the completion of the first plant of its mega downstream project, the AUM Project.

Demand/Supply Balance

During 2009, there was an emerging and challenging imbalance between contracted supply and demand for natural gas. There was an oversupply situation which resulted from the contracting for an incremental supply commencing with the first tranche of 220 MMscf/d on July 1, 2009 and rising to 550 MMscf/d in the 3rd quarter, based on projections of new gas-consuming industries – steel, aluminium and petrochemicals. The global recession contributed to the contraction of demand for these products and in turn investment decisions were delayed and/or the plants were cancelled. In addition, there was access to additional royalty gas of up to approximately 170 MMscf/d that commenced in 2008.

As a result, NGC was unable to absorb the contracted volume and an innovative commercial arrangement was put into effect to mitigate the impact of its Take-or-Pay (TOP) agreements. Under one such arrangement some of the gas not taken in 2009 was "banked" for drawdown at a later date in 2019 with significantly reduced commercial and cash flow impact on NGC. However, this mitigation approach would likely not be applicable with respect to volumes from other suppliers and negotiations are ongoing to minimize that exposure. For 2009, the potential TOP liability was approximately US$17 million.

Liquids Collection

During 2009, a total of 326,304 barrels of condensate was removed, collected and sold as a result of pipeline operations. Liquids collected from pipeline operations at Beachfield/Guayaguayare accounted for 70% of the total, while 10% of the liquids was as a result of the gas transported via the bpTT offshore pipelines to Beachfield.

LNG Operations

Gas supply arrangements as they relate to NGC's equity interests in Atlantic LNG Train 4 are based on 58 MMscf/d from bpTT and 30 MMscf/d from EOG Resources under a swap arrangement with bpTT. This resulted in a total of 25 Tbtu of LNG comprised of 35 partial cargoes (with BPTP) for LNG produced from bpTT gas supply amounting to 16 Tbtu and three dedicated cargoes from EOG gas supply amounting to 9 Tbtu. However, depressed Henry Hub prices resulted in reduced margins for TTLNG and NGC LNG operations.

Gas Compression

Gas compression underperformed in 2009 characterized by low compressor availability as well as inadequate availability of low pressure gas. An average of 76.2 MMscf/d of gas was compressed and compressor availability was 71.2%.

Market Developments

Domestic

Despite depressed demand in the first two quarters, there was still a modest increase in sales volumes in 2009 which yielded a total revenue of $7.52 billion. In addition, there were expansions to the distribution system at eTeck's Tamana InTech Park, Diamond Vale Industrial Estate and LABIDCO.

Commodity Prices

There was an overhang of the general softening of commodity and LNG prices, particularly into the first half of 2009, consistent with trends related to the global economic downturn. The recovery in the latter half of the year resulted in average annual prices of US$223 and US$241 per tonne for ammonia and methanol respectively and US$3.76 (Henry Hub) per mmbtu for LNG. This compared with average prices of US$331, US$308, and US$6.54 respectively for the five-year period 2005-2009.

Environment, Health and Safety

A high level of performance in the areas of Environment, Health and Safety underpins the company's overall accomplishments. This was evident by the range of routine and new interventions across all areas of operations. Additionally, the following major initiatives were undertaken:

- The development and operationalization of an EHS portal for the tracking of training intervention attendance, STOP, ASA and sharing of EHSS knowledge
- The conduct of an EHS leadership culture survey, the results of which were being assessed at year's end, and
- The conduct of an indoor air quality study that resulted in the initiation of an NGC health surveillance programme

There were only two lost-time man-hours arising from injuries out of a total of 2,066, 367 man-hours worked by company. Accident frequency and severity rates of 1.3 and 6.4 respectively were recorded.

Human Resource Management

Training

During the year under review, NGC spent $10.1 million on training interventions in every sphere of operations. The hallmark of those interventions was the continuation of the company's signature Leadership Development Programme which commenced in 2008. The objective of the programme is to enhance the development of leadership competence in all areas of the Company's operations and the initial focus was on executive management.

Phases 2 and 3 were executed in 2009. The programme itself was broadened to target other selected management personnel. It is noteworthy, also, that the 2009 interventions were undertaken by internal staff of the human resources division instead of external consultants at major cost savings to the Company. The interventions included workshops as well as specific training components. The internal resources that were utilized comprised those staff members who had participated in the first phase of the programme.

Organizational Development

In 2009, the groundwork was also laid for the revitalization of organization-wide strategic planning through the establishment of the Office of Strategy Management in January 2010. The rationale for this initiative was based on a review of the company's priorities which identified the need for renewed strategic focus and alignment, improved risk management towards improved performance and ongoing sustainability. This necessitated the coalescing of the disparate elements of these activities into a single unit. The role of the division is to facilitate development, alignment and execution of strategy at all levels, and manage strategic risks in pursuit of corporate objectives. The office, therefore, will be responsible for the development and execution of strategy, embedding a culture of risk management and monitoring corporate performance. As a result, strategic planning will be put firmly on the front burner and with a wider ambit.

Capital Expenditure

Pipelines and Related Facilities

Continuing the trend of the last five years, pipeline expansion and related facilities accounted for approximately 35%, or over $700 million of the company's total capital expenditure for 2009. Major projects included:

- NEO pipeline for which the Certificate of Environment Clearance (CEC) was received, Horizonal Directional Drilling (HDD) works commenced and invitations to bid packages were issued for the offshore portion of the line and contracts awarded for the onshore portion
- Tobago pipeline and receiving facility for which the Certificate of Environmental Clearance (CEC) was received, Horizontal Directional Drilling (HDD) works and civil/ structural works in Tobago commenced and the contract for the Mechanical, Electrical and Instrumentation (M,E&I) works awarded
- Liquid fuels pipeline for which pipeline construction and storage facility works commenced
- Phoenix Park upgrade for which CVA works commenced and the contract for M,E&I works awarded
- Union pipeline for which contracts were awarded for pipeline construction and detailed engineering

Other

Other significant projects successfully undertaken were:

- NAPA gas supply
- Accommodation and recreation facility in Guayaguayare
- Construction of emergency "by-pass road" for the Abyssina facility in Guayaguayare

Corporate Social Responsibility (CSR)

NGC continues to demonstrate its social responsibility through its many community relations initiatives. The overall objective of these initiatives is to impact the lives of citizens positively and provide sustainable benefits to the community.

The primary thrust in 2009 was the continuation and intensification of the social infrastructure facilities development programme to benefit residents of communities adjacent to NGC's operations and installations, as well as the wider community of Trinidad and Tobago. Eight such projects were completed in 2009 and a further four were in progress at year's end.

There were also human resource development interventions in the form of workshops and training initiatives. Approximately 250 citizens benefited from NGC-sponsored training in areas such as Building Construction Technology (BCT), Boat Engine Repairs, Pre-sea/safety-at-sea. A cohort of 160 out of the total were trained specifically to take advantage of job opportunities created by the construction of the NEO pipeline.

NGC also continued its support of youth development and community engagement. In recognition of its commitment to a sustainable environment, the Company also continued to make resources available for its Reforestation Programme to offset the forest cover removed in the implementation of three major projects undertaken by NGC in the last ten years.
Approximately 37 hectares were replanted in 2009.

It is indeed a pleasure for me to have joined the family of NGC in March 2009.

S. Andrew Mc Intosh
President

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

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Consolidated Financial Statements

AUDITOR'S REPORT

REPORT OF INDEPENDENT AUDITOR'S 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 statement of financial position as at 31 December, 2009 and the consolidated statement of comprehensive 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.

Auditor's 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 auditor's judgement, 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, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Port of Spain,
TRINIDAD:
26 November, 2010

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

ASSETS	Notes	2009 $'000	2008 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	**7,127,742**	5,649,491
Intangible assets	5	**5,118**	3,199
Investment properties	6	**615,995**	428,573
Interest in joint venture	7	**849,233**	708,458
Investments	8	**1,325,482**	960,657
Derivative financial instruments	9	**111,255**	39,206
Deferred tax asset	21	**656,524**	588,451
Deferred expenses	10	**194,620**	187,750
Long-term loan receivable	11	**2,189,196**	1,982,586
Debt reserve funds	12	**167,442**	164,882
		13,242,607	10,713,253
CURRENT ASSETS			
Cash and cash equivalents and short-term investments	13	**9,554,469**	11,027,132
Accounts receivable	14	**1,617,764**	1,094,366
Current portion of long-term loan receivable	11	**289,662**	28,314
Sundry debtors and prepayments	15	**1,970,921**	1,807,675
Inventories	16	**33,755**	21,268
Income taxes receivable		**16,391**	71,333
Total current assets		**13,482,962**	14,050,088
Total assets		**26,725,569**	24,763,341

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars) (continued)

EQUITY AND LIABILITIES	Notes	2009 $'000	2008 $'000
EQUITY			
Stated capital	17	**1,752,848**	1,752,848
Capital subscribed	18	**102,418**	–
Reserve fund	19	**438,192**	438,192
Other reserves	20	**942,812**	536,459
Retained earnings		**13,458,830**	12,529,611
Equity attributable to equity holders of the parent		**16,695,100**	15,257,110
Minority interests		**333,610**	315,496
		17,028,710	15,572,606
NON-CURRENT LIABILITIES			
Deferred tax liability	21	**922,266**	824,721
Long-term debt	22	**3,573,522**	3,825,517
Provisions	23	**678,654**	666,591
Post-retirement medical and group life obligation	24	**73,434**	63,896
Pension obligation	25	**61,660**	37,838
Deferred income	26	**314,441**	150,814
Deferred capital grant		**24,901**	–
Long-term creditors	27	**109,608**	103,120
Total non-current liabilities		**5,758,486**	5,672,497
CURRENT LIABILITIES			
Current portion of long-term debt	22	**163,729**	144,846
Trade creditors	28	**1,598,929**	907,770
Sundry creditors and accruals	29	**1,687,761**	1,468,319
Deferred income	26	**47,086**	58,126
Deferred capital grant		**11,853**	1,187
Provisions	23	**267**	264
Income taxes payable		**278,748**	587,726
Dividends payable		**150,000**	350,000
Total current liabilities		**3,938,373**	3,518,238
Total liabilities		**9,696,859**	9,190,735
Total equity and liabilities		**26,725,569**	24,763,341

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 26 November 2010.

Malcolm Jones : Director David Small : Director

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	Notes	2009 $'000	2008 $'000
Sales	30	**9,125,401**	17,744,608
Cost of sales	30	**(7,443,264)**	(11,374,789)
Gross profit		**1,682,137**	6,369,819
Other operating income	31	**112,432**	144,521
Interest and investment income	32	**1,070,807**	1,400,806
Share of income from joint venture	7	**472,133**	735,197
Administrative, maintenance & general expenses	33	**(618,538)**	(1,690,282)
Impairment expense	34	**(55,527)**	(43,470)
Other expenses		**(32,907)**	(42,073)
Finance costs	35	**(291,772)**	(797,533)
Loss on foreign exchange transactions		**(22,901)**	(6,563)
Profit before tax		**2,315,864**	6,070,422
Income tax expense	21	**(603,432)**	(2,410,291)
Profit for the year		**1,712,432**	3,660,131
Other comprehensive income			
Available-for-sale financial assets		**223,060**	(107,786)
Foreign currency translation		**212,338**	(62,053)
Other comprehensive income for the year, net of tax		**435,398**	(169,839)
Total comprehensive income for the year		**2,147,830**	3,490,292
Attributable to:			
Equity holders of the Parent		**1,985,572**	3,229,432
Minority interests		**162,258**	260,860
		2,147,830	3,490,292

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

Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	Stated capital $'000	Capital subscribed $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000	Minority interest $'000	Total equity $'000
Balance as at 1 January, 2008	1,752,848	–	438,192	729,020	9,757,618	12,677,678	261,677	12,939,355
Total comprehensive income for the year	–	–	–	(168,400)	3,397,832	3,229,432	260,860	3,490,292
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(24,161)	24,161	–	–	–
Dividends	–	–	–	–	(650,000)	(650,000)	(207,041)	(857,041)
Balance as at 31 December, 2008	1,752,848	–	438,192	536,459	12,529,611	15,257,110	315,496	15,572,606
Balance as at 1 January, 2009	1,752,848	–	438,192	536,459	12,529,611	15,257,110	315,496	15,572,606
Total comprehensive income for the year	–	–	–	430,350	1,555,222	1,985,572	162,258	2,147,830
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(23,997)	23,997	–	–	–
Dividends	–	–	–	–	(650,000)	(650,000)	(144,144)	(794,144)
Capital subscribed	–	102,418	–	–	–	102,418	–	102,418
Balance as at 31 December, 2009	1,752,848	102,418	438,192	942,812	13,458,830	16,695,100	333,610	17,028,710

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	Notes	2009 $'000	2008 $'000
Cash flows from operating activities			
Cash generated from operations	36	**1,699,525**	6,422,857
Pension and other post-retirement contributions paid		**(20,155)**	(17,808)
Income taxes paid		**(862,670)**	(2,051,036)
Interest paid		**(263,970)**	(277,289)
Interest received		**333,505**	488,951
Increase/(decrease) in long-term creditors		**5,052**	(7,783)
Net cash generated from operating activities		**891,287**	4,557,892
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(1,609,635)**	(978,414)
Purchase of investment property		**(168,852)**	–
Proceeds on disposal of property, plant and equipment		**645**	72,367
Net change in short-term investments		**2,564,468**	(4,341,319)
Proceeds from repayment of loan receivables		**28,314**	201,368
Increase in debt reserve fund		**(335)**	(3,569)
Dividends received		**584,327**	993,308
Purchase of investments		**(127,735)**	(222,113)
Net cash generated from/(used in) investing activities		**1,271,197**	(4,278,372)
Cash flows from financing activities			
Repayment of long-term debt		**(262,717)**	(227,780)
Payment of borrowing costs		**(573)**	(519)
Dividends paid		**(994,144)**	(506,330)
Net cash used in financing activities		**(1,257,434)**	(734,629)
Net decrease in cash and cash equivalents		**905,050**	(455,109)
Net foreign exchange differences		**81,622**	14,521
Cash and cash equivalents			
- beginning of year		**1,428,978**	1,869,566
- end of year	13 (b)	**2,415,650**	1,428,978
Non-cash transactions			
Capital subscribed		**102,418**	–
Capitalisation of costs (Note 4 (c))		**69,610**	–
Purchase of property, plant and equipment		**172,028**	–

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 (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 (GORTT). 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
Subsidiary Companies		
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%
Associated Company		
Trinidad and Tobago Marine Petroleum Company Limited (TRINTOMAR)	Trinidad and Tobago	20%
Joint Venture		
Phoenix Park Gas Processors Limited*	Trinidad and Tobago	51%
Other		
Atlantic 1 Holdings LLC**	United States of America	10%
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited***	Trinidad and Tobago	11.11%

* owned by NGC NGL Company Limited
** owned by NGC Trinidad and Tobago LNG Company Limited
*** owned by Trinidad and Tobago LNG Limited

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 comprehensive income and within equity in the consolidated statement of financial position, 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.

- IAS 1 – Presentation of Financial Statements
- IAS 23 – Borrowing Costs
- IAS 32 – Financial Instruments - Presentation
- IFRS 1 – First-time Adoption and IAS 27 Consolidated and Separate Financial Statements
- IFRS 2 – Share-based payment
- IFRS 8 – Operating Segments
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

2.2 Changes in accounting policy and disclosures (continued)

Improvements to IFRSs

IFRS	Subject of Amendment
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes**
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 "falls 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 29	Description of measurement basis in financial statements.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
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.
Part II	**Amendments that are terminology or editorial changes only**
IAS 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 others 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.

2.2 Changes in accounting policy and disclosures (continued)

Improvements to IFRSs

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. However, the following standards have impacted the presentation and disclosure in these financial statements and is described below:

IAS 1: Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

IAS 40: Investment property
The standard revised its scope to include investment property under construction. This has resulted in investment property under construction no longer being classified in property, plant and equipment but in investment property.

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.

Judgements

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the reporting period 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.

2.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

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. For the year ended 31 December 2009 no impairment loss has been recognized in the statement of comprehensive income. Net gain recognized in other comprehensive income is $223 million (2008: net loss of $108 million).

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 determination 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.

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.

Take-or-pay
Take-or-pay obligations arising from long-term gas purchase contracts are accounted for as deferred expenditure or cost of sales (Note 2.4 (q)) based on management's assessment of the timeframe within which the gas will be taken. This assessment requires assumptions to be made regarding the future demand for gas arising from current and existing projects.

Carrying value of oil and gas assets
Oil and gas properties are depreciated using the units-of-production (UOP) method over proved 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 proved 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 proved reserves
- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions
- unforeseen operational issues

2.4 Summary of significant accounting policies (continued)

(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.

(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 tariffs 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 reporting period date.

Deferred tax
Deferred income tax is provided using the liability method on temporary differences at the reporting period 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 reporting period 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 reporting period date.

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

2.4 Summary of significant accounting policies (continued)

(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

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 statement of financial position, 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.

2.4 Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

(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 costs 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 proved developed reserves of oil and gas, as determined by an independent qualified petroleum consultant. Costs associated with the acquisition and evaluation of significant unproved properties are excluded from amounts subject to depletion until such time as the properties are proven or become impaired.

(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 comprehensive income in year of retirement or disposal.

2.4 Summary of significant accounting policies (continued)

(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 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 changes in accounting estimates.

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

(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$). However, the functional currency of the parent company and four of its subsidiaries is the United States dollar (US$) because it is the currency of the primary economic environment in which these entities operate. All statement of financial position amounts have been translated using exchange rates in effect at the reporting period date, and statement of comprehensive income 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 reporting period date. Resulting exchange differences are recognized in income/expense 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.

2.4 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 rate 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 comprehensive 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.

2.4 Summary of significant accounting policies (continued)

(l) 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 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 rate 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 amortized cost using the effective interest rate 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 reporting period 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.

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

2.4 Summary of significant accounting policies (continued)

(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 comprehensive 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.

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 comprehensive 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 reporting period 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 is recognized in comprehensive income.

2.4 Summary of significant accounting policies (continued)

(n) Impairment of financial assets (continued)

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 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.

(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 comprehensive income in those expense categories consistent with the function of the impaired asset.

2.4 Summary of significant accounting policies (continued)

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

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 comprehensive income amended over the lease term.

(q) Take-or-pay

The Group has take-or-pay contracts with various upstream producers. A liability is recognized in the year in which the Group has to pay for volumes contractually committed to but not yet taken. The expenditure is recognized at the earlier when the gas volumes are actually taken or on expiration of the deficiency recovery period. If management determines that they will not be able to take the volumes before the expiration of the deficiency recovery period, the amount is immediately recognized as an expense within cost of sales.

The Group also has take-or-pay contracts with its major customers. Deferred income is recorded in the year in which the customers have to pay for volumes contractually committed to but not yet taken. The revenue is recognized at the earlier of the expiration of the customer's deficiency period and when the volumes are taken.

2.4 Summary of significant accounting policies (continued)

(r) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

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 and marine infrastructure income is recognized upon performance of the services.

Lease rental and service charge from operating leases on investment properties are recognised as revenue in the period in which they are earned. Premiums on leases are recognised as revenue in the initial year of the lease.

Dividend income is recognized when dividends are declared by the investee company.

Management fees earned on government funded projects are accounted for on the accruals basis.

Interest income is accounted for on the accruals basis.

(s) Government grants

Government grants are recognized 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 recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Non-operating contributions received from the Government are accounted for as deferred capital grants.

(t) Capital grants

Capital grants represent amounts received from the government for specific capital expenditure purposes. Capital grants relating to non-depreciable assets are deducted against the carrying amount of the asset to which it relates when the expense is incurred. When the capital grant is expended for depreciable assets, the related amounts are transferred from deferred capital grants to deferred income.

Deferred income represents amounts expended on items of property, plant and equipment. These amounts are amortized to the income statement on a systematic basis over the useful lives of the related assets.

2.4 Summary of significant accounting policies (continued)

(u) 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 recognized 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 recognized as a finance cost.

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 comprehensive income.

Provision for reforestation
The Group has recorded a provision for the cost of reforestation. These estimated costs of replacing forest 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.

(v) 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 rate method.

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

2.4 Summary of significant accounting policies (continued)

(w) 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.

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, 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.

(x) 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.

2.4 Summary of significant accounting policies (continued)

(y) Comparative information

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year. Reclassifications relate mainly to an amount of $287.64 million which has been reclassified from impairment expense to finance costs. In addition, an amount of $35.624 million has been reclassified from deferred capital grant and offset against investment properties. These reclassifications have no effect on the profit and loss for the current and previous year.

3. Standards issued but not yet effective

The Group has chosen not to adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning after 1 January, 2009.

IAS 27 Consolidated and Separate Financial Statements (effective 1 July, 2009) requires the effect of all transactions with non-controlling interest (NCI) to be recorded in equity if there is no change in control and these transactions will not result in goodwill or gains or losses. Any remaining interest in the former subsidiary will be measured to fair value and a gain or loss is recognized in comprehensive income. The standard also specifies accounting treatment when control is lost.

IAS 38 Intangible Assets: (effective 1 July, 2009) was amended to reflect that expenditure on advertising and promotional activities is recognised as an expense when the Company either has the right to access the goods or has received the service. This amendment has no impact on the Company because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method was still appropriate

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 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 5 Non-current Assets Held for Sale and Discontinued Operations (effective 1 July, 2009) clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS's only apply if specifically required for such non-current assets or discontinued operations.

IFRS 9 Financial Instrument Classification and Measurement (effective 1 January, 2013) replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Financial assets are required to be classified into two measurement categories amortized cost and fair value.

3. Standards issued but not yet effective (continued)

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

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July, 2010) clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

In April 2009, 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, 2010. The following table shows the IFRSs and topics addressed by these amendments

IFRS	**Subject of Amendment**
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes**
IFRS 2	Scope of IFRS 2 and IFRS 3 Revised.
IFRS 5	Disclosures of non-current assets classified as held for sale and discontinued operations.
IFRS 8	Disclosure of information about segmental assets.
IAS 1	Current/non-current classification of convertible instruments.
IAS 7	Classification of expenditures on unrecognized assets.
IAS 17	Classification of leases of land and buildings.
IAS 18	Determining whether an entity is acting as a principal or as an agent.
IAS 36	Unit of accounting for goodwill impairment test.
IAS 38	Additional consequential amendments arising from IFRS 3 Revised. Measuring the fair value of an intangible asset acquired in a business combination.
IAS 39	Assessment of loan prepayment penalties as embedded derivatives. Scope exemption for business combination contract. Cash flow hedge accounting.
IFRIC 9	Scope of IFRIC 9 and IFRS 3 Revised.
IFRIC 16	Amendment on the restriction on the entity that can hold hedging instruments.

Embedded derivatives - Amendments to IFRIC 9 and IAS 39 (effective from 1 July, 2009) addresses the reclassification of non-derivative financial assets out of fair value through profit or loss category, and the assessment of whether to separate embedded derivatives.

In July 2009, the IASB issued IFRS for Small and Medium-Sized Entities ("SMEs"), which may be adopted immediately and transition is based on the rules in IFRS 1. IFRS for SMEs is a stand-alone standard, with no fall back to full IFRS, and it covers all of the recognition, measurement, presentation and disclosure requirements for SMEs.

In November 2009, the IASB issued IFRS 9 Financial Instruments (which may be adopted immediately), with mandatory adoption from 1 January, 2013.

4. Property, plant and equipment

2009	Freehold land $'000	Leasehold property $'000	Development costs $'000	Machinery and equipment $'000	Pipeline & related facilities $'000	Oil and gas assets $'000	Offshore plant and equipment $'000	Marine infrastructural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Cost/valuation											
At beginning of year	3,821	129,747	1,760	99,306	4,738,144	516,249	449,371	722,339	64,565	899,100	7,624,402
Additions	645	970	–	14,180	18,440	24,669	3,906	3,917	12,314	1,697,050	1,776,091
Transfers	–	6,248	–	–	–	–	–	–	–	(64,628)	(58,380)
Disposals	–	–	–	(1,301)	–	–	–	(6,206)	(6,140)	–	(13,647)
Foreign exchange difference	58	1,682	–	1,381	64,001	7,181	6,090	–	917	25,375	106,685
	4,524	138,647	1,760	113,566	4,820,585	548,099	459,367	720,050	71,656	2,556,897	9,435,151
Accumulated depreciation/ impairment											
At beginning of year	–	50,875	425	89,037	863,041	166,118	449,371	292,244	41,479	22,321	1,974,911
Charges for year	–	2,277	169	6,298	187,928	59,160	–	22,651	9,333	–	287,816
Transfers	–	–	–	–	–	–	–	–	–	–	–
Impairment	–	–	–	–	–	–	3,906	4,345	–	23,711	31,962
Disposals	–	–	–	(1,302)	–	–	–	(4,993)	(5,689)	–	(11,984)
Foreign exchange difference	–	675	–	1,181	13,376	2,788	6,090	–	594	–	24,704
	–	53,827	594	95,214	1,064,345	228,066	459,367	314,247	45,717	46,032	2,307,409
Net book value	4,524	84,820	1,166	18,352	3,756,240	320,033	–	405,803	25,939	2,510,865	7,127,742

4. Property, plant and equipment (continued)

2008	Freehold land $'000	Lease-hold property $'000	Development costs $'000	Machinery and equipment $'000	Pipeline & related facilities $'000	Oil and gas assets $'000	Offshore plant and equipment $'000	Marine infra-structural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Cost/valuation											
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
Accumulated depreciation/ impairment											
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
Net book value	3,821	78,872	1,335	10,269	3,875,103	350,131	–	430,095	23,086	876,779	5,649,491

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 Group revalued its offshore plant and equipment at an amount of $139 million to be depreciated over the assets remaining useful life of eight years. A corresponding amount of $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, 2009.

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 $2,384.96 million and $2,519.38 million as at 31 December, 2009 and 2008 respectively.

(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 Group has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired. Refer also to Note 39.

(c) Assets under construction

Included in assets under construction are costs of $516.7 million (US$81 million) relating to the construction of a Tobago Pipeline which is expected to cost $1,144.33 million (US$180 million) on completion. This pipeline was being constructed on behalf of the GORTT. In 2010, GORTT advised the Group to assume ownership of the pipeline, to treat the sum of $102.418 million (US$16 million) advanced as equity and to finance the balance of $1,042.61 million (US$164 million). The Group will earn revenue from transportation of natural gas via this pipeline.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	2009 $'000	2008 $'000
5. Intangible assets		
Cost		
At the beginning of year	**71,721**	68,388
Additions/transfers at cost	**5,572**	3,740
Disposals	**–**	–
Foreign exchange difference	**1,019**	(407)
	78,312	71,721
Accumulated depreciation		
At the beginning of year	**68,522**	56,774
Charges for the year	**3,714**	12,062
Foreign exchange difference	**958**	(314)
	73,194	68,522
Net book value	**5,118**	3,199
6. Investment properties		
Cost		
At beginning of the year	**701,819**	178,247
Additions	**168,852**	58,264
Transfers	**58,830**	500,932
Government grant	**–**	(35,624)
	929,051	701,819
Accumulated depreciation/impairment		
At beginning of the year	**273,246**	109,098
Transfers	**–**	206,873
Depreciation charge for the year	**12,339**	2,329
Impairment	**27,471**	(45,054)
	313,056	273,246
Net book value	**615,995**	428,573

6. Investment properties (continued)

Investment properties comprise the Union Industrial Estate (UIE), the material and handling storage facility at UIE and the La Brea Industrial Estate.

a) Union Industrial Estate

As stated in Note 46, subsequent to the year end, the GORTT took the decision to discontinue the aluminum smelter project being undertaken by Alutrint Limited on lands leased from the Group at the Union Industrial Estate. The discontinuation of the project will result in no lease revenues from the Group's anchor tenant on the Union Industrial Estate until such time as another viable energy based project is identified by the GORTT.

The Group conducted an impairment review of its 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 5.86%. Pre-tax cash flows were based on management's assumptions that no revenues will be earned by the Group in 2011 and 2012 for the site currently occupied by Alutrint Limited and that a new tenant will be in place from 2013. An impairment loss of $1.6 million has been recorded in 2009 (2008: $72.6 million).

Legal title for the land on which the Union Industrial Estate is situated has not yet been transferred to the Group by The Petroleum Company of Trinidad and Tobago Limited (Petrotrin).

b) Material and handling storage facility

The Group is constructing a material and handling storage facility for the aluminum smelter project. The facility is estimated to cost approximately $635.7 million (US$100 million) based on an EPC contract. At 31 December 2009 the facility was in progress and costs expended on this project amounted to $212 million (2008: $58.4 million).

As stated in Note 46, as a result of the discontinuation of the aluminum smelter project in September 2010, the Company is reviewing its options available for alternative use of the incomplete material and handling storage facility.

c) La Brea Industrial Estate

The Group performed its annual impairment review on its LABIDCO operations as at 31 December 2009. The recoverable amount of LABIDCO's major assets has been determined based on a value in use calculation using cash flow projections from the 2010 financial budgets approved by management and extrapolated for a four year period, a discount rate of 7.66% and a terminal cap rate of 5.66%. An impairment loss of $25.837 million and $28.056 million has been recognised on the investment properties and property, plant and equipment respectively at LABIDCO.

An impairment loss of $53.894 million has been recorded under expenses in the statement of comprehensive income (Note 34).

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, 2009 and 2008 are as follows:

	2009 $'000	2008 $'000
Share of PPGPL's statement of financial position:		
Current assets	**885,763**	589,904
Non-current assets	**1,221,112**	1,213,349
Current liabilities	**(448,147)**	(241,573)
Non-current liabilities	**(809,495)**	(853,222)
Net assets	**849,233**	708,458
Share of PPGPL's statement of comprehensive income:		
Revenue	**1,987,265**	2,877,856
Cost of sales	**(1,045,855)**	(1,545,232)
Operating and other expenses	**(179,519)**	(201,337)
Finance costs	**(32,986)**	(14,353)
Profit before tax	**728,905**	1,116,934
Income tax expense	**(256,772)**	(381,737)
Profit for the year	**472,133**	735,197

8. Investments

Investments comprise the following:

	2009 $'000	2008 $'000
Held-to-maturity investments (Note (a))	**137,535**	897
Investment in Atlantic 1 Holdings LLC, at cost	**155,025**	152,963
Investment in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited, at cost	**177,988**	175,623
Available-for-sale financial assets (Note (b))	**854,934**	631,174
	1,325,482	960,657

8. Investments (continued)

(a) Held-to-maturity

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

	2009 $'000	2008 $'000
Business Development Company	**909**	897
Petrotrin Bonds	**53,771**	–
Government of Trinidad and Tobago Bonds	**19,280**	–
Government of Barbados Bonds	**63,575**	–
	137,535	897

(b) Available-for-sale financial assets

	2009 $'000	2008 $'000
Shares – listed	**840,463**	617,302
Shares – unlisted	**14,471**	13,872
	854,934	631,174

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 Group 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 Group invested US$35.5 million in two (2) single tranche credit linked notes at a cost of US$17.75 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.

9. Financial asset at fair value through profit and loss (continued)

The mark to market value of the investment as at 31 December, 2009 was $111.255 million (US$17.50 million) (2008: $39.206 million (US$6.25million))

10. Deferred expenses	**2009 $'000**	**2008 $'000**
Take-or-pay	**194,620**	187,750

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.

11. Loans receivable	**2009 $'000**	**2008 $'000**
Trinidad and Tobago Electricity Commission (Note (a))	**–**	28,314
Trinidad and Tobago Electricity Commission (Note (b))	**1,766,906**	1,280,096
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited (Note (c))	**711,952**	702,490
	2,478,858	2,010,900
Less: current portion of loans	**(289,662)**	(28,314)
Long-term loans receivable	**2,189,196**	1,982,586

(a) Trinidad and Tobago Electricity Commission (T&TEC)

This loan represents a conversion of unpaid trade receivables and interest accrued for the period January 2000 to December 2002. The tenure was 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 the moratorium period, interest was capitalized and the amalgamated loan was payable in equal monthly installments over the four (4) remaining years with an option for prepayment. The loan agreement was finalized on 6 April, 2005.

The loan was fully repaid in 2009.

11. Loans receivable (continued)

(b) Trinidad and Tobago Electricity Commission (T&TEC) (continued)

The Group has converted trade receivables in the amount of $1,798.36 million for unpaid gas purchases for the period July 2005 to September 2009 together with related penalty interest of $224.23 million (2008: $147.78 million), to a long-term loan receivable of $2,022.6 million due from Trinidad & Tobago Electricity Commission ("T&TEC") at 31 December, 2009.

By letter dated 10 May, 2010, the Government of Trinidad and Tobago, the shareholder of both T&TEC and the Company, agreed inter alia that:

i) T&TEC's trade receivable balance of $2,022.6 million (US$319.7 million) be converted to a medium-term loan effective 1 December, 2009
ii) The loan is for a period of 7 years with interest payable at a rate of 3% per annum, with semi-annual installments to commence on 1 June, 2010.

The GORTT also indicated that funds will be made available to T&TEC to service the debt to the Company.

On initial recognition of the proposed long-term loan receivable at 31 December, 2008, the loan was impaired by $287.332 million (US$45.972 million). The impairment has been reduced to $255.693 million (US$40.22 million) in 2009. The impairment test was based on cash flows as per the terms of the medium-term loan agreed to by GORTT, using a discount rate of 7%.

The fair value of the long-term loan receivable was $1,767 million at 31 December, 2009 (2008: $1,280 million).

(c) Atlantic LNG 4 Company of Trinidad and Tobago Unlimited

Pursuant to the Atlantic LLC Agreement, the Members are obligated to make Members loans and working capital contributions in proportion to each Members 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, 2009 the Group has contributed US$111.988 million (2008: 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 reporting period date was 1.7049% (2008: 5.362%). The fair value of this loan approximates its carrying value.

12. Debt reserve funds

In accordance with the Letter of Credit and Reimbursement Agreement ("L/C Agreement") dated as of 15 October, 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, 2009 and 2008, these funds totaling $85.35 million and $84.21 million respectively were held in interest bearing accounts.

In addition, in accordance with a security agreement one of the subsidiary companies is required to maintain a Debt Reserve Fund. As at 31 December, 2009 these funds totalling $82.088 million (2008: $80.675 million) were held in an interest bearing account.

13. Cash and short-term deposits	**2009 $'000**	**2008 $'000**
Cash at banks and on hand	**2,390,243**	1,121,597
Short-term deposits	**8,261,113**	10,988,089
Less: Provision for impairment of short-term deposits	**(1,096,887)**	(1,082,554)
	9,554,469	11,027,132

(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 $9,554.47 million (2008: $11,027.13 million).

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

	2009 $'000	**2008 $'000**
Cash at banks and on hand	**2,390,243**	1,121,597
Short-term deposits (with an original maturity date of less than three months)	**25,407**	307,381
	2,415,650	1,428,978

13. Cash and short-term deposits (continued)

(c) The Group held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of $1,078.25 million as at 31 December, 2009 which have matured and were not re-paid.

CIB experienced financial and liquidity issues. On 31 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 and the related accrued interest was fully impaired as at 31 December, 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December, 2009.

14 Accounts receivable	**2009 $'000**	**2008 $'000**
Trade receivable	**1,617,764**	1,094,366

Included in trade receivables is an amount of TT$53.79 million (US$8.46 million) due by T&TEC at 31 December, 2009. Effective January 2009 the Group amended the pricing mechanisms for gas sold to T&TEC. This new pricing mechanism has been agreed to by the GORTT even though T&TEC has not yet accepted same and has resulted in increased income of $73.486 million (US$11.559 million) for 2009. Management is confident that this new pricing mechanism will be agreed to by T&TEC.

As at 31 December, 2009, trade receivables impaired and fully provided for totalled $24.5 million (2008: $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, 2008	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	19	6,148	6,167
Charge for year	–	18,922	18,922
Utilized	–	(322)	(322)
Reversal of prior year provision	–	(336)	(336)
Foreign currency translation adjustment	–	35	35
At 31 December, 2009	19	24,447	24,466

14. Accounts receivable (continued)

As at 31 December, 2009 the ageing analysis of trade receivables is as follows:

	Total $'000	Neither past due nor impaired $'000	Past due but not impaired <30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2009							
Accounts receivable	**1,617,764**	**1,409,981**	**47,481**	**20,411**	**76,245**	**16,053**	**64,272**
2008							
Accounts receivable	1,094,366	1,003,871	14,993	22,822	**7,977**	**1,156**	**43,547**

15. Sundry debtors and prepayments

Sundry debtors and prepayments comprise the following:

	2009 $'000	2008 $'000
Prepayments - Dolphin Pipeline	**1,207,906**	1,191,851
- Other	**9,670**	232,334
Staff related balances	**4,527**	8,831
Related party balance - GORTT	**296,395**	90,617
Value Added Tax	**174,990**	54,850
Interest receivable	**76,926**	96,827
Dividends receivable	**48,634**	53,992
Accrued income	**8,113**	6,256
Other	**143,760**	72,177
	1,970,921	1,807,675

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$113.091 million for the period April 2006 to December 2009 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.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	2009	2008
16. Inventories	**$'000**	**$'000**
Finished goods - LNG	**3,023**	597
Consumable spares	**27,275**	17,467
TSP spares	**3,019**	2,979
Other	**438**	225
	33,755	21,268
17. 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	**1,752,848**	1,752,848

18. Capital subscribed

During 2010, ordinary shares of 102,418,340 of no par value will be allocated to the Minister of Finance (Corporation Sole) in consideration of advances of $102.418 million made in 2009 by the Minister of Finance (Corporation Sole) to the Company.

19. 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.

	2009	2008
20. Other reserves	**$'000**	**$'000**
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines	**361,576**	385,575
Unrealized gain on available-for-sale financial assets	**367,538**	144,478
Foreign currency translation	**213,698**	6,406
	942,812	536,459

	2009	2008
21. Taxation	**$'000**	**$'000**
Corporation tax	**535,674**	2,332,998
Petroleum profit tax	**29,496**	97,286
Business levy	**708**	784
Green fund levy	**11,128**	20,794
	577,006	2,451,862
Deferred	**26,426**	(41,571)
	603,432	2,410,291
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	**2,315,864**	6,070,422
Tax at the rate of 35%	**810,552**	2,124,648
Tax exempt income	**(184,035)**	(267,060)
Non-deductible (income)/expenses	**7,864**	551,240
Permanent differences	**2,496**	–
Other differences	**7,598**	3,159
Prior years' corporation tax	**(2,358)**	65,981
Business levy	**708**	784
Green fund	**11,128**	20,794
Tax losses utilized	**(1,022)**	(676)
Tax effect of subsidiaries at different rate	**(70,618)**	(115,705)
Effect of oil and gas assets taxed at a different rate	**6,277**	40,128
Foreign exchange translation	**14,842**	(13,002)
Income tax provision	**603,432**	2,410,291
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Property, plant and equipment	**4,951**	10,617
Accrued interest expense	**32,165**	30,582
Tax losses	**92,074**	114,030
Asset retirement obligation	**225,737**	212,115
Post-retirement medical and group life and pension	**46,580**	35,605
Pre-transfer payment - Dolphin Pipeline	**251,643**	182,052
Other	**3,374**	3,450
	656,524	588,451
Deferred tax liability:		
Property, plant and equipment	**922,266**	824,721

		2009	2008
22	**Long-term debt**	**$'000**	**$'000**
	(i) Caribbean Development Bank	**–**	8,965
	(ii) AKA Ausfuhrkredit GmbH	**73,657**	101,749
	(iii) First Citizens Bank Limited	**386,020**	350,368
	(iv) US $400M 30-year bond	**2,224,903**	2,381,782
	(v) CALYON	**972,892**	1,033,974
	(vi) First Citizens Bank Limited	**42,074**	49,021
	(vii) RBTT	**37,705**	44,504
		3,737,251	3,970,363
	Less: current portion	**(163,729)**	(144,846)
		3,573,522	3,825,517

Description	Terms and conditions	Security
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.	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 2009 ranged between 5.92 - 6.03% (2008: 5.02 - 6.03%). The loan was fully repaid in 2009.	Letter of credit secured by specific gas sales contracts.
Item (ii) relates to a facility established with AKA GmbH (AusfuhikreditGesellschaftmbH) on 10 July, 2003 as follows: Tranche 1 US$38.17 million; and Tranche 2 EUR 1,135.17 million – Insurance Premium.	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 $73.80 million (US$11.61 million) at December 2009.	Export credit insurance provided by HERMES.

22. Long-term debt (continued)

Description	Terms and conditions	Security
Item (iv) 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.	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 $2,542.71 million (US$399.96 million) at 31 December, 2009. Bonds with a nominal value of $189.705 million (US$29.84 million) were repurchased during the year. Total re-purchases as at 31 December amounted to $279.122 million (US$43.905 million). The Company recorded a gain of $57.061 million (US$9.06 million) in 2009 which has been recognized in the statement of comprehensive income (Note 31).	None.
Item (v) relates to a facility established with a group of lenders led by CALYON on 23 December, 2004 for US$200 million.	Principal is repayable in 30 consecutive semi-annual install-ments 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 percent (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 $991.99 million at 31 December 2009. (2008: $1,096.88 million).	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 insurance policies and the company's shares owned by the parent.

22. Long-term debt (continued)

Description	Terms and conditions	Security
Item (v) (continued)	The average Libor rate for the year ended 31 December, 2009 was 4.1688% (2008: 5.779%). The effective interest rate at the reporting date is 2.3680% (2008: 4.91250%) exclusive of the above margin.	
Item (vi) 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.	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 6.2% per annum. The fair value of the loan was $45.296 million at 31 December, 2009 (2008: $42.794 million).	Assignment of pier user contracts, chattel mortgage over two tugboats with carrying amounts totalling $45.291 million and assignment of all risk marine and special perils insurance coverage over the tugboats.
Item (vii) 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 $35.837 million at December 2009 (2008: $38.759 million).	Bond is guaranteed by The National Gas Company of Trinidad and Tobago Limited and The Petroleum Company of Trinidad and Tobago Limited.

	2009	2008
22. Long-term debt (continued)	**$'000**	**$'000**
Maturity profile of long-term debt		
In one year or less	**163,729**	144,846
In more than one year but not more than two years	**171,158**	164,307
In more than two years but not more than three years	**164,256**	171,452
In more than three years but not more than four years	**139,862**	164,468
In more than four years but not more than five years	**134,348**	140,080
In more than five years	**2,963,898**	3,185,210
	3,737,251	3,970,363

23. Provisions

	Asset retirement obligation $'000	Environmental obligation $'000	Onerous contract $'000	2009 Total $'000	2008 Total $'000
Balance as at 1 January, 2009	534,998	21,636	110,221	666,855	480,627
Amounts utilized during year	–	(209)	–	(209)	(1,290)
Unwinding of discount	28,874	–	–	28,874	36,013
Decrease in provision	–	–	(25,580)	(25,580)	153,504
Foreign currency translation	7,208	290	1,483	8,981	(1,999)
Balance as at 31 December, 2009	571,080	21,717	86,124	678,921	666,855
Current portion	–	267	–	267	264
Non-current portion	571,080	21,450	86,124	678,654	666,591
	571,080	21,717	86,124	678,921	666,855

(a) 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.

23. Provisions (continued)

(b) 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.

(c) 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.

24. Post-retirement medical and group life	**2009 $'000**	**2008 $'000**
Post-retirement medical and group life	**73,434**	63,896
Movement on the liability recognized in the statement of financial position:		
Value at beginning of the year	**63,896**	83,256
Foreign exchange translation	**399**	(298)
Net benefit cost	**9,680**	(18,588)
Premiums paid	**(541)**	(474)
Value at end of year	**73,434**	63,896
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation at start	**63,896**	83,256
Service cost	**5,378**	6,631
Interest cost	**5,571**	6,518
Benefit improvement	**–**	(25,530)
Actuarial (gain)/loss	**(1,269)**	(6,207)
Foreign exchange translation	**399**	(298)
Company's premiums paid	**(541)**	(474)
Defined benefits obligation at end	**73,434**	63,896

The Group expects to contribute $0.59 million to its post-retirement medical and group life plans in 2010.

24. Post-retirement medical and group life (continued)	**2009 $'000**	**2008 $'000**
The amounts recognized in the statement of comprehensive income are as follows:		
Current service cost	**5,378**	6,631
Interest cost on benefits obligation	**5,571**	6,518
Net actuarial loss recognized in the year	**(1,269)**	(6,207)
Past service cost	**–**	(25,530)
Net benefits cost	**9,680**	(18,588)
The principal actuarial assumptions used for accounting purpose were:		
Medical cost inflation	**7.00%**	8.25%
Discount rates	**7.50%**	8.75%
Average individual salary increases	**7.00%**	8.25%

	Aggregate service and interest costs $'000	**Year end deferred benefit obligation $'000**
Effects of one percentage point charge in medical expense increase assumption		
Medical expense increase by 1% P.A	2,382	12,142
Medical expense decrease by 1% P.A	(1,805)	(9,419)

Assets allocation as at 31 December

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

Experience history	**2009 $'000**	**2008 $'000**
Defined benefit obligation	**73,434**	63,896
Fair value of plan assets	**–**	–
Deficit	**73,434**	63,896
Experience adjustment on plan liabilities	**(1,269)**	(6,207)
Experience adjustment on plan assets	**–**	–

	2009 $'000	2008 $'000
25. Pension obligation		
Benefit asset/(liability)		
Present value of obligation	**408,600**	339,467
Fair value of plan assets	**(347,351)**	(301,629)
Foreign exchange translation	**411**	–
Pension liability	**61,660**	37,838
Movement on the asset recognized in the statement of financial position:		
Asset value at beginning of the year	**37,838**	2,091
Net pension cost	**43,025**	53,081
Contributions paid	**(19,614)**	(17,334)
Foreign exchange translation	**411**	–
Liability value at end of the year	**61,660**	37,838
The amounts recognized in the statement of comprehensive income are as follows:		
Current service cost	**19,828**	19,606
Interest cost on benefit obligation	**29,162**	26,183
Expected return on plan assets	**(29,775)**	(29,979)
Net actuarial gain recognized in the year	**23,810**	37,271
Net pension cost	**43,025**	53,081
Actual return on plan assets	**36,718**	15,087
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefit obligation at start of the year	**339,467**	302,064
Service cost	**19,828**	19,606
Interest cost	**29,162**	26,183
Members' contribution	**6,682**	5,742
Actuarial (gain)/loss	**26,689**	(7,782)
Benefits paid	**(12,631)**	(5,775)
Expense allowance	**(597)**	(571)
Defined benefit obligation at end of the year	**408,600**	339,467

	2009 $'000	2008 $'000
25. Pension obligation (continued)		
Changes in fair value of plan assets are as follows:		
Plan assets at start of year	**301,629**	299,973
Expected returns on plan assets	**29,775**	29,979
Actuarial gain/(loss)	**6,943**	(45,066)
Company contributions	**15,550**	17,334
Members' contributions	**6,682**	5,742
Benefits paid	**(12,631)**	(5,775)
Expense allowance	**(597)**	(558)
Plan assets at end of the year	**347,351**	301,629

The Goup expects to contribute $17.3 million to its defined benefit pension plan in 2010.

	2009	2008
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equity securities	**26%**	26%
Debt securities	**45%**	32%
Money market instruments/cash	**21%**	35%
Mutual funds	**6%**	5%
Other-deposits administrative contract	**0%**	0%
Other-purchased annuities	**2%**	2%
	100%	100%
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**7.50%**	8.75%
Expected return on plan assets	**8.20%**	9.75%
Future salary increases	**7.00%**	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.

26. Deferred income

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

	2009 $'000	2008 $'000
Gas sales (Note (a))	**259,159**	93,817
Capital grant (Note (b))	**12,802**	18,514
Transportation tariff (Note (c))	**75,059**	77,741
Pier user charge (Note (d))	**12,468**	12,192
Other	**2,039**	6,676
	351,357	208,940
Less: Current portion	**(47,086)**	(58,126)
	314,441	150,814

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 capital grants expended on depreciable assets and are to be amortized to the statement of comprehensive income over the useful lives of the related asset.

(c) This amount comprises shippers reserve capacity which is billed one month in advance.

(d) This amount comprises pier user charges which is billed in advance.

27. Long-term creditors

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

28. Trade creditors

	2009 $'000	2008 $'000
Trade payables are settled on 30-day terms	**1,598,929**	907,770

29. Sundry creditors and accruals	2009 $'000	2008 $'000
Accrued interest	**209,812**	92,200
Accrued material/service amounts	**563,924**	756,250
Contract provisions	**136,191**	46,406
Related party	**24,574**	24,574
Employee related accruals	**33,956**	28,483
Pre-transfer payments - Dolphin Pipeline	**719,304**	520,406
	1,687,761	1,468,319

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 22.

Included within accrued interest is $122.93 million (2008: $4.68 million) which relates to interest on tax liabilities. In a Budget presentation on 8 September 2010, the GORTT announced an amnesty on interest and penalties on late payment of certain taxes (including Income Tax, Corporation Tax, Value Added Tax, Business Levy, Green Fund Levy and Lands and Buildings Tax) for years of income 2009 and prior, where such taxes are paid by 31 May, 2011. In this regard, to the extent that the legal notice has been issued by GORTT and that payment of such outstanding taxes has been made by 31 May, 2011, the Group will be able to reverse provisions for interest related thereto.

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

30. Sales and cost of sales	2009 $'000	2008 $'000
Sales include the following:		
Gas sales	**7,520,855**	14,936,060
Condensate sales	**84,692**	115,956
Transport tariffs	**219,131**	213,188
Compression charges	**53,587**	39,868
Crude oil income	**390,548**	664,819
LNG sales	**607,292**	1,526,383
Marine facilities and services	**249,296**	248,334
	9,125,401	17,744,608

		2009 $'000	2008 $'000
30.	**Sales and cost of sales (continued)**		
	Cost of sales include the following:		
	Gas purchase	**6,564,292**	10,299,042
	Depreciation	**272,667**	234,232
	Impairment – offshore plant and equipment	**3,906**	8,405
	Other operating cost	**226,443**	255,656
	Production taxes including SPT	**124,681**	221,680
	Maintenance cost	**102,397**	170,231
	Staff cost	**64,405**	61,166
	Royalties	**44,199**	77,191
	Exploration and production cost	**40,274**	47,186
		7,443,264	11,374,789
31.	**Other operating income**		
	Lease income	**37,363**	17,926
	Gain on repurchase of bonds	**57,061**	27,070
	Project management fees – GORTT	**15,532**	15,963
	Other	**2,476**	83,562
		112,432	144,521
32.	**Interest and investment income**		
	Interest income	**241,536**	418,462
	Other investment income	**65,617**	60,811
	Net gain on financial asset at fair value through profit and loss (Note 9)	**70,861**	–
	Fair value gain on T&TEC loan receivable (Note 11 (b))	**36,230**	–
	Finance income	**414,244**	479,273
	Dividend income	**236,161**	357,984
	Penalty interest income - T&TEC	**73,776**	147,394
	LNG production payments	**346,626**	416,155
	Other investment income	**656,563**	921,533
		1,070,807	1,400,806

	2009 $'000	2008 $'000
33. Expenses		
Administrative, maintenance and general expenses include the following :		
Staff costs (see below)	**211,362**	196,429
Penalty interest - BIR	**117,159**	–
Depreciation	**31,202**	21,756
Provision for short-term deposits	**–**	1,078,301
Provision for irrecoverable receivables	**21,243**	613
(Reversal of provision)/provision for onerous contract	**(25,344)**	110,221
Other	**262,916**	282,962
	618,538	1,690,282
Staff costs:		
Wages and salaries	**219,140**	218,235
National insurance	**4,995**	4,867
Post-retirement medical and group life	**42,576**	(18,588)
Pension costs	**9,055**	53,081
	275,766	257,595
Staff costs included within:		
Cost of sales	**64,405**	61,166
Administrative and general expenses	**211,361**	196,429
	275,766	257,595
34. Impairment expense		
Union Industrial Estate (Note 6(a))	**1,634**	16,877
LABIDCO (Note 6(c))	**53,893**	26,593
	55,527	43,470

	2009 $'000	2008 $'000
35. Finance costs		
Interest	**262,594**	290,452
Amortization of transaction costs	**571**	518
Decommissioning – unwinding of discount rate	**28,607**	35,920
Net loss on financial asset through profit and loss (Note 9)	**–**	183,008
Fair value loss on T&TEC loan receivable (Note 11 (b))	**–**	287,635
	291,772	797,533

	2009 $'000	2008 $'000
36. Cash generated from operations		
Profit before tax	**2,315,864**	6,070,422
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	**303,869**	255,993
Impairment	**59,433**	51,875
Finance costs	**291,772**	509,898
Loss/(gain) on disposal of property, plant and equipment	**1,018**	(41,935)
Share of profit from joint venture	**(472,133)**	(735,197)
Dividend income	**(236,161)**	(357,984)
Decrease in deferred income	**184,357**	126,835
Decrease in deferred expenses	**4,102**	62,626
Post-retirement costs	**52,705**	34,493
(Decrease)/increase in onerous contract provision	**(25,580)**	110,221
Provision for short-term investments	**–**	1,063,920
Gain on repurchase of bond issue	**(57,061)**	(27,066)
Fair value (gain)/loss on T&TEC loan receivable	**(36,230)**	287,635
Interest and investment income	**(378,014)**	(479,273)
Operating profit before working capital changes	**2,007,941**	6,932,463
(Increase)/decrease in accounts receivable and sundry debtors	**(1,178,704)**	300,012
(Increase)/decrease in inventories	**(12,092)**	18,040
Increase/(decrease) in trade creditors, sundry creditors and accruals	**882,380**	(827,658)
	1,699,525	6,422,857

37. Contingent liabilities

(i) Taxes

For income years 1993 to 1996 and 1999 the Group has objected to certain adjustments of TT$126.67 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 has been made in the accounts for any additional tax liabilities, penalties or interest.

(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.

	2009	2008
38. Capital commitments	**$'000**	**$'000**
Approved and contracted capital expenditure	**2,557,257**	4,534,916

39. Other commitments

(a) Compensation to landowners

As at 31 December, 2009 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.

(b) Guarantees

The parent company has pledged its shares in NGC Pipeline Company Limited and provided a guarantee in respect of its Shipper Gas Transportation Agreement with NGC Pipeline Company Limited as collateral for a loan obtained by the Group.

	2009 $'000	2008 $'000
40. Operating lease commitments		
(a) Group as a lessee		
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	**9,840**	12,562
One to five years	**7,501**	13,325
	17,341	25,887
(b) Group as a lessor		
Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	**28,321**	28,095
One to five years	**38,205**	79,727
More than five years	**181,084**	428,386
	247,610	536,208

41. 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 or if not taken, pay for said natural gas up to the contracted take-or-pay volume at the current price. The prices on certain tranches of gas of these contracts are linked to the commodity prices of ammonia and methanol subject to a floor price that escalates annually. As a result, it is not possible to quantify the amount payable on these contracts in the future.

In prior years, the Group committed to purchasing additional volumes of natural gas for several new projects that have not materialized as forecasted. For 2009, the Group has an imbalance between the contracted volume of purchase and sale of natural gas which has given rise to a take-or-pay liability of $108 million (US$17 million) under one of its purchase contracts. The Group expects it will be unable to utilize this take-or-pay volume of gas before the expiration of the deficiency recovery period and has recognized this amount as an expense in cost of sales in 2009.

41. Commitment contracts (continued)

Purchases (continued)

Management expects that this imbalance will increase during the period up to 2012. The Company is currently in negotiations with its upstream suppliers to reduce or defer the contracted volume.

Sales

Under long-term take-or-pay sales contracts, the Group's customers are obligated to take or if not taken, pay for said natural gas at the current price, up to the contracted take-or-pay volume. The price of natural gas sold to the producers of ammonia and methanol are linked to the relevant commodity price of ammonia and methanol. The natural gas prices under these contracts are not capped but the contracts include floor prices which represent the minimum prices for which natural gas can be sold to the respective customers.

Royalty gas

For the period November 2005 to December 2009, the Group received "royalty" gas from an upstream supplier. The Group has no economic interest in the "royalty" gas as it is only a transporter of the gas to T&TEC on behalf of the GORTT. As the "royalty" gas agreement between GORTT and the upstream supplier has not been finalized, invoices are issued by the upstream supplier to the Group and invoices are issued by the Group to T&TEC for the royalty gas delivered. The expense and income relating to the royalty gas received and sold have not been recognized in these financial statements as the Group does not obtain any economic benefit from this arrangement.

42. Related party transactions

The Group is wholly owned by the Government of Trinidad and Tobago. In the ordinary course of its business, the Group enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include Alutrint Limited, Alutech Limited, Trinidad Generation Unlimited, Petrotrin and First Citizens Bank Limited.

The sales to and from related parties are at arm's length, with the exception of gas sales to 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 with the exception of that relating to Alutech Limited. For the year ended 31 December, 2009 the Group has not made any provision for doubtful debts relating to amounts owed by related parties except for the amounts of $19.436 million and $18.234 million due by Alutrint Limited and Alutech Limited respectively. An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

42. 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 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
Government of Trinidad and Tobago					
Other receivables - projects	2009	15,532	–	390,589	–
	2008	15,963	–	243,948	–
Bonds	2009	1,173	–	19,280	–
	2008	–	–	–	–
Grants	2009	31,367	–	–	–
	2008	35,624	–	–	–
Management fees	2009	8,309	–	–	–
	2008	15,963	–	–	–
Fellow State Enterprises					
T&TEC:	2009	565,703	–	5,379	–
Gas sales	2008	345,609	–	–	–
Loan receivable	2009	79,284	–	1,776,903	–
	2008	155,151	–	1,308,409	–
First Citizens Bank:	2009	–	30,647	–	386,020
Loan payable	2008	–	22,390	–	350,368
Cash and cash equivalents	2009	81	–	10,080	–
	2008	95	–	6,921	–
Short-term deposits	2009	48,640	–	1,976,575	–
	2008	31,991	–	864,919	–
Petroleum Company of Trinidad	2009	137,511	–	87,938	–
and Tobago Limited – gas sales	2008	224,044	–	37,324	–
Bonds	2009	3,777	–	53,771	–
	2008	–	–	–	–
Advances to LABIDCO	2009	–	–	–	24,574
	2008	–	–	–	24,574
Associated Company					
National Helicopter Services	2009	504	27,552	–	2,630
Limited	2008	501	32,449	–	3,006
Joint Venture					
Phoenix Park Gas Processors	2009	586,032	–	139,044	–
Limited	2008	715,357	–	70,100	–

42. Related party transactions (continued)

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

Compensation of key management personnel	**2009 $'000**	**2008 $'000**
Short-term employee benefits	**23,644**	23,355
Post-employment benefit	**2,400**	2,222
	26,044	25,577

43. 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 Group 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 on policies for managing each of these risks which are summarized below.

Credit risk

The Group trades only with recognized creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Government of Trinidad and Tobago has agreed that the outstanding trade receivable from T&TEC as at 30 September, 2009 is to be converted to a loan effective 1 December, 2009. The Government of Trinidad and Tobago is the sole shareholder of T&TEC and the Group, 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.

43. Financial risk management objectives and policies (continued)

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.

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

Year ended 31 Dec, 2009	On demand $'000	≤ 3 mths $'000	3-12 mths $'000	1-5 yrs $'000	≥ 5 yrs $'000	Total $'000
Long-term debt	711,953	76,925	333,355	1,530,814	6,399,426	9,052,473
Trade creditors	–	1,598,929	–	–	–	1,598,929
Other payables	21,664	810,359	65,742	–	–	897,765
Other financial liabilities	–	–	150,000	109,608	–	259,608
	733,617	2,486,213	549,097	1,640,422	6,399,426	11,808,775

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	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
	702,896	1,929,396	628,457	1,444,658	6,726,807	11,432,214

43. Financial risk management objectives and policies (continued)

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, 2009 after taking into account the effect of interest rate swaps approximately 50% of the Group's borrowings are at a fixed rate of interest (2008: 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 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 $'000**
Long-term debt		
2009	10%	4,644
	(10%)	(4,644)
2008	10%	2,655
	(10%)	(2,655)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arises 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.

43. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in the TT 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
2009	0.01	2,015
	(0.01)	(2,015)
2008	0.01	813
	(0.01)	(813)

Commodity price risk

The Group is exposed to commodity price risk for natural gas sold to the producers of ammonia and methanol products. The Group's prices to these customers are affected by the volatility of ammonia and methanol prices. The Group manages this commodity price exposure by matching volumes it sells under these sales contracts with volumes under certain of its purchase contracts that contain similar commodity linked prices. These provisions reduce, but do not eliminate, the effect of commodity price volatility.

Other price risk

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 $'000
2009	3-10%	83,412
	(3-10%)	(83,412)
2008	3-10%	61,111
	(3-10%)	(61,111)

43. Financial risk management objectives and policies (continued)

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 shareholder 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 2008.

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, 2009 and 31 December, 2008.

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.

	2009 $'000	**2008 $'000**
Net debt	**3,737,251**	3,970,363
Equity	**16,695,100**	15,257,110
Debt plus equity	**20,432,351**	19,227,473
Gearing ratio	**0.18**	0.20

44. 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 statement

	Carrying amounts		Fair value	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Financial assets				
Cash and short-term deposits	**9,554,469**	11,027,132	**9,554,469**	11,027,132
Available-for-sale investments	**854,934**	631,174	**854,934**	631,174
Debt reserve funds	**167,442**	164,882	**167,442**	164,882
Loans receivable	**2,478,858**	2,010,900	**2,477,083**	2,009,124
Accounts receivable	**1,617,764**	1,094,366	**1,617,764**	1,094,366
Financial liabilities				
Fixed rate borrowings	**2,378,339**	2,577,056	**2,374,605**	2,366,270
Floating rate borrowings	**1,358,912**	1,393,309	**1,358,912**	1,393,309
Other financial liabilities	**2,827,323**	1,960,595	**2,827,323**	1,960,595

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

44. Financial instruments (continued)

Short-term financial assets and liabilities (continued)

Derivative financial instruments and hedging

The Group uses 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.

The Group has entered into an interest rate hedge with CALYON Bank Ltd. effective 1 December, 2005 for 15 years for US$100 million, whereby it receives a fixed rate of interest of 4.98% and pays a variable rate equal to LIBOR + 1.625% on the notional amount. The impact of this hedge in 2009 was an increase in interest expense in the amount of $15.655 million (2008: $5.507 million). The secured loan and interest rate swap have the same critical terms.

45. Dividends

In 2009 dividends of $650 million was declared in respect of 2008. In 2009 dividends of $500 million was paid. The final dividend of $150 million was paid in 2010. No dividends have been declared for the year 2009.

46. Events after the reporting period

The General Elections held on 24 May, 2010 resulted in a change in the Government of Trinidad and Tobago. In September 2010, the new Government took the decision to discontinue the Aluminium Smelter project at Union Industrial Estate, La Brea. The Group has been mandated by the GORTT to find viable energy-based projects to replace the Aluminium Smelter project. Management has estimated that this will have an incubation period of at least two (2) years before visible change is observed.

Additionally, management is reviewing its options for alternative use of the Material Storage and Handling Facility that was being built by the Group for the Aluminium Smelter project (See Note 6 (b)).

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

09

Non-Consolidated Financial Statements

AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT 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 consolidated statement of financial position as at 31 December, 2009 and the statement of comprehensive 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.

Auditor's 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the non-consolidated financial statements give a true and fair view of the financial position of the Company as of 31 December, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Port of Spain,
TRINIDAD:
26 November, 2010

Non-Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

ASSETS	Notes	2009 $'000	2008 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	**5,361,984**	3,764,593
Intangible assets	5	**5,118**	3,199
Investments	6	**2,102,831**	1,762,045
Financial assets at fair value through profit and loss	7	**111,255**	39,206
Deferred tax asset	19	**556,279**	461,535
Deferred expenses	8	**197,545**	189,887
Long-term loans receivable	9	**2,520,070**	2,247,586
Debt reserve funds	10	**85,354**	84,207
		10,940,436	8,552,258
CURRENT ASSETS			
Cash and short-term deposits	11	**8,066,352**	9,614,311
Accounts receivable	12	**1,439,334**	847,745
Sundry debtors and prepayments	13	**1,881,784**	1,753,777
Deferred expenses	8	**2,751**	3,644
Current portion of long-term loans receivable	9	**289,662**	42,134
Inventories	14	**30,477**	20,475
Tax recoverable		**3,363**	61,205
		11,713,723	12,343,291
Total assets		**22,654,159**	20,895,549

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

Non-Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars) (continued)

EQUITY AND LIABILITIES	Notes	2009 $'000	2008 $'000
EQUITY			
Stated capital	15	**1,752,848**	1,752,848
Capital subscribed	16	**102,418**	–
Reserve fund	17	**438,192**	438,192
Other reserves	18	**937,222**	544,149
Retained earnings		**11,615,169**	10,963,405
		14,845,849	13,698,594
NON-CURRENT LIABILITIES			
Deferred tax liability	19	**598,893**	534,388
Long-term debt	20	**2,616,515**	2,785,781
Deferred income	21	**259,159**	93,817
Provisions	22	**671,933**	659,959
Post-retirement medical and group life obligation	23	**73,434**	63,896
Pension obligation	24	**61,660**	37,838
Long-term creditors	25	**109,608**	103,120
		4,391,202	4,278,799
CURRENT LIABILITIES			
Current portion of long-term debt	20	**68,065**	57,084
Trade creditors	26	**1,553,252**	876,845
Sundry creditors and accruals	27	**1,372,715**	1,068,182
Dividend payable		**150,000**	350,000
Income tax payable		**273,076**	566,045
		3,417,108	2,918,156
Total liabilities		**7,808,310**	7,196,955
Total equity and liabilities		**22,654,159**	20,895,549

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 26 November, 2010.

Malcolm Jones : Director

David Small : Director

Non-Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	Notes	2009 $'000	2008 $'000
Sales	28	**8,055,565**	15,760,158
Cost of sales	28	**(6,835,563)**	(9,866,192)
Gross profit		**1,220,002**	5,893,966
Other operating income	29	**122,466**	141,261
Interest and other investment income	30	**1,266,299**	1,654,965
Administrative and general expenses	31	**(559,740)**	(1,623,170)
Reversal of impairment of property, plant and equipment	32	**-**	55,774
Other expenses		**(31,036)**	(29,325)
Finance costs	33	**(224,814)**	(715,155)
Loss on foreign exchange transactions		**(19,350)**	(7,627)
Profit before tax		**1,773,827**	5,370,689
Income tax expense	19	**(496,060)**	(2,305,850)
Profit for the year		**1,277,767**	3,064,839
Other comprehensive income			
Available-for-sale financial assets		**223,060**	(107,786)
Foreign currency translation		**194,010**	(55,620)
Other comprehensive income for the year, net of tax		**417,070**	(163,406)
Total comprehensive income for the year		**1,694,837**	2,901,433

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

Non-Consolidated Statement of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	Stated capital $'000	Capital subscribed $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Balance as at 1 January, 2008	1,752,848	–	438,192	731,716	8,524,405	11,447,161
Total comprehensive income for the year	–	–	–	(163,406)	3,064,839	2,901,433
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(24,161)	24,161	–
Dividends	–	–	–	–	(650,000)	(650,000)
Balance as at 31 December, 2008	1,752,848	–	438,192	544,149	10,963,405	13,698,594
Balance as at 1 January, 2009	1,752,848	–	438,192	544,149	10,963,405	13,698,594
Total comprehensive income for the year	–	–	–	417,070	1,277,767	1,694,837
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(23,997)	23,997	–
Dividends	–	–	–	–	(650,000)	(650,000)
Capital subscribed	–	102,418	–	–	–	102,418
Balance as at 31 December, 2009	1,752,848	102,418	438,192	937,222	11,615,169	14,845,849

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

Non-Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

	2009 $'000	2008 $'000
Cash flows from operating activities		
Cash generated from operations (Note 34)	**1,212,231**	5,892,767
Pension and other post-retirement contributions paid	**(20,155)**	(17,808)
Income taxes paid	**(793,675)**	(1,984,690)
Interest received	**298,531**	455,586
Interest paid	**(200,488)**	(203,762)
Increase/(decrease) in long-term creditors	**5,052**	(7,783)
Net cash generated from operating activities	**501,496**	4,134,310
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,570,932)**	(855,990)
Proceeds on disposal of property, plant and equipment	**641**	105,181
Net increase/(decrease) in short-term deposits	**2,443,669**	(4,212,246)
Investment & advances to subsidiaries	**4,212**	68,520
Proceeds from repayment of loans receivables	**37,036**	226,895
Purchase of investments	**(127,735)**	(222,113)
Increase in debt reserve fund	**(13)**	(1,358)
Dividends received	**466,727**	638,734
Net cash generated/(used) in investing activities	**1,253,605**	(4,252,377)
Cash flows from financing activities		
Repayment of long-term debt	**(169,076)**	(140,793)
Payment of borrowing costs	**(573)**	(519)
Dividends paid	**(850,000)**	(300,000)
Net cash used in financing activities	**(1,019,649)**	(441,312)
Net increase/(decrease) in cash and cash equivalents	**735,452**	(559,379)
Net foreign exchange differences	**59,286**	12,769
Cash and cash equivalents		
- beginning of year	**428,724**	975,334
- end of year (Note 11(c))	**1,223,462**	428,724
Non-cash transactions		
Capital subscribed	**102,418**	–
Capitalization of costs (Note 4 (c))	**69,610**	–
Purchase of property, plant and equipment	**172,028**	–

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

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) as issued by the International Accounting Standards Board (IASB).

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.

- IAS 1 – Presentation of Financial Statements
- IAS 23 – Borrowing Costs
- IAS 32 – Financial Instruments - Presentation
- IFRS 1 – First-time Adoption and IAS 27 Consolidated and Separate Financial Statements
- IFRS 2 – Share-based payment
- IFRS 8 – Operating Segments
- IFRIC 13 – Customer Loyalty Programmes
- IFRIC 15 – Agreements for the Construction of Real Estate
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

2.2 Changes in accounting policy and disclosures (continued)

Improvements to IFRSs

IFRS	**Subject of Amendment**
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes.**
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 “falls 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 29	Description of measurement basis in financial statements.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
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.
Part II	**Amendments that are terminology or editorial changes only.**
IAS 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 others 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.

2.2 Changes in accounting policy and disclosures (continued)

Improvements to IFRSs

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company. However, the following standard has impacted the presentation and disclosure in these financial statements and is described below:

IAS 1: Presentation of Financial Statements
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present one statement.

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.

Judgements

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

Estimates and assumptions

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

Impairment of non-financial assets

The Company assesses whether there are indicators of impairment for all-non financial assets at each reporting date. 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.

2.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

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. For the year ended 31 December, 2009 no impairment loss has been recognized in the statement of comprehensive income. Net gains recognized in other comprehensive income is $223.06 million (2008: net loss $107.79 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.

Take-or-pay

Take-or-pay obligations arising from long-term gas purchase contracts are accounted for as deferred expenditure or cost of sales (Note 2.4 (q)) based on management's assessment of the timeframe within which the gas will be taken. This assessment requires assumptions to be made regarding the future demand for gas arising from current and existing projects.

2.3 Significant accounting judgements, estimates and assumptions (continued)

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 proved 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 proved 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 proved reserves
- the effect on proved 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 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.

(c) Inventories

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

(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 reporting period date.

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

2.4 Summary of significant accounting policies

(d) Taxes (continued)

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 reporting period 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 reporting period date.

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

(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.

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.

2.4 Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the statement of financial position, 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 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 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 proved developed reserves of oil and gas, as determined by an independent qualified petroleum consultant. Costs associated with the acquisition and evaluations of significant unproved properties are excluded from amounts subject to depletion until such time as the properties are proven 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.

2.4 Summary of significant accounting policies (continued)

(f) Intangible assets (continued)

Intangible assets consist of software which is depreciated over the useful economic life currently estimated at two 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 changes in accounting estimates.

The depreciation expense on intangible assets with finite lives is recognized in the statement of comprehensive 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.

(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 statement of financial position amounts have been translated using exchange rates in effect at the reporting period date and statement of comprehensive income 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 reporting period date. Resulting exchange differences are recognized in income/expense 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 rate method. All other borrowing costs are expensed.

2.4 Summary of significant accounting policies (continued)

(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.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method. Gains and losses are recognized in 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 rate 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.

2.4 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in 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 reporting period date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost

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

(l) Pension and other post-employment benefits

The Company 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 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 statement of comprehensive income 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.

2.4 Summary of significant accounting policies (continued)

(l) Pension and other post-employment benefits (continued)

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized as 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. 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 comprehensive 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 comprehensive 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.

2.4 Summary of significant accounting policies (continued)

(n) Impairment of financial assets

The Company assesses at each reporting period 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 is recognized in comprehensive income.

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 statement of comprehensive income over the lease term.

2.4 Summary of significant accounting policies (continued)

(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. Management fees earned on Government funded projects are accounted for on the accruals basis.

(q) Take-or-pay

The Company has take-or-pay contracts with various upstream producers. A liability is recognized in the year in which the Company has to pay for 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. If management determines that they will not be able to take the volumes before the expiration of the deficiency recovery period, the amount is immediately recognized as an expense within cost of sales.

The Company also has take-or-pay contracts with its major customers. Deferred income is recorded in the year in which the customers have to pay for volumes contractually committed to but not yet taken. The revenue is recognized at the earlier of the expiration of the customer's deficiency period and when the volumes are taken.

(r) 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 recognized 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 of time is recognized 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 statement of comprehensive income.

2.4 Summary of significant accounting policies (continued)

(r) Provisions (conitnued)

Onerous contract

The Company has recorded a provision for the net unavoidable costs relating to an onerous contract with a customer (Note 22 (c)).

Provision for reforestation

The Company has recorded a provision for the cost of reforestation. These estimated costs of replacing forest 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 rate 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 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.

2.4 Summary of significant accounting policies (continued)

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

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 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.

(v) Comparative information

Where necessary comparative figures have been reclassified to conform with changes in presentation in the current year. An amount of TT$287.64 million was reclassified from impairment expense to finance costs. This reclassification has no effect on the profit and loss for the current and previous year.

3. 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, 2009.

IAS 27 Consolidated and Separate Financial Statements (effective 1 July, 2009) requires the effect of all transactions with non-controlling interest (NCI) to be recorded in equity if there is no change in control, and these transactions will not result in goodwill or gains or losses. Any remaining interest in the former subsidiary will be measured to fair value and a gain or loss is recognized in comprehensive income. The standard also specifies accounting treatment when control is lost.

3. Standards issued but not yet effective (continued)

IAS 38 Intangible Assets (effective 1 July, 2009) was amended to reflect that expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the service. This amendment has no impact on the Company because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method was still appropriate.

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 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 5 Non-current Assets Held for Sale and Discontinued Operations (effective 1 July, 2009) clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRS's only apply if specifically required for such non-current assets or discontinued operations.

IFRS 9 Financial Instrument Classification and Measurement (effective 1 January, 2013) replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Financial assets are required to be classified into two measurement categories amortized cost and fair value.

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

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July, 2010) clarifies the requirements of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

In April 2009, 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, 2010. The following table shows the IFRSs and topics addressed by these amendments.

3. Standards issued but not yet effective (continued)

IFRS	**Subject of Amendment**
Part I	**Amendments that result in accounting changes for presentation, recognition and measurement purposes.**
IFRS 2	Scope of IFRS 2 and IFRS 3 Revised.
IFRS 5	Disclosures of non-current assets classified as held for sale and discontinued operations
IFRS 8	Disclosure of information about segmental assets
IAS 1	Current/non-current classification of convertible instruments
IAS 7	Classification of expenditures on unrecognized assets
IAS 17	Classification of leases of land and buildings
IAS 18	Determining whether an entity is acting as a principal or as an agent
IAS 36	Unit of accounting for goodwill impairment test
IAS 38	Additional consequential amendments arising from IFRS 3 Revised. Measuring the fair value of an intangible asset acquired in a business combination
IAS 39	Assessment of loan prepayment penalties as embedded derivatives. Scope exemption for business combination contract. Cash flow hedge accounting
IFRIC 9	Scope of IFRIC 9 and IFRS 3 Revised
IFRIC 16	Amendment on the restriction on the entity that can hold hedging instruments

Embedded derivatives - Amendments to IFRIC 9 and IAS 39 (effective from 1 July, 2009) addresses the reclassification of non-derivative financial assets out of fair value through profit or loss category, and the assessment of whether to separate embedded derivatives.

In July 2009, the IASB issued IFRS for Small and Medium-Sized Entities (SMEs), which may be adopted immediately and transition is based on the rules in IFRS 1. IFRS for SMEs is a stand-alone standard, with no fall back to full IFRS, and it covers all of the recognition, measurement, presentation and disclosure requirements for SMEs.

In November 2009, the IASB issued IFRS 9 Financial Instruments (which may be adopted immediately), with mandatory adoption from 1 January, 2013.

4. Property, plant and equipment

2009	Freehold land $'000	Leasehold property $'000	Machinery and equipment $'000	Pipeline & related facilities $'000	Oil and gas assets $'000	Offshore plant and equipment $'000	Other assets $'000	Assets under construction $'000	Total $'000
Cost/valuation									
At beginning of year	3,296	124,829	92,905	3,161,184	516,249	449,371	59,547	812,073	5,219,454
Additions	645	–	13,681	18,440	24,669	3,906	11,208	1,664,161	1,736,710
Disposals	–	–	–	–	–	–	(4,382)	–	(4,382)
Foreign exchange difference	51	1,682	1,381	42,755	7,181	6,090	917	26,733	86,790
	3,992	126,511	107,967	3,222,379	548,099	459,367	67,290	2,502,967	7,038,572
Accumulated depreciation/ impairment									
At beginning of year	–	48,863	83,596	668,976	166,118	449,371	37,937	–	1,454,861
Charges for year	–	1,891	6,005	124,570	59,160	–	8,670	–	200,296
Impairment	–	–	–	–	–	3,906	–	–	3,906
Disposal	–	–	–	–	–	–	(3,975)	–	(3,975)
Foreign exchange difference	–	675	1,181	10,172	2,788	6,090	594	–	21,500
Total Depreciation	–	51,429	90,782	803,718	228,066	459,367	43,226	–	1,676,588
Net book value	**3,992**	**75,082**	**17,185**	**2,418,661**	**320,033**	**–**	**24,064**	**2,502,967**	**5,361,984**

4. Property, plant and equipment (continued)

2008	Freehold land $'000	Leasehold property $'000	Machinery and equipment $'000	Pipeline & related facilities $'000	Oil and gas assets $'000	Offshore plant and equipment $'000	Marine infrastructural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Cost/valuation										
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
Accumulated depreciation/ impairment										
At the 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)
Disposals	–	–	(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

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 $139 million, to be depreciated over the assets' remaining useful life of eight years. A corresponding amount of $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, 2009.

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 $927.09 million. If pipelines were measured using the cost model, the net carrying amount would have been $2,384.96 million and $2,519.38 million, as at 31 December, 2009 and 2008 respectively.

(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. Refer also to Note 37(a).

(c) Assets under construction

Included in assets under construction are costs of $516.7 million (US$81 million) relating to the construction of a Tobago Pipeline which is expected to cost $1,144.33 million (US$180 million) on completion. This pipeline was being constructed on behalf of the GORTT. In 2010, GORTT advised the Company to assume ownership of the pipeline, to treat the sum of $102.418 million (US$16 million) advanced as equity and to finance the balance of $1,042.61 million (US$164 million). The Company will earn revenue from transportation of natural gas via this pipeline.

	2009 $'000	2008 $'000
5. Intangible assets		
Cost		
At the beginning of year	**71,721**	68,388
Additions at cost	**5,572**	3,740
Foreign exchange difference	**1,019**	(407)
	78,312	71,721
Accumulated depreciation		
At the beginning of year	**68,522**	56,774
Charges for the year	**3,714**	12,062
Foreign exchange difference	**958**	(314)
	73,194	68,522
Net book value	**5,118**	3,199
6. Investments		
Investments comprise the following:		
a) Investments in and advances to subsidiaries	**1,110,362**	1,129,974
b) Held-to-maturity investments	**137,535**	897
c) Available-for-sale financial assets	**854,934**	631,174
	2,102,831	1,762,045

(a) Subsidiaries

La Brea Industrial Development Company Limited (LABIDCO)

In June 2007, the shareholders of LABIDCO agreed to the recapitalization of the Company with a new equity split of 81% to NGC and 19% to Petrotrin. This recapitalization is to be effected by the capitalization of shareholder advances of $86.337 million and $24.574 million (inclusive of the equity contribution of $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.

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.

The Company's investment in LABIDCO has been written down to its book value. Depending on the actual legal and financial mechanisms used to dissolve the company, NGC's investment in LABIDCO in the form of advances to subsidiary may become impaired.

6. Investment properties (continued)

(b) Held-to-maturity

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

	2009 $'000	2008 $'000
Business Development Company	**909**	897
Petrotrin Bonds	**53,771**	–
Government of Trinidad and Tobago Bonds	**19,280**	–
Government of Barbados Bonds	**63,575**	–
	137,535	897

(c) Available-for-sale financial assets

	2009 $'000	2008 $'000
Shares – listed	**840,463**	617,302
Shares – unlisted	**14,471**	13,872
	854,934	631,174

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.

7. Financial asset at fair value through profit and loss

In 2006 the Company issued a $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 $225.69 million (US$35.5 million) in two (2) single tranche credit linked notes at a cost of $112.84 million (US$17.75 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 during the first ten (10) years of the investment. This investment was accounted for in accordance with IAS 39.

The mark to market value of the investment as at 31 December, 2009 was $111.255 million (US$17.5 million) (2008: $39.206 million (US$6.25 million)).

8. Deferred expenses	2009 $'000	2008 $'000
Take-or-pay (Note (a))	**197,545**	189,887
Other	**2,751**	3,644
	200,296	193,531
Less: current portion (Note (b))	**(2,751)**	(3,644)
	197,545	189,887

(a) Take-or-pay

Take-or-pay represents 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.

(b) Other

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

9. Loans receivable	2009 $'000	2008 $'000
Trinidad and Tobago Electricity Commission (Note (a))	**–**	28,312
Trinidad and Tobago Electricity Commission (Note (b))	**1,766,903**	1,280,097
NEC - Savonetta Pier IV (Note (c))	**–**	8,965
NEC - Union Industrial Estate (Note (d))	**278,744**	269,856
NEC - Material storage and handling facility (Note (e))	**52,133**	–
Trinidad and Tobago LNG Limited (Note (f))	**711,952**	702,490
	2,809,732	2,289,720
Less: current portion of loans	**(289,662)**	(42,134)
Long-term loans receivable	**2,520,070**	2,247,586

(a) Trinidad and Tobago Electricity Commission (T&TEC)

This loan represents a conversion of unpaid trade receivables and interest accrued for the period January 2000 to December 2002. The tenure was for a period of six 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 the moratorium period, interest was capitalized and the amalgamated loan was payable in equal monthly installments over the four (4) remaining years with an option for prepayment. The loan agreement was finalized on 6 April, 2005.

The loan was fully repaid in 2009.

9. Loans receivable (continued)

(a) Trinidad and Tobago Electricity Commission (T&TEC) (continued)

The Company has converted trade receivables in the amount of $1,798.36 million for unpaid gas purchases for the period July 2005 to September 2009, together with related penalty interest of $224.23 million (2008: $147.78 million), to a long-term loan receivable of $2,022.6 million due from Trinidad & Tobago Electricity Commission (T&TEC) at 31 December, 2009.

By letter dated 10 May, 2010, the Government of Trinidad and & Tobago, the shareholder of both T&TEC and the Company, agreed inter alia that:

i) T&TEC's trade receivable balance of $2,022.6 million (US$319.7 million) be converted to a medium-term loan effective 1 December 2009.
ii) The loan is for a period of 7 years with interest payable at a rate of 3% per annum, with semi-annual installments to commence on 1 June, 2010.

The GORTT also indicated that funds will be made available to T&TEC to service the debt to the Company.

On initial recognition of the proposed long-term loan receivable at 31 December, 2008, the loan was impaired by $287.332 million (US$45.972 million). The impairment has been reduced to $255.693 million (US$40.22 million) in 2009. The impairment test was based on cash flows as per the terms of the medium-term loan agreed to by GORTT, using a discount rate of 7%.

The fair value of the long-term loan receivable was $1,767 million at 31 December, 2009 (2008: $1,280 million).

(b) NEC - Savonetta Pier IV

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 was payable based on the interest incurred on the CDB loan. The loan was fully repaid in 2009.

(c) NEC - 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 US$58.518 million. This amount has been set up as a loan with tenure of 25 years. The principal is to be repaid in equal semi-annual installments commencing 1 January, 2011. Interest is payable at 3% per annum. The fair value of this loan as at 31 December, 2009 was $278.745 million (US$43.846 million) (2008: $269.856 million (US$43.019 million). (See Note 43).

9. Loans receivable (continued)

(d) NEC - Material storage and handling facility

The National Gas Company of Trinidad and Tobago Limited has granted a loan to NEC to finance and construct Alutrint's material storage and handling facility. The loan amount is a maximum of US$82 million which represents 80% of the total cost of US$97.84 million. Interest is payable at a maximum rate of 7% per annum. The loan is to be repaid via a maximum of thirty (30) semi-annual installments commencing 2 years from the date of execution of the loan agreement of 24 June, 2010.

Drawdowns amounted to $52.133 million (US$8.2 million) as at 31 December, 2009.

The ability of NEC to service the Material Storage and Handling Facility loan, as well as the Union Industrial Estate loan, may be affected by the Government of Trinidad and Tobago's decision to discontinue the Aluminium Smelter project. (See Note 43).

(e) Trinidad and Tobago LNG Limited

The amount represents advances of $711.95 million (US$111.99 million) (2008: $702.5 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 reporting period date was 1.7049% (2008: 5.362%). The fair value of this loan approximates its carrying value.

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, 2009 and 2008, these funds totaling $85.35 million and $84.21 million respectively were held in interest bearing accounts.

11. Cash and short-term deposits	**2009 $'000**	**2008 $'000**
Cash at banks and on hand	**1,223,462**	392,787
Short-term deposits	**7,921,142**	10,285,444
Less: Provision for impairment of short-term deposits (Note (b))	**(1,078,252)**	(1,063,920)
	8,066,352	9,614,311

11. Cash and short-term deposits (continued)

(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 $8,066.35 million (2008: $9,614.31 million).

(b) The Company held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of $1,078.25 million (US$169.61 million) as at 31 December, 2009 which have matured and were not repaid.

CIB experienced financial and liquidity issues. On 31 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 and the related accrued interest were fully impaired as at 31 December, 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December, 2009.

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

	2009 $'000	2008 $'000
Cash at banks and on hand	**1,223,462**	392,787
Short-term deposits (with an original maturity date of less than three months)	**–**	35,937
	1,223,462	428,724

12. Accounts receivable

Trade receivable	**1,439,334**	847,745

Included in trade receivables is an amount of $53.79 million (US$8.46 million) due by T&TEC at 31 December, 2009. Effective January 2009, NGC amended the pricing mechanisms for gas sold to T&TEC. This new pricing mechanism has been agreed to by the GORTT even though T&TEC has not yet accepted same and has resulted in increased income of $73.486 million (US$11.559 million) for 2009. Management is confident that this new pricing mechanism will be agreed to by T&TEC.

As at 31 December, 2009, trade receivables impaired and fully provided for totaled $0.9 million (2008: $2.62 million). Movements in the provision for impairment of receivables were as follows:

12. Accounts receivable (continued)

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January, 2008	19	1,997	3,016
Charge for year	–	615	615
Foreign currency translation adjustment	–	(13)	(13)
At 31 December, 2008	19	2,599	2,618
Credit charge for year	–	(1,427)	(1,427)
Utilized	–	(322)	(322)
Foreign currency translation	–	35	35
At 31 December, 2009	19	885	904

As at 31 December, 2009 the ageing analysis of trade receivables is as follows:

			Past due but not impaired				
$'000	**Total**	**Neither past due nor impaired**	**<30 days**	**30-60 days**	**60-90 days**	**90-120 days**	**>120 days**
As at 31 December, 2009							
Trade receivable	1,439,334	1,270,615	26,496	17,180	75,176	15,101	34,766
As at 31 December, 2008							
Trade receivable	847,745	789,732	10,586	16,970	6,530	1,192	22,735

13. Sundry debtors and prepayments

Sundry debtors and prepayments comprise the following:

	2009 $'000	2008 $'000
Prepayments - Dolphin Pipeline	**1,207,906**	1,191,851
- Other	**4,170**	40,416
Staff related balances	**4,527**	8,831
Related party balances	**449,751**	290,554
Value Added Tax	**88,041**	35,485
Interest receivable	**76,106**	93,407
Dividends receivable	**–**	22,000
Accrued income	**8,113**	6,256
Other	**43,170**	64,977
	1,881,784	1,753,777

For terms and conditions relating to related party receivables refer to Note 40.

13. Sundry debtors and prepayments (continued)

(i) Dolphin Pipeline

The National Gas Company of Trinidad and Tobago Limited advanced $1,207.91 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 $718.98 million (US$113.091 million) for the period April 2006 to December 2009 as a liability (Note 27). The Pipeline equipment is expected to be the National Gas Company of Trinidad and Tobago Limited during 2010.

	2009 $'000	2008 $'000
14. Inventories		
Consumable spares	**27,020**	17,271
TSP spares	**3,019**	2,979
Other	**438**	225
	30,477	20,475
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	**1,752,848**	1,752,848

16. Capital subscribed

During 2010, ordinary shares of 102,418,340 of no par value will be allocated to the Minister of Finance (Corporation Sole) in consideration of advances of $102.418 million made in 2009 by the Minister of Finance (Corporation Sole) to the Company.

17. 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 Company's expected return on equity is exceeded. The fund cap is 25% of the issued stated capital of the parent Company.

	2009 $'000	2008 $'000
18. Other reserves		
Other reserves comprise the following as at 31 December:		
Revaluation surplus for offshore plant and equipment and pipelines	**361,576**	385,574
Unrealized gain on available-for-sale financial assets	**367,538**	144,478
Foreign currency translation	**208,108**	14,097
	937,222	544,149
19. Taxes		
Corporation tax	**488,155**	2,279,343
Petroleum profit tax	**29,496**	97,286
Green fund	**9,354**	17,574
	527,005	2,394,203
Deferred	**(30,945)**	(88,353)
	496,060	2,305,850
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	**1,773,827**	5,370,689
Tax at the rate of 35%	**620,839**	1,879,741
Tax exempt income	**(157,226)**	(230,981)
Non-deductible (income)/expenses	**1,092**	546,146
Other differences	**7,045**	(4,180)
Prior years' corporation tax	**(2,358)**	791,580
Green fund	**9,354**	17,574
Effect of oil and gas assets taxed at a higher rate	**6,277**	40,128
Foreign exchange translation	**11,037**	(14,158)
Income tax provision	**496,060**	2,305,850
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Accrued interest expense	**29,230**	28,924
Asset retirement obligation	**225,737**	212,115
Post-retirement medical, group life and pension	**46,580**	35,605
Pre-transfer payments - Dolphin Pipeline	**251,643**	182,052
Other	**3,089**	2,839
	556,279	461,535
Deferred tax liability:		
Property, plant and equipment	**598,893**	534,388

20. Long-term debt	Current portion $'000	Long-term portion $'000	2009 Total $'000	2008 Total $'000
(i) Caribbean Development Bank	–	–	**–**	8,965
(ii) AKA Ausfuhrkredit GmbH	29,463	44,194	**73,657**	101,749
(iii) First Citizens Bank	38,602	347,418	**386,020**	350,368
(iv) US $400M 30-year bond	–	2,224,903	**2,224,903**	2,381,782
	68,065	2,616,515	**2,684,580**	**2,842,865**

Description	Terms and Conditions	Security
Item (i) relates to a facility established on 23 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.	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%. The loan was fully repaid in 2009.	Letter of credit secured by specific Gas Sales Contracts.
Item (ii) relates to a facility established with AKA GmbH (AusfuhikreditGesellschaftmbH) on 10 July, 2003 as follows: Tranche 1 US$38.17 million; and Tranche 2 EUR 1,135.17 million – Insurance Premium.	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 $73.8 million (US$11.61 million) at December 2009: (2008: $102.42 million (US$16.33 million)).	Export credit insurance provided by HERMES.

20. Long-term debt (continued)

Description	Terms and conditions	Security
Item (iii) relates to a loan facility of $278.52 million (US$44.4 million) established with First Citizens Bank Ltd on 17 December, 2004 for site development works on Union Industrial Estate.	The loan provides for a five year moratorium on principal and interest and for 20 equal and consecutive semi-annual installments of $26.16 million (US$4.17 million) commencing December, 2009 and continuing until the facility is repaid. Interest is payable semi-annually in arrears at FCB's USD Prime lending rate less 2.6% The effective interest rate at 31 December, 2009 was 7.4% (2008:7.4%). The fair value of this loan approximates its carrying value.	No collateral/ security required, except for the condition that Union Estate's operating ac-count be opened at FCB Ltd.
Item (iv) relates to a $2,509 million (US$400 million) bond issued by the 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 Trinidad & Tobago LNG Limited to fund its 11.11% of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.	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 $2,542.71 million (US$399.96 million) at 31 December, 2009 (2008: $2,190.09 million) (US$348.04 million). Bonds with a nominal value of $189.705 million (US$29.84 million) were repurchased during the year. Total re- purchases as at 31 December amounted to $279.122 million (US$43.905 million). The Company recorded a gain of $57.061 million (US$9.06 million) in 2009 which has been recognized in the statement of comprehensive income (Note 29).	None.

	2009 $'000	**2008 $'000**
20. Long-term debt (continued)		
Maturity profile of long-term debt		
In one year or less	**68,065**	57,084
In more than one year but not more than two years	**68,065**	67,168
In more than two years but not more than three years	**53,333**	67,168
In more than three years but not more than four years	**38,602**	52,632
In more than four years but not more than five years	**38,602**	38,096
In more than five years	**2,417,913**	2,560,717
	2,684,580	2,842,865

21. 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.

22. Provisions

	Asset retirement obligation $'000	**Environmental obligation $'000**	**Onerous contract $'000**	**2009 Total $'000**
Balance as at 1 January, 2009	534,998	14,740	110,221	659,959
Amounts utilized during year	–	(209)	–	(209)
Unwinding of discount	28,874	–	–	28,874
Decrease in provision	–	–	(25,580)	(25,580)
Foreign currency translation	7,208	198	1,483	8,889
Balance as at 31 December, 2009	571,080	14,729	86,124	671,933
Current portion	–	–	–	–
Non-current portion	571,080	14,729	86,124	671,933
	571,080	14,729	86,124	671,933

22. Provisions (continued)

	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

(a) 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 are currently anticipated to be made in 2012 and 2025 respectively. However, the ultimate amount and timing of the cost may vary from the original estimate.

(b) 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.

(c) 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.

	2009	2008
23. Post-retirement medical and group life	**$'000**	**$'000**
Movement on the liability recognized in the statement of financial position:		
Value at beginning of the year	**63,896**	83,256
Foreign exchange translation	**399**	(298)
Net benefit cost	**9,680**	(18,588)
Premiums paid	**(541)**	(474)
Value at end of year	**73,434**	63,896
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation at start	**63,896**	83,256
Service cost	**5,378**	6,631
Interest cost	**5,571**	6,518
Effect of plan restructuring	**–**	(25,530)
Actuarial (gain)/loss	**(1,269)**	(6,207)
Foreign exchange translation	**399**	(298)
Company's premiums paid	**(541)**	(474)
Defined benefits obligation at end	**73,434**	63,896
The amounts recognized in the statement of comprehensive income are as follows:		
Current service cost	**5,378**	6,631
Interest cost on benefits obligation	**5,571**	6,518
Net actuarial loss recognized in the year	**(1,269)**	(6,207)
Past service cost	**–**	(25,530)
Net benefits cost	**9,680**	(18,588)

The Company expects to contribute $0.59 million to its post-retirement medical and group life plans in 2010.

	2009 $'000	2008 $'000
23. Post-retirement medical and group life (continued)		
The principal actuarial assumption used for accounting purpose were:		
Medical cost inflation	**7.0%**	8.25%
Discount rates	**7.5%**	8.75%
Average individual salary increases	**7.0%**	8.25%

	Aggregate service and interest costs $'000	Year end deferred benefit obligation $'000
Effects of one percentage point charge in medical expense increase assumption.		
Medical expense increase by 1% P.A	2,382	12,916
Medical expense decrease by 1% P.A	(1,805)	(10,034)

Assets allocation as at 31 December

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

	2009 $'000	2008 $'000
Experience history		
Defined benefit obligation	**73,434**	63,896
Fair value of plan assets	**–**	–
Deficit	**73,434**	63,896
Experience adjustment on plan liabilities	**(1,269)**	(6,207)
Experience adjustment on plan assets	**–**	–

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

24. Pension obligation

	2009 $'000	2008 $'000
Benefit asset/(liability)		
Present value of obligation	**408,600**	339,467
Fair value of plan assets	**(347,351)**	(301,629)
Foreign exchange translation	**411**	–
Pension liability	**61,660**	37,838
Movement on the asset recognized in the statement of financial position:		
(Asset)/liability value at beginning of the year	**37,838**	2,091
Net pension cost	**43,025**	53,081
Contributions paid	**(19,614)**	(17,334)
Foreign exchange translation	**411**	–
Liability value at end of the year	**61,660**	37,838
The amounts recognized in the statement of comprehensive income are as follows:		
Current service cost	**19,828**	19,606
Interest cost on benefit obligation	**29,162**	26,183
Expected return on plan assets	**(29,775)**	(29,979)
Net actuarial gain recognized in the year	**23,810**	37,271
Net pension cost	**43,025**	53,081
Actual return on plan assets	**36,718**	15,087
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefit obligation at start of the year	**339,467**	302,064
Service cost	**19,828**	19,606
Interest cost	**29,162**	26,183
Members' contribution	**6,682**	5,742
Actuarial loss/(gain)	**26,689**	(7,782)
Benefits paid	**(12,631)**	(5,775)
Expense allowance	**(597)**	(571)
Defined benefit obligation at end of the year	**408,600**	339,467

	2009 $'000	2008 $'000
24. Pension obligation (continued)		
Changes in fair value of plan assets are as follows:		
Plan assets at start of year	**301,629**	299,973
Expected returns on plan assets	**29,775**	29,979
Actuarial loss	**6,943**	(45,066)
Company contributions	**15,550**	17,334
Members' contributions	**6,682**	5,742
Benefits paid	**(12,631)**	(5,775)
Expense allowance	**(597)**	(558)
Plan assets at end of the year	**347,351**	301,629

The Company expects to contribute $17.3 million to its defined benefit pension plan in 2010.

	2009	2008
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equity securities	**26%**	26%
Debt securities	**45%**	32%
Money market instruments/cash	**21%**	35%
Mutual funds	**6%**	5%
Other purchased annuities	**2%**	2%
	100%	100%
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**7.5%**	8.75%
Expected return on plan assets (other than purchased annuities)	**8.2%**	9.75%
Future salary increases	**7%**	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.

25. Long-term creditors

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

	2009 $'000	2008 $'000
26. Trade creditors		
Trade payables are settled on 30-day terms	**1,553,252**	876,845
27. Sundry creditors and accruals		
Accrued interest	**206,445**	87,248
Accrued material/service amounts	**362,049**	408,113
Contract provisions	**55,219**	23,190
Employee related accruals	**30,027**	29,494
Pre-transfer payments - Dolphin Pipeline (See Note 13)	**718,975**	520,137
	1,372,715	1,068,182

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 20).

Included within accrued interest is $122.93 million (2008: $4.68 million) which relates to interest on tax liabilities. In a Budget presentation on 8 September, 2010, the GORTT announced an amnesty on interest and penalties on late payment of certain taxes (including Income Tax, Corporation Tax, Value Added Tax, Business Levy, Green Fund Levy and Lands and Buildings Tax) for years of income 2009 and prior, where such taxes are paid by 31 May, 2011. In this regard, to the extent that the legal notice has been issued by GORTT and that payment of such outstanding taxes has been made by 31 May, 2011, the Group will be able to reverse provisions for interest related thereto.

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

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

		2009 $'000	2008 $'000
28.	**Sales and cost of sales**		
	Sales include the following:		
	Gas sales	**7,520,855**	14,936,060
	Condensate sales	**84,692**	115,956
	Transport tariffs	**5,883**	3,455
	Compression charges	**53,587**	39,868
	Crude oil	**390,548**	664,819
		8,055,565	15,760,158
	Cost of sales include the following:		
	Gas purchase	**6,219,918**	9,155,100
	Depreciation	**183,729**	145,865
	Impairment – offshore plant and equipment (Note 4(a)(i))	**3,906**	8,405
	Exploration and production cost	**40,274**	47,186
	Production taxes including SPT	**124,681**	221,680
	Maintenance costs	**158,961**	154,347
	Royalties	**44,199**	77,191
	Staff cost	**59,895**	56,418
		6,835,563	9,866,192
29.	**Other operating income**		
	Lease income	**17,449**	18,030
	Operation & maintenance fees	**27,098**	25,322
	Management fees	**3,911**	2,634
	Project management fees – Government of Trinidad & Tobago	**7,223**	–
	Gain on disposal of assets	**237**	30,994
	Gain on repurchase of bonds (Note 20 (iv))	**57,061**	27,070
	Other	**9,487**	37,211
		122,466	141,261

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

30. Interest and other investment income

	2009 $'000	2008 $'000
Interest income	**260,510**	381,858
Other investment income	**33,683**	48,819
Net gain on financial asset at fair value through profit and loss (Note 7)	**70,861**	–
Fair value gain on T&TEC loan receivable (Note 9 (b))	**36,230**	–
Finance income	**401,284**	430,677
Dividend income	**444,613**	660,738
Penalty interest income – T&TEC	**73,776**	147,394
LNG production payments	**346,626**	416,156
Other income	**865,015**	1,224,288
	1,266,299	1,654,965

31. Expenses

	2009 $'000	2008 $'000
Administrative and general costs include the following:		
Staff costs	**190,639**	177,512
Penalty interest – BIR	**117,159**	4,601
Materials, services and contact labour	**79,294**	72,356
Depreciation	**20,281**	20,247
Professional fees	**16,610**	26,394
Rates and taxes	**16,370**	23,844
Provision for short-term deposits (Note 11 (b))	**–**	1,063,920
Provision for impairment of receivable	**(1,414)**	613
Increase/(decrease) in value of investment in LABDICO	**35,146**	(16,833)
(Reversal of provision)/provision for onerous contract (Note 22 (c))	**(25,344)**	110,221
Other	**110,999**	140,295
	559,740	1,623,170
Staff costs:		
Wages and salaries	**194,392**	195,043
National insurance	**4,511**	4,394
Pension costs	**42,576**	53,081
Post-retirement medical and group life	**9,055**	(18,588)
	250,534	233,930
Staff costs included within:		
Cost of sales	**59,895**	56,418
Administrative and general expenses	**190,639**	177,512
	250,534	233,930

		2009 $'000	2008 $'000
32.	**Reversal of impairment of property, plant and equipment**		
	Union Industrial Estate	**–**	(55,774)
33.	**Finance costs**		
	Interest	**195,636**	208,074
	Amortization of transaction cost	**571**	518
	Decommissioning – unwinding of discount rate	**28,607**	35,920
	Net loss on financial asset at fair value through profit and loss (Note 7)	**–**	183,008
	Fair value loss on T&TEC loan receivable (Note 9 (b))	**–**	287,635
		224,814	715,155
34.	**Cash generated from operations**		
	Profit before tax	**1,773,827**	5,370,689
	Adjustments to reconcile net profit with net cash from operating activities:		
	Depreciation	**204,010**	166,117
	Impairment on property, plant and equipment	**3,905**	(47,369)
	Gain on disposal of property, plant and equipment	**(239)**	(30,989)
	Finance costs	**224,814**	715,155
	Dividend income	**(444,613)**	(660,738)
	Interest income	**(401,284)**	(430,677)
	Decrease in deferred income	**162,563**	93,575
	Decrease in deferred expenses	**4,119**	62,442
	Post-retirement costs	**52,705**	34,493
	Increase/(decrease) in provision for LABIDCO loss	**35,147**	(16,833)
	Gain on repurchase of bond issue	**(57,061)**	(27,070)
	Provision for short-term investment	**–**	1,063,920
	(Decrease)/increase in onerous contract provision	**(25,580)**	110,221
	Operating profit before working capital changes	**1,532,313**	6,402,936
	(Increase)/decrease in accounts receivable and sundry debtors	**(1,262,185)**	310,217
	Decrease/(increase) in inventories	**(9,637)**	(2,684)
	Increase/(decrease) in trade creditors and sundry creditors and accruals	**951,740**	(817,702)
		1,212,231	5,892,767

35. Contingent liabilities

(i) Taxes

For income years 1993 to 1996 and 1999 the Company has objected to certain adjustments of TT$126.67 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.

(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.

36. Capital commitments	**2009 $'000**	**2008 $'000**
Approved and contracted capital expenditure	**1,199,904**	2,866,356

37. Other commitments

(a) Compensation to landowners

As at 31 December, 2009 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.

(b) Guarantees

The Company has provided the following guarantees as at 31 December, 2009:

(i) Bank guarantee for an amount of $51.46 million in respect of a loan obtained by La Brea Industrial Development Company Limited. The loan balance is $37.7 million at 31 December, 2009.

(ii) The Company has pledged its shares in NGC Pipeline Company Limited and provided a guarantee in respect of its Shipper Gas Transportation Agreement with NGC Pipeline Company Limited as collateral for a loan obtained by NGC Pipeline Company Limited. The loan balance is $982.09 million (US$154.45 million) at 31 December, 2009.

38. Operating lease commitments

Company as a lessee

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

	2009 $'000	2008 $'000
Within one year	**9,840**	12,562
One to five years	**7,501**	13,325

39. 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 or if not taken pay for said natural gas up to the contracted take-or-pay volume at the current price. The prices on certain tranches of gas of these contracts are linked to the commodity prices of ammonia and methanol subject to a floor price that escalates annually. As a result, it is not possible to quantify the amount payable on these contracts in the future.

In prior years, the Company committed to purchase additional volumes of natural gas for several new projects that have not materialized as forecasted. For 2009 the Company has an imbalance between the contracted volume of purchase and sale of natural gas which has given rise to a take-or-pay liability of $108 million (US$17 million) under one of its purchase contracts. The Group expects it will be unable to utilize this take-or-pay volume of gas before the expiration of the deficiency recovery period and has recognized this amount as an expense in cost of sales in 2009.

Management expects that this imbalance will increase during the period up to 2012. The Company is currently in negotiations with its upstream suppliers to reduce or defer the contracted volume.

Sales

Under long-term take-or-pay sales contracts, the Company's customers are obligated to take or if not taken pay for said natural gas at the current price, up to the contracted take-or-pay volume. The price of natural gas sold to the producers of ammonia and methanol are linked to the relevant commodity price of ammonia and methanol. The natural gas prices under these contracts are not capped but the contracts include floor prices which represent the minimum prices for which natural gas can be sold to the respective customers.

Royalty gas

For the period November 2005 to December 2009 the Company received "royalty" gas from an upstream supplier. The Company has no economic interest in the "royalty" gas as it is only a transporter of the gas to T&TEC on behalf of the GORTT. As the "royalty" gas agreement between GORTT and the upstream supplier has not been finalized, invoices are issued by the upstream supplier to the Company and invoices are issued by the Company to T&TEC for the royalty gas delivered. The expense and income relating to the royalty gas received and sold have not been recognized in these financial statements as the Company does not obtain any economic benefit from this arrangement.

40. Related party transactions

The Company is wholly owned by the Government of Trinidad and Tobago. In the ordinary course of its business, the Company enters into transactions concerning the exchange of goods, provision of services and financing with affiliate companies as well as with entities directly and indirectly owned or controlled by the GORTT. Entities under common control include Petrotrin and First Citizens Bank Limited.

The sales to and purchases from related parties are at arm's length, except for gas sales to 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 except as stated in Note 37(b). For the year ended 31 December, 2009 the Company has not made any provision 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, 2009 are as follows:

Name of Company	Country of incorporation	Proportion of issued equity capital held
Subsidiary Companies		
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%
Associated Company		
Trinidad and Tobago Marine Petroleum Company Limited (TRINTOMAR)	Trinidad and Tobago	20%

40. 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 year ended 31 December, 2009 and 2008.

		Income from related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Government of Trinidad and Tobago					
Other receivables – projects	**2009**	**7,223**	**–**	**296,395**	**–**
	2008	–	–	90,617	–
Bonds	**2009**	**1,173**	**–**	**19,280**	**–**
	2008	–	–	–	–
Fellow State Enterprises:					
Trinidad and Tobago Electricity Commission:					
Gas sales	**2009**	**576,883**	**–**	**5,379**	**–**
	2008	345,069	–	–	–
Loan receivable	**2009**	**79,284**	**–**	**1,776,903**	**–**
	2008	155,151	–	1,308,409	–
Other receivable	**2009**	**–**	**–**	**5,153**	**–**
	2008	–	–	–	–
First Citizens Bank:					
Loan payable	**2009**	**–**	**30,647**	**–**	**386,020**
	2008	–	22,390	–	350,368
Cash and cash equivalents	**2009**	**81**	**–**	**10,080**	**–**
	2008	95	–	6,921	–
Short-term deposits	**2009**	**48,640**	**–**	**1,976,575**	**–**
	2008	31,991	–	864,919	–
Petroleum Company of Trinidad and Tobago Limited – gas sales	**2009**	**137,511**	**–**	**45,114**	**–**
	2008	224,044	–	37,324	–
Bonds	**2009**	**3,777**	**–**	**53,771**	**–**
	2008	–	–	–	–
Joint Venture:					
Phoenix Park Gas Processors Limited	**2009**	**586,032**	**–**	**139,044**	**–**
	2008	715,357	–	70,100	–
Associates:					
National Helicopter Services Limited	**2009**	**504**	**27,552**	**–**	**2,630**
	2008	501	32,449	–	3,006

Notes to the Non-Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2009 (Amounts expressed in Trinidad and Tobago dollars)

40. 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
Subsidiaries:					
Trinidad and Tobago LNG Limited					
Advances	**2009**	**-**	**-**	**8,150**	**-**
	2008	-	-	406	-
Long-term loan receivable	**2009**	**16,779**	**-**	**711,952**	**-**
	2008	39,819	-	702,490	
Interest receivable	**2009**	**-**	**-**	**3,102**	-
	2008	-	-	-	-
NGC Pipeline Company Limited					
Transportation tariff	**2009**	**-**	**66,212**	**-**	**-**
	2008	-	65,951	-	-
Shipper's commodity	**2009**	**-**	**7,438**	**-**	**-**
	2008	-	7,228	-	-
Advances	**2009**	**-**	**-**	**13,953**	**2,708**
	2008	-	-	137,966	3,643
Operations,maintenance and service fees	**2009**	**28,657**	**-**	**-**	**-**
	2008	26,573	-	-	-
NGC Trinidad and Tobago LNG Limited					
Dividend income	**2009**	**127,210**	**-**	**-**	**-**
	2008	165,640	-	-	-
Management fees	**2009**	**630**	**-**	**-**	**-**
	2008	626	-	-	-
Other receivables	**2009**	**-**	**-**	**-**	**421**
	2008	-	-	-	-
NGC NGL Company Limited					
Dividend income	**2009**	**264,534**	**-**	**-**	**-**
	2008	425,023	-	-	-
Management fees	**2009**	**630**	**-**	**-**	**-**
	2008	626	-	-	-
Other receivables	**2009**	**-**	**-**	**-**	**5,648**
	2008	-	-	-	-

40. 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
Subsidiaries (continued):					
La Brea Industrial Development Company Limited					
Lease rental income	**2009**	**-**	**158**	**-**	**-**
	2008	-	160	-	-
Other income	**2009**	**1,175**	**-**	**-**	**-**
	2008	-	-	-	-
Advances	**2009**	**-**	**-**	**109,269**	**-**
	2008	-	-	107,183	-
Other payables	**2009**	**-**	**-**	**-**	**5,363**
	2008	-	-	-	4,930
National Energy Corporation of Trinidad and Tobago Limited					
Management fees	**2009**	**999**	**-**	**999**	**-**
	2008	1,001	-	1,001	-
Other income	**2009**	**535**	**-**	**-**	**-**
	2008	17,975	-	-	-
Rental expense	**2009**	**-**	**2,236**	**-**	**-**
	2008	-	2,327	-	-
Loans and advances	**2009**	**16,429**	**-**	**424,156**	**-**
	2008	991	-	376,587	-
Other	**2009**	**-**	**-**	**113,000**	**1,181**
	2008	-	-	58,495	3,550

40. 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	**2009 $'000**	**2008 $'000**
Short-term employee benefits	**19,720**	18,952
Post-employment benefit	**1,922**	2,222
	21,642	21,174

41. 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 risk 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 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 Government of Trinidad and Tobago has agreed that the outstanding trade receivable from T&TEC as at 30 September, 2009 is to 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.

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.

41. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December, 2009 based on contractual undiscounted payments (i.e. principal and interest).

As at 31 Dec, 2009	On demand $'000	≤ 3 mths $'000	3-12 mths $'000	1-5 yrs $'000	≥ 5 yrs $'000	Total $'000
Long-term debt	–	76,925	174,909	894,372	5,777,943	6,924,149
Trade creditors	–	1,553,252	–	–	–	1,553,252
Other payables	–	527,384	55,336	–	–	582,720
Other financial liabilities	–	–	150,000	109,608	–	259,608
	–	2,157,561	380,245	1,003,980	5,777,943	9,319,729
As at 31 Dec, 2008						
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

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.

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.

41. Financial risk management objectives and policies (continued)

Interest rate risk table

The following table demostrates the sensitvity 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 percentage	Effect on profit before tax $'000
Long-term debt		
2009	**10%**	**(2,830)**
	(10%)	2,830
2008	10%	(2,646)
	(10%)	2,646
Long receivables		
2009	**10%**	**1,203**
	(10%)	(1,203)
2008	10%	5,876
	(10%)	(5,876)

Foreign currency risk

The Company 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 Company'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 Company's profit before tax. There is minimal impact on the Company's equity.

	Increase/ decrease in TT dollar rate	Effect on profit before tax $'000
2009	**0.01**	**2,015**
	(0.01)	(2,015)
2008	0.01	1,230
	(0.01)	(1,230)

Commodity price risk

The Company is exposed to commodity price risk for natural gas sold to the producers of ammonia and methanol products. The Company's prices to these customers are affected by the volatility of ammonia and methanol prices. The Company manages this commodity price exposure by matching volumes it sells under these sales contracts with volumes under certain of its purchase contracts that contain similar commodity linked prices. These provisions reduce, but do not eliminate, the effect of commodity price volatility.

41. Financial risk management objectives and policies (continued)

Other price risk

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
2009	**3-10%**	**83,412**
	(3-10%)	(83,412)
2008	3-10%	61,111
	(3-10%)	(61,111)

Capital management

The primary objective of the Company's Capital Management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value. 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 2008.

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 objectives, policies or process during the years ended 31 December, 2009 and 31 December, 2008.

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.

	2009 $'000	2008 $'000
Net debt	**2,684,580**	2,842,865
Equity	**14,845,849**	13,698,594
Debt plus equity	**17,530,429**	16,541,459
Gearing ratio	**0.15**	0.17

41. 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 statement

	Carrying amounts		Fair value	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Financial assets				
Cash and short-term deposits	**8,066,352**	9,614,311	**8,066,352**	9,614,311
Available-for-sale investments	**854,934**	631,174	**854,934**	631,174
Accounts receivable	**1,439,334**	847,745	**1,439,334**	847,745
Held-to-maturity investments	**137,535**	897	**137,535**	897
Loans receivable	**2,809,732**	2,289,720	**2,811,022**	2,287,946
Debt reserve fund	**85,354**	84,207	**85,354**	84,207
Financial liabilities				
Fixed rate borrowings	**2,298,560**	2,483,532	**2,337,348**	2,287,674
Floating rate borrowings	**386,020**	359,333	**386,020**	359,333
Other financial liabilities	**2,466,598**	1,878,036	**2,466,598**	1,878,036

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

41. Financial risk management objectives and policies (continued)

Derivative financial instruments and hedging

The Company uses 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.

42. Dividends

In 2009 dividends of $650 million was declared in respect of 2008. In 2009 dividends of $500 million was paid. The final dividend of $150 million was paid in 2010. No dividends have been declared for the year 2009.

43. Events after the reporting period date

Arising out of the general elections held in May 2010, a new Government of Trinidad & Tobago was elected. The new Government has made a decision to discontinue the Aluminium Smelter project and as a result there is uncertainty whether this decision will have any impact on the future servicing of two loans that the Company has advanced to its subsidiary. As stated in Note 9((a)(v)), the Company has advanced two loans to its subsidiary, National Energy Corporation (NEC) in relation to the Union Industrial Estate and the Alutrint material storage and handling facility. The Aluminium Smelter project would have been located on the Union Industrial Estate which is owned by NEC, whilst the Alutrint material storage and handling facility was being built for the Aluminium Smelter project.

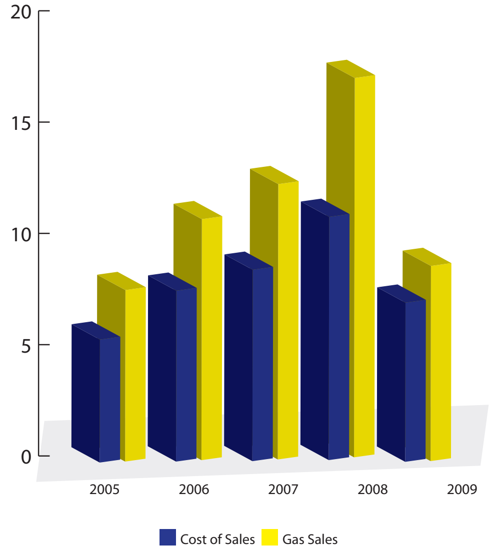
As a result of the decision to discontinue the Aluminium Smelter project NEC is currently reviewing its options available for alternative use of the material storage and handling facility and the Alutrint site at the Union Industrial Estate.

Five-Year Financial Review (2005-2009)

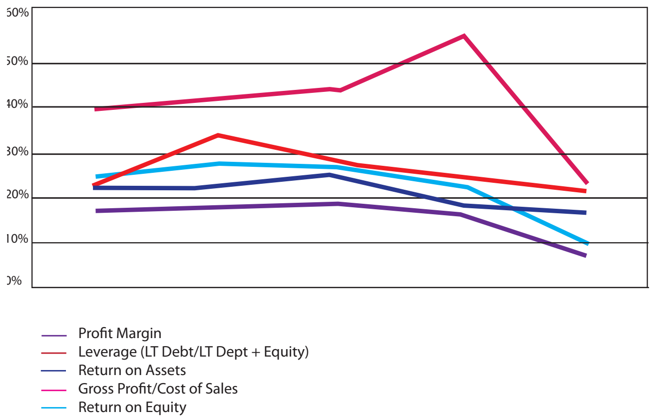
INCOME STATEMENT TT$ ('000)	2009	2008	Restated 2007	Restated 2006	2005
Sales	**9,125,401**	17,744,608	12,876,021	11,274,937	8,024,288
Cost of Sales	**(7,443,264)**	(11,374,789)	(8,954,556)	(7,991,467)	(5,758,367)
Gross Profit	**1,682,137**	6,369,819	3,921,465	3,283,470	2,265,921
Net Operating Costs	**(729,873)**	(2,070,023)	(510,382)	(648,149)	(388,567)
Operating Profit/(Loss)	**952,264**	4,299,796	3,411,083	2,635,321	1,877,354
Interest And Investment Income	**1,542,940**	2,136,003	1,761,839	1,620,006	974,261
Finance Costs	**(291,772)**	(509,898)	(317,851)	(332,650)	(142,893)
Other Income	**112,432**	144,521	42,161	103,309	48,299
Profit Before Tax	**2,315,864**	6,070,422	4,897,232	4,025,986	2,757,021
Taxation	**(603,432)**	(2,410,291)	(1,321,657)	(1,223,698)	(854,131)
Net Profit for the Year	**1,712,432**	3,660,131	3,575,575	2,802,288	1,902,890
Minority Interest	**(162,258)**	(260,860)	(240,407)	(223,185)	(137,203)
Net Profit Attributable to Equity Holders of Parent	**1,550,174**	3,399,271	3,335,168	2,579,103	1,765,687

BALANCE SHEET TT$ ('000)	2009	2008	Restated 2007	Restated 2006	2005
Net Current Assets (Current Assets-Liabilities)	**9,544,589**	10,531,850	9,740,278	6,886,152	2,006,485
Loan Receivable	**2,189,196**	1,982,586	736,568	843,437	936,492
Investments and Advances	**2,174,715**	1,669,115	1,735,876	1,545,661	1,841,882
Fixed Assets	**7,748,855**	6,081,263	5,438,869	5,043,704	4,740,445
Pension Assets	**0**	0	0	38,791	84,765
Derivative Items	**111,255**	39,206	0	0	0
Deferred Items	**851,144**	776,201	600,938	647,390	706,204
Debt Reserve Funds	**167,442**	164,882	162,296	79,391	76,011
	22,787,196	21,245,103	18,414,825	15,084,526	10,392,284
Financed By:					
Long Term Debt and Accruals	**4,496,878**	4,661,338	4,739,253	4,864,462	2,212,380
Deferred Items	**1,261,608**	1,011,1 59	736,219	699,307	605,190
Minority Interest	**333,610**	315,496	261,677	230,333	172,721
Shareholders' Equity:					
Share Capital	**1,855,266**	1,752,848	1,752,848	1,752,848	920,766
Capital Reserves	**1,381,004**	974,651	1,167,212	1,196,696	1,319,948
Retained Earnings	**13,458,830**	12,529,611	9,757,618	6,340,880	5,161,279
	22,787,196	21,245,103	18,414,827	15,084,526	10,392,284

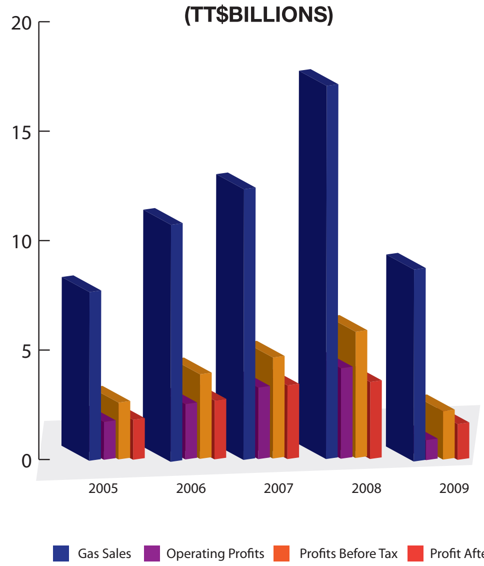
SALES TO COST OF SALES
(TT$BILLIONS)



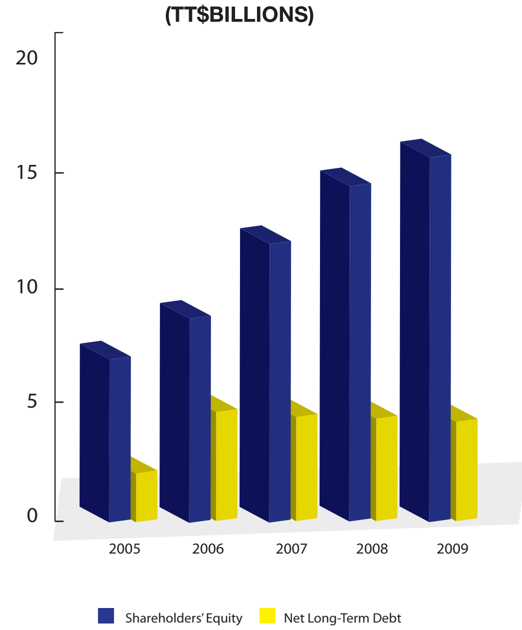
CORPORATE PERFORMANCE INDICATORS
(TT$BILLIONS)



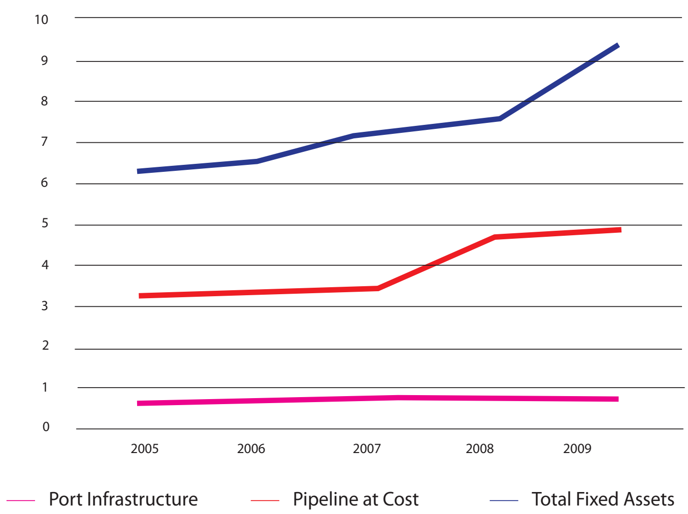
SALES TO PROFITABILITY
(TT$BILLIONS)



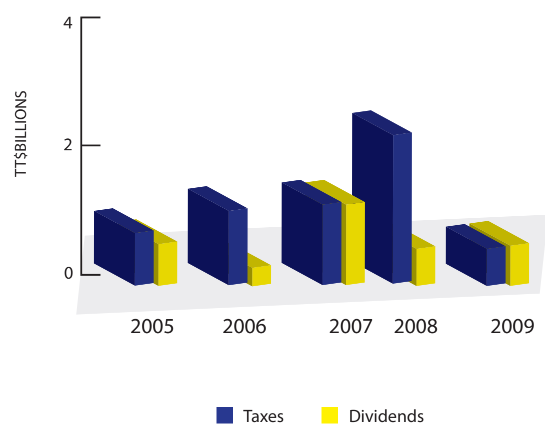
CAPITAL EMPLOYED
(TT$BILLIONS)



GROWTH IN FIXED ASSETS (TT$BILLIONS)



TAXES & DIVIDENDS CONTRIBUTED TO THE TREASURY (TT$BILLIONS)



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Notes

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