THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Annual Report **2010**

Expanding Our Infrastructure

Mission

To create exceptional national value from natural gas and energy businesses.

Vision

To be a valued partner in the global energy business.

Contents

Corporate Profile

The National Gas Company of Trinidad and Tobago Limited (NGC) was established in August 1975. The Company is strategically positioned as a midstream operator and the sole purchaser, transporter and seller of natural gas to the domestic market. National interest has always been at the centre of NGC's operations and pivotal to NGC's strategy of gas monetization for the benefit of the country.

Over its 35 years, NGC has acquired diverse business and income-generating assets. NGC has invested in approximately 1,000 km of gas pipeline infrastructure, on land and offshore, and through its subsidiaries and associate companies, in industrial sites and ports, gas and oil production in the Teak, Samaan and Poui (TSP) marine fields, Natural Gas Liquids (NGLs) and Liquefied Natural Gas (LNG) production and marketing.

NGC has an extensive community relations programme that emphasizes Community Economic Development (CED) through facilities construction and skills' enhancement programmes, the sponsorship of youth development through sport and the arts, and environmental preservation through its 'no net loss' reforestation programme.

In 2010, with a staff complement of approximately 700 persons in professional and technical positions, NGC has the expertise and experience to develop and manage a world-class energy sector.

Chairman's Review

Expanding Our Infrastructure


Larry Howai – Chairman

INTRODUCTION

In 2010, NGC celebrated its 35th anniversary of operations. Over the year, the Company maintained its impressive track record of profitability. This performance was achieved notwithstanding the global financial crisis. In 2010, the Company recorded an after-tax profit of TT$2.09 billion and had a sales turnover of TT$14.17 billion. During the year, NGC continued an intensive programme of pipeline system expansion, in preparation for the planned increase in its customer base. In addition, as a precursor to the renewal of our strategic direction, the Company conducted a thorough review of its current and future position.

ECONOMIC CONTEXT

The Central Bank of Trinidad and Tobago reported that in 2010 the global economy was slowly emerging from recession. Economic conditions improved in the developed countries as the advanced economies of North America and Europe continued to recover from the global recession, albeit at a slower pace in the second half of the year. In contrast, several large emerging markets such as Brazil, India and China performed well.

In this country, after the contraction of 3.5 per cent in 2009, economic growth in Trinidad and Tobago remained relatively flat in 2010. Our economic performance was adversely affected by the continued decline of the non-energy sector. Fortunately, this was offset by growth in the local energy sector.

FINANCIAL HIGHLIGHTS

2010 was the eighth consecutive year of TT$1 billion plus profit for the NGC Group of Companies. The Group achieved an after tax profit of TT$2.09 billion which represented a 32 per cent increase over 2009, with the contribution of the investee and subsidiary companies being TT$1.311 billion.

Gas sales and other revenue were TT$14.2 billion which was 35 per cent higher than in 2009. Gas sales were TT$12.2 billion and accounted for 86 per cent of total revenue. LNG sales, crude oil income and transportation tariffs accounted for 5.6, 3.5 and 1.6 per cent respectively of total revenue.

The Group's asset base increased by 15 per cent from TT$26.7 billion in 2009 to TT$30.8 billion in 2010 and the return on assets was 7.8 per cent. A cumulative shareholder's dividend of TT$730 million was proposed for the financial year 2010.

OPERATIONAL HIGHLIGHTS

In 2010, the NGC parent initiated the most intensive period of construction activity since the implementation of the 56-inch-diameter Cross-Island Pipeline (CIP) and the Beachfield Upstream Development (BUD) pipeline projects in the 2003-2007 period.

For the year under review, five major projects were under construction at a capital cost of approximately TT$7.3 billion. These were aimed at increasing our capacity, efficiency and sustainability.

- The Tobago Pipeline
- The North-Eastern Offshore (NEO) Pipeline
- The Phoenix Park Valve Station Upgrade
- The Union Pipeline
- The Liquid Fuels Pipeline

COMMODITY PRICES

Short supply internationally, driven in part by major disruptions at two local methanol plants, resulted in a firming up of methanol prices. Ammonia and Urea Caribbean (f.o.b.) prices surged to an average of US$362.68 and US$311.41 per metric tonne respectively. Billet and wire rod prices also recorded increases over those obtained in 2009. These upward movements in commodity prices resulted in similar consequential movements in contracted gas prices at home.

LNG

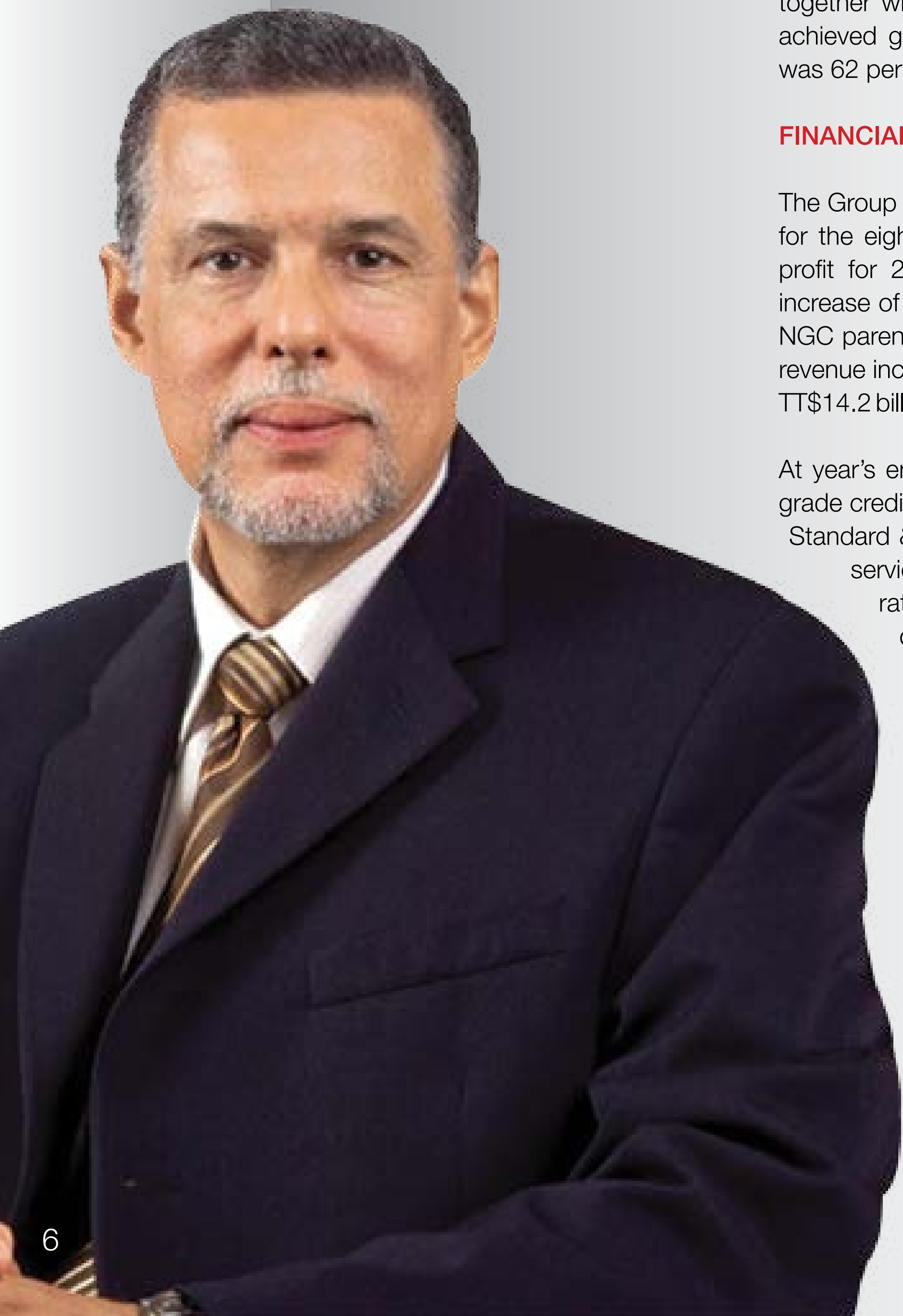
LNG production decreased by 8.3 per cent from 39.12 billion cu. ft in 2009, to 35.8 billion cu. ft in 2010. Revenue to NGC from LNG sales was TT$792 million.

APPRECIATION

I take this opportunity to extend my sincere thanks to the outgoing Chairman and Board of Directors for their stewardship, and the management and staff for their dedication and commitment to the overall success of NGC. I also extend my thanks to our many customers, particularly those of long-standing.

Larry Howai
Chairman

Operations' Report



OVERVIEW

During 2010, the Company engaged in sustained activity to upgrade and expand the supply and related infrastructure vital for assuring its integrity and facilitating supply, in general, and the reliability of supply, in particular, throughout Trinidad and Tobago. Gas sales volume increased by seven per cent over 2009 and, together with higher commodity prices, the Company achieved gas sales revenue of TT$12.2 billion, which was 62 per cent higher than obtained in 2009.

FINANCIAL PERFORMANCE

The Group maintained a billion-plus after-tax profit level for the eighth consecutive year. The Group's after-tax profit for 2010 was TT$2.09 billion, representing an increase of 22 per cent over 2009. Of this amount, the NGC parent provided TT$1.56 billion. The Group sales revenue increased by 56 per cent from TT$9.1 billion to TT$14.2 billion, with NGC's portion being TT$12.9 billion.

At year's end, the Company's international investment grade credit ratings were A3 from Moody's, BBB+ from Standard & Poor's and AAA from CariCRIS. The debt service coverage ratio was 3.56. Our leverage ratio, measured by long-term debt/long-term debt and equity, decreased from 18 per cent to 15 per cent.

S. Andrew Mc Intosh – President

Beachfield Upstream Development (BUD) Facility

CAPITAL EXPENDITURE

The following projects were ongoing during 2010:

- **Union Industrial Estate Pipeline** to supply gas to the Trinidad Generation Unlimited (TGU) power plant in the Union Industrial Estate – mechanical completion achieved for Pipelines and Receiving facility and pre-commissioning activities in progress;
- **North-Eastern Offshore (NEO) Pipeline** to transport gas from BHP Billiton's Gas Export Platform to interconnect with the existing pipeline network at Beachfield;
- **Tobago Pipeline** to transport gas from BHP Billiton's Gas Export Platform – the main offshore line has been completed and tested and the Mechanical, Engineering & Instrumentation (ME&I) contract for the Tobago inlet facility is in progress;
- **Multi-product Liquid Fuels Pipeline Network** to transport RON 92 and RON 95 Gasoline, AVJET fuel and diesel from Petrotrin Pointe-a-Pierre to Caroni, with a pipeline from Caroni to Piarco for AVJET Fuel – pipeline and tanks;
- **Phoenix Park Valve Station (PPVS)** Upgrade to increase the station's current capacity of two bcf/d to three bcf/d natural gas.

OPERATIONS

Transmission and Supply of Natural Gas

The Company achieved a pipeline system availability of 100 per cent. This was facilitated by our rigorous pipeline maintenance activities including the installation of a 36-inch pig trap valve at Beachfield and a 16-inch mainline valve at Picton.

Average daily supply of gas for 2010 was 1,728 MMscf/d which was 7.3 per cent higher than in 2009. bpTT maintained its position as the lead supplier, accounting for 37.1 per cent of supply, with BGTT accounting for 21.3 per cent.

On the demand side, the petrochemical industry was the largest consumer, accounting for 69.9 per cent of sales. Power generation accounted for 17.3 per cent. The combined domestic light industrial sector and CNG customers accounted for 0.6 per cent.

Liquids Collection

The liquid-to-gas ratio (barrels/MMscf) of 0.5 achieved in 2009 was maintained in 2010. Liquids collection decreased marginally by four per cent from 326,304 barrels in 2009 to 313,342 barrels in 2010. As in 2009, most of our liquids, 63.7 per cent, was collected from pipeline operations at Beachfield/Guayaguayare.

LNG

International Market Developments

The International Gas Union (IGU) report for 2010 noted that globally, the volume of LNG trade increased by 56 per cent between 2006 and 2010, and grew by 22 per cent between 2009 and 2010. The latter growth was driven mainly by four newly commissioned liquefaction trains in Peru (1), Qatar (2) and Yemen (1), as well as the ramp-up in output in trains commissioned in 2009. At year's end, the total number of countries exporting LNG was 18. Japan, traditionally the largest importer, maintained its dominant position in 2010 and together with South Korea accounted for 47 per cent of global LNG imports.

Overhead of ALNG Facility at Point Fortin

The report also pointed out that the US market, the traditional destination for T&T's LNG supply, continued to experience a profound transformation, driven by a boom in shale gas production which accounted for approximately 20 per cent of US gas output in 2010. As a result, T&T's LNG volumes previously destined for the US market were redirected to other markets.

Domestic Developments
Trinidad and Tobago accounted for six per cent (15.5 MMtpa) of world liquefaction capacity (270.9 MMtpa), and seven per cent (15.2 MMtpa) of the 223.4 MMtpa of LNG exported in 2010. The country's output was exported to 19 countries around the world. Average shippers' daily gas flow to ALNG Train IV through the NGC Pipeline Company Limited was 1,001.7 MMscf/d. Overall production of LNG from ALNG was 31,880,183 cubic metres.

With regard to TTLNG, there were 35 partial cargoes from bpTT's gas supply which accounted for 16 Tbtu of LNG and three dedicated cargoes from EOG Resources gas supply which accounted for nine Tbtu of LNG. NGC's annual net income from LNG sales by TTLNG Limited and NGC LNG Limited was US$23.6 million.

Gas Compression
The Company delivered 66.0 MMscf/d of compressed high-pressure gas to Repsol. This was 22 MMscf/d short of the contracted volume, which was made up by the supply of high-pressure gas from the NGC system.

Domestic Market
The Company's domestic market comprised 107 light industrial consumers and eight CNG stations in 2010. Together these accounted for 10,592 MMbtu/d, contributing TT$54.2 million to sales revenue.

Environment, Health and Safety

The Company undertook a number of successful EHS activities in 2010 which re-emphasized the pervasive environment, health and safety culture. There was an increase in man-hours worked from 1,702,164 million in 2009 to 1,800,303 million in 2010. Significant strides were achieved through the EHS Grassroots Leaders' Training.

Human Resources Management

The Company's manpower increased from 655 in 2009 to 692 in 2010. NGC maintained its policy of continuous training for staff, during which there was a range of mandatory and relevant technical and functional training interventions at all levels and in all areas of operations. In addition, the Company provided trainee apprentice opportunities to students from tertiary institutions in the country for six months or more.

STRATEGIC FOCUS

In 2010, the Company initiated the process of redefining the strategic focus for the period 2011-2015. This process commenced with the Mission and Vision Statements:

Mission: To create exceptional national value from natural gas and energy businesses.

Vision: To be a valued partner in the global energy business.

Reforestation – No Net Loss

CORPORATE SOCIAL RESPONSIBILITY (CSR)

NGC's Corporate Social Responsibility is embodied in five main pillars: Environmental Preservation, Youth Development, Community Engagement, Community Economic Development and Contributions/ Sponsorships.

In 2010, two main components of the Company's public education thrust engaged its communities. These activities were the Community Awareness and Emergency Response (CAER) programme and a Primary Schools Safety Art Competition. The principal objective of the CAER's schools' programmes was to create emergency-ready schools and communities and first responders in the event of an emergency or natural disaster.

In addition, the Company continued its other community-based and national initiatives in skills development, track and field training and development, and arts and culture. Other programmes included community facilities delivery and reforestation.

CONCLUSION

As the Company enters its 36th year in 2011, the management and staff will commit to a rededication and intensification of their efforts to position NGC as a global energy company. Our success at building a world-class gas sector has made us a worthy model to emulate for the use of a natural resource in the interest of country and citizenry. We will intensify this objective in 2011.

S. Andrew Mc Intosh
President

Board of Directors

Larry Howai
Chairman

Roop Chan Chadeesingh
Deputy Chairman

Haseena Ali
Director

Premchand Beharry
Director

Cathal Healy-Singh
Director

Carlton Gibson
Director

Rabindra Jaggernauth
Director

Utam Maharaj
Director

Clyde Ramkhalawan
Director

Directors' Report

Year Ended 31 December 2010

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December, 2010.

1. BUSINESS ACTIVITIES

During 2010, the Company actively pursued its core business of the acquisition, transportation, distribution and sale of natural gas to industrial and commercial users.

2. FINANCIAL RESULTS

The parent company, The National Gas Company of Trinidad and Tobago Limited (NGC) recorded gross sales of TT$12.864 billion, an increase of approximately 59.7 per cent from the previous year's amount of TT$8.056 billion. This increase in gross sales arose as a result of the commodity prices for ammonia, methanol and oil being significantly higher in 2010 than in 2009. This increase in commodity prices in turn contributed to higher gas prices to customers in the petrochemical sector as well as higher crude oil prices for sales of oil from the Teak, Samaan and Poui (TSP) joint venture.

In addition, dividend income received from its key strategic investments in the liquefied natural gas (LNG) and natural gas liquids (NGL) business remained stable.

The Company recorded a Net after Tax Profit of TT$1.563 billion representing an increase of TT$0.285 billion or 22 per cent from the previous year's figure of TT$1.278 billion. This increase resulted from the increase in prices as mentioned above.

Dividends of TT$350 million were paid during the year 2010, compared to the amount of TT$850 million paid in 2009. Retained Earnings at the end of the year amounted to TT$12.803 billion and Issued Shared Capital to TT$1.86 billion.

A summary of the Non-Consolidated Statement of Comprehensive Income and Financial Position of the Company for the year ended 31 December 2010 is set out below:

	2010 $'000	2009 $'000
Sales	**12,863,557**	8,055,565
Cost of sales	**(9,803,796)**	(6,835,563)
Gross profit	**3,059,761**	1,220,002
Other operating income	**128,790**	122,466
Interest and other investment income	**924,864**	1,266,299
Administrative and general expenses	**(1,121,412)**	(559,740)
Impairment expenses	**(10,467)**	–
Other expenses	**(5,291)**	(31,036)
Finance cost	**(329,405)**	(224,814)
Loss on foreign exchange transaction	**(8,659)**	(19,350)
Profit before tax	**2,638,181**	1,773,827
Income tax expense	**(1,074,828)**	(496,060)
Profit for the year	**1,563,353**	1,277,767
Other comprehensive income		
Revaluation surplus on pipelines (net of income tax effect)	**884,769**	–
Available-for-sale financial assets	**196,852**	223,060
Foreign currency translation	**49,900**	194,010
Other comprehensive income for the year, net of tax	**1,131,521**	417,070
Total comprehensive income for the year	**2,694,874**	1,694,837
Retained earnings		
At beginning of year	**11,615,619**	10,963,405
Transfer of depreciation for offshore plant and equipment and pipelines	**24,419**	23,997
Profit for the year	**1,563,353**	1,277,767
Total income/expense for the year	**1,587,772**	1,301,764
Dividends paid/proposed	**(400,000)**	(650,000)
Retained earnings – at end of year	**12,802,941**	11,615,619

3. PROPOSED DIVIDENDS

In accordance with the Company's Dividend Policy and based on its audited financial statements for the year ended 31 December 2010, the Board proposes that the amount of TT$730 million be declared as final dividends for the financial year 2010.

4. DIRECTORS

During the period 01 January to 13 October 2010, the membership of the Board of NGC 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. Mr. McLeod resigned as a Director on 28 April 2010.

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

a) **The Audit Committee** was chaired by Mr. David Small and included Mr. Wilson Lalla, Mrs. Carol Pilgrim-Bristol and Mr. Kesraj Seegobin, representative from the Ministry of Finance. The Committee held two (2) meetings for the above stated period.

b) **The Finance Committee** was chaired by Mr. David Small and included Mr. Wilson Lalla and Mrs. Carol Pilgrim-Bristol. There were no meetings for the above stated period.

c) **The Human Resources Committee** was chaired by Dr. Cheryl A. Bennett and included Messrs. Errol Mc Leod and Clarence L. Mitchell. The Committee held five (5) meetings for the above stated period.

d) **The Tenders Committee** was chaired by Mr. Clarence L. Mitchell and included Messrs. Errol McLeod, S. Andrew Mc Intosh, Lisle Ramyad and Dr. Cheryl A. Bennett. The Committee held four (4) meetings for the above stated period.

e) **The Operations Committee** was chaired by Mr. Clarence L. Mitchell and included Messrs. David Small, Lisle Ramyad, Wilson Lalla, S. Andrew Mc Intosh, Arnold De Four and Andrew Jupiter. The Committee held five (5) meetings for the above stated period.

New Appointments
On 14 October 2010, new members were elected to the Board. The Membership comprised Mr. Larry Howai (Chairman), Mr. Roop Chan Chadeesingh (Deputy Chairman), Ms. Haseena Ali, Mr. Premchand Beharry, Mr. Carlton Gibson, Mr. Cathal Healy-Singh, Mr. Rabindra Jaggernauth and Mr. Clyde Ramkhalawan. Subsequently, on 17 December 2010, Dr. Utam Maharaj was elected to the Board.

a) **The Audit Committee** was chaired by Ms. Haseena Ali and included Messrs. Rabindra Jaggernauth and Kesraj Seegobin, Representative from the Ministry of Finance. The Committee held three (3) meetings for the period 26 October 2010 to 31 December 2010.

b) **The Finance/Tenders Committee** was chaired by Mr. Roop Chan Chadeesingh and included Messrs. Premchand Beharry, Clyde Ramkhalawan and S. Andrew Mc Intosh. Subsequently, on 17 December 2010, Dr. Utam Maharaj was elected to the Committee. The Committee held two (2) meetings for the period 26 October, 2010 to 31 December, 2010.

c) **The Human Resources Committee** was chaired by Mr. Cathal Healy-Singh and included Messrs. Carlton Gibson, Rabindra Jaggernauth and Ms. Haseena Ali. The Committee held one (1) meeting for the period 26 October 2010 to 31 December 2010.

d) **The Operations Committee** was chaired by Mr. Premchand Beharry and included Messrs Carlton Gibson, Cathal Healy-Singh, Clyde Ramkhalawan, Arnold de Four and S. Andrew Mc Intosh. Subsequently, on 17 December 2010, Dr. Utam Maharaj was elected to the Committee. The Committee held no meetings for the period 26 October 2010 to 31 December 2010.

5. SIGNIFICANT EVENTS

Pipeline Construction

NGC continued its expansion of its pipeline network as follows:

i. North-Eastern Offshore (NEO) Pipeline

The North-Eastern Offshore Pipeline Project involved the construction of a 36"-diameter offshore pipeline from the BHP Angostura field off the north-east coast of Trinidad to Beachfield. This pipeline opens access to new gas fields where there is an absence of gas pipeline infrastructure.

Cost incurred on this project as at 31 December 2010 is TT$2,869.80 million (US$452.1 million). The estimated cost to complete the project is TT$362.83 million (US$56.9 million).

ii. Tobago Pipeline Project

The Company was requested by the Government of the Republic of Trinidad and Tobago to construct a pipeline and related infrastructure to supply gas to meet the island's long-term domestic needs and to provide additional transportation capacity for third parties. A 12"-diameter, 54 km (33 mile) long subsea pipeline is being constructed from the BHP Central Processing Platform in the Angostura Field to the Cove Estate, Tobago. The pipeline will terminate at an inlet receiving station at the battery limits of the estate, inclusive of custody transfer meeting.

Cost incurred on this project as at 31 December 2010 is TT$1,016.90 million (US$160.2 million). The estimated cost to complete the project is TT$94.37 million (US$14.8 million).

Pipeline Revaluation

The Company revalued its pipelines and related facilities as at 31 December 2010. The revaluation was performed by an independent valuator PricewaterhouseCoopers (PwC). The valuation was conducted using the depreciated replacement cost basis. This revaluation resulted in a new revaluation surplus of TT$1,298.60 million which has been incorporated in property, plant and equipment.

Included in the net revaluation surplus is an amount of TT$62.556 million, which represents a deficit arising from the revaluation of certain pipelines. This has been charged directly to the Statement of Comprehensive Income. The current year revaluation surplus of TT$1,361.18 million reserve net of deferred taxes will be transferred to retained earnings on a basis consistent with the depreciation charged on the pipelines.

Net Investment in Leased Assets

In December 2010, NGC completed its acquisition of the 58.8 mile, 24"-diameter offshore subsea pipeline and related facilities. BG International Limited (BGI)/Chevron Trinidad and Tobago Resources SRL entered into a Gas Transportation Agreement (GTA) with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85 per cent of the pipeline capacity. BGI, as operator, will operate and maintain the pipeline and related facilities for an initial term of four years.

An assessment was made under IFRIC 4 – Determining whether an arrangement contains a lease and IAS 17 – Leases regarding the accounting treatment of this transaction. Consequently, the pre-transfer and capacity payments received for the period April 2006 to December 2010 were offset against the acquisition cost of the pipeline and set up as the net investment in a leased asset. The present value of the future lease rentals, using a discount rate of 34 per cent, is TT$563.31 million (US$88.34 million) which is shown in the Statement of Financial Position.

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

i. 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, NEC, for the sum of US$58.518 million. This amount has been set up as a loan with tenor of 25 years. The principal is to be repaid in equal semi-annual instalments. Repayments were rescheduled in 2010 and will now commence on 1 January 2012. Interest is payable at three per cent per annum. The fair value of this loan as at 31 December 2010 was TT$278.440 million (2009:$278.744 million).

ii. NEC – Warehouse Facility

NGC granted a loan to NEC to finance and construct a material storage and handling facility. With the discontinuation of the aluminum smelter during 2010, the facility will now provide general warehousing. The maximum loan sum will be US$65.6 million which represents 80 per cent of the total cost of US$82 million. Interest is payable at a maximum rate of seven per cent per annum. The loan is to be repaid via a maximum of thirty (30) semi-annual instalments commencing 1 June 2012.

Draw downs amounted to TT$383.084 million (US$60.077 million) as at 31 December 2010.

6. AUDITORS

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

Dated this 12th day of December, 2011

By ORDER OF THE BOARD
Maria Thorne
Company Secretary

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Consolidated Financials 2010

Report of Independent Auditors to the Shareholders of

The National Gas Company of Trinidad and Tobago

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 2010, and the Consolidated Statement of Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the Consolidated Financial Statements present fairly, in all material respects, the financial position of The National Gas Company of Trinidad and Tobago Limited, as at 31 December 2010, 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:
24 August 2011

Consolidated Statement of Financial Position

As at 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars)

ASSETS	Notes	2010 $'000	2009 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	**10,410,582**	7,127,742
Intangible assets	5	**15,528**	5,118
Investment properties	6	**625,053**	615,995
Interest in joint venture	7	**956,995**	849,233
Investments	8	**1,522,123**	1,325,482
Financial asset at fair value through profit and loss	9	**39,376**	111,255
Net investment in leased asset	10	**563,311**	–
Long-term loans receivable	11	**2,199,044**	2,189,196
Deferred tax asset	21	**605,115**	656,524
Deferred expenses	12	**326,641**	194,620
Debt reserve funds	13	**167,961**	167,442
		17,431,729	13,242,607
CURRENT ASSETS			
Cash and short-term investments	14	**9,358,109**	9,554,469
Current portion of long-term loans receivable	11	**151,470**	289,662
Accounts receivable	15	**2,177,894**	1,617,764
Sundry debtors and prepayments	16	**1,446,055**	1,970,921
Inventories	17	**35,644**	33,755
Deferred expenses	12	**18,005**	–
Income taxes receivable		**148,534**	16,391
Total current assets		**13,335,711**	13,482,962
Total assets		**30,767,440**	26,725,569

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

Consolidated Statement of Financial Position

As at 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars) (continued)

EQUITY AND LIABILITIES	Notes	2010 $'000	2009 $'000
EQUITY			
Stated capital	18	**1,855,266**	1,752,848
Capital subscribed		**–**	102,418
Reserve fund	19	**438,192**	438,192
Other reserves	20	**2,199,489**	942,812
Retained earnings		**14,966,743**	13,458,830
Equity attributable to equity holders of the parent		**19,459,690**	16,695,100
Minority interests		**440,154**	333,610
		19,899,844	17,028,710
NON-CURRENT LIABILITIES			
Deferred tax liability	21	**1,500,837**	922,266
Long-term debt	22	**2,998,824**	3,573,522
Provisions	23	**787,572**	678,654
Post-retirement medical and group life obligation	24	**77,431**	73,434
Pension obligation	25	**94,027**	61,660
Deferred income	26	**353,111**	314,441
Deferred capital grant		**–**	24,901
Long-term creditors	27	**109,941**	109,608
Total non-current liabilities		**5,921,743**	5,758,486
CURRENT LIABILITIES			
Current portion of long-term debt	22	**493,125**	163,729
Trade creditors	28	**2,141,969**	1,598,929
Sundry creditors and accruals	29	**1,778,962**	1,687,761
Deferred income	26	**60,262**	47,086
Deferred capital grant		**23,438**	11,853
Provisions	23	**5,600**	267
Income taxes payable		**242,497**	278,748
Dividends payable		**200,000**	150,000
Total current liabilities		**4,945,853**	3,938,373
Total liabilities		**10,867,596**	9,696,859
Total equity and liabilities		**30,767,440**	26,725,569

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 24 August 2011.

: Director

: Director

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2010 $'000	2009 $'000
Sales	30	**14,166,966**	9,125,401
Cost of sales	30	**(10,563,970)**	(7,443,264)
Gross profit		**3,602,996**	1,682,137
Other operating income	31	**112,403**	112,432
Interest and other investment income	32	**702,896**	1,070,807
Share of income from joint venture	7	**794,271**	472,133
Administrative, maintenance & general expenses	33	**(1,192,780)**	(618,538)
Impairment expense	34	**(317,668)**	(55,527)
Finance costs	35	**(381,741)**	(291,772)
Other expenses		**(5,653)**	(32,907)
Loss on foreign exchange transactions		**(14,335)**	(22,901)
Profit before tax		**3,300,389**	2,315,864
Income tax expense	21	**(1,206,941)**	(603,432)
Profit for the year		**2,093,448**	1,712,432
Other comprehensive income			
Revaluation of pipeline (net of deferred tax)		**1,024,831**	–
Available-for-sale financial assets		**196,852**	223,060
Foreign currency translation		**62,251**	212,338
Other comprehensive income for the year, net of tax		**1,283,934**	435,398
Total comprehensive income for the year		**3,377,382**	2,147,830
Attributable to:			
Equity holders of the parent		**3,164,590**	1,985,572
Minority interests		**212,792**	162,258
		3,377,382	2,147,830

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2010
(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
Year ended 31 December 2009								
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
Year ended 31 December 2010								
Balance as at 1 January 2010	1,752,848	102,418	438,192	942,812	13,458,830	16,695,100	333,610	17,028,710
Total comprehensive income for the year	–	–	–	1,281,096	1,883,494	3,164,590	212,792	3,377,382
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(24,419)	24,419	–	–	–
Dividends	–	–	–	–	(400,000)	(400,000)	(106,248)	(506,248)
Capital subscribed	102,418	(102,418)	–	–	–	–	–	–
Balance as at 31 December 2010	1,855,266	–	438,192	2,199,489	14,966,743	19,459,690	440,154	19,899,844

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Cash generated from operations	36	**3,418,296**	1,699,525
Increase in long-term creditors		**–**	5,052
Pension and other post-retirement contributions paid		**(18,681)**	(20,155)
Income taxes paid		**(1,298,817)**	(862,670)
Interest paid		**(245,600)**	(263,970)
Interest received		**115,994**	333,505
Net cash generated from operating activities		**1,971,192**	891,287
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(2,207,216)**	(1,609,635)
Purchase of investment property		**(317,957)**	(168,852)
Proceeds on disposal of property, plant and equipment		**209**	645
Finance lease (net)		**(72,570)**	–
Net change in short-term investments		**1,282,916**	2,554,508
Proceeds from repayment of loan receivables		**179,829**	28,314
Increase in debt reserve fund		**–**	(335)
Dividends received		**926,196**	584,327
Purchase of investments (net)		**(2,511)**	(127,735)
Net cash (used in)/generated from investing activities		**(211,104)**	1,261,237
Cash flows from financing activities			
Repayment of long-term debt		**(251,825)**	(262,717)
Dividends paid		**(456,248)**	(994,144)
Net cash used in financing activities		**(708,073)**	(1,256,861)
Net increase in cash and cash equivalents		**1,052,015**	896,663
Net foreign exchange difference		**12,946**	81,049
Cash and cash equivalents			
– beginning of year		**2,405,690**	1,428,978
– end of year	14 (d)	**3,470,651**	2,405,690
Non-cash transactions			
Capital subscribed		**–**	102,418
Capitalization of costs		**–**	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 National Gas Company of Trinidad and Tobago Limited and subsidiaries ("the Group") is a diversified group primarily engaged in the purchase, transmission, and distribution of natural gas in Trinidad and Tobago, the management of certain infrastructural facilities and the promotion and development of the Union Industrial Estate at La Brea. The National Gas Company of Trinidad and Tobago Limited (the Company) is wholly owned by the Government of the Republic 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 (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	83.43%
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 Consolidated 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 Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS).

Principles of consolidation

The Consolidated 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.

IAS 27	– Consolidated and Separate Financial Statements
IAS 39	– Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRS 2	– Share-based payment (revised)
IFRS 3	– Business Combinations (revised)
IFRIC 17	– Distribution of Non-cash Assets to Owners
IFRIC 18	– Transfers of Assets from Customers

Improvements to IFRSs (April 2009)
Embedded derivatives – Amendments to IFRIC 9 and IAS 39 (effective from 1 July 2009)

2.2 Changes in accounting policy and disclosures (continued)

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

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.

The Group has chosen to early adopt IAS 24 Related Party Disclosures (Amendment) which is effective for annual periods beginning on or after 1 January 2011. The amendment clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

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.

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.

2.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Tax assessments

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

Revaluation

The Group revalues its offshore and onshore pipelines and related facilities every five to seven years. The key considerations in arriving at the fair value include location, historic and replacement cost, effective age, indicative life, gas reserve life, inherent risks and other information from management. The functional condition and economic obsolescence of the assets are also taken into account. Based on these factors, it has been estimated that the onshore and offshore pipelines will have a maximum useful life of sixty years as of 31 December 2010.

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.

2.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

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 Consolidated Statement of Cash Flows, 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 tariff and processing fees. Net realizable value is the estimate of the selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(d) Taxes

Current tax

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

2.4 Summary of significant accounting policies (continued)

(d) Taxes (continued)

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 Consolidated 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, 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 provided using the straight-line method at the following rates which are designed to write off the cost of these assets over their expected useful life

Machinery and equipment	10% – 50%
Pipelines and related facilities	4%
Offshore plant and equipment	12.5% – 25%
Marine infrastructural assets	2.5% – 20%
Other assets	6.6% – 33.3%
Software	50%

The pipeline and related facilities were revalued at 31 December 2010. Effective 1 January 2011 these assets will be depreciated over the remaining useful lives varying from 5 to 60 years.

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

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

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

The provision for depletion and amortization is determined using the unit-of-production method based upon the estimated 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 properties

Investment properties are 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:

Development cost	3.33% – 10%

No depreciation is provided on freehold land.

2.4 Summary of significant accounting policies (continued)

(f) Investment properties (continued)

Investment properties are derecognized when either they have been disposed of or when they are 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 recognized in the Consolidated Statement of Comprehensive Income in year of retirement or disposal.

(g) Intangible assets

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

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

The depreciation expense on intangible assets with finite lives is recognized in the Consolidated 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$). However, the functional currency of the parent company and four (4) of its subsidiaries is the United States dollar (US$) because it is the currency of the primary economic environment in which these entities operate. All 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 per cent owned subsidiary, has a 51 per cent 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 consolidated 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 Consolidated 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 reporting date.

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 financials 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 borrowing cost.

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 Group 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 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 Consolidated 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.

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.

2.4 Summary of significant accounting policies (continued)

(n) Impairment of financial assets (continued)

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 of 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 Consolidated 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.

(p) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

2.4 Summary of significant accounting policies (continued)

(p) Leases (continued)

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.

Leases for property, plant and equipment where the lessor has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the commencement of the lease at the fair value of the asset or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under a finance lease are recognized in the Consolidated Statement of Financial Position and present them as a recoverable at an amount equal to the net investment in the lease. Interest income and finance charges are recognized in the Consolidated Statement of Comprehensive Income.

(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 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 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.

(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 recognized as revenue in the period in which they are earned. Premiums on leases are recognized as revenue in the initial year of the lease.

2.4 Summary of significant accounting policies (continued)

(r) Revenue recognition (continued)

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 profit or loss on a systematic basis over the useful lives of the related assets.

(u) Non-refundable capital contribution

The Group recognizes a non-refundable capital contribution (NRCC) when payment is received from industrial users as part of a condition of their connection to the pipeline network which provides them with continuous access to a supply of gas for use in their respective industries.

The contribution is recorded as deferred NRCC income in the Statement of Financial Position in the year received. The contribution is then amortized on a monthly basis and taken to the Statement of Comprehensive Income over the period of the industrial user's sales contract.

2.4 Summary of significant accounting policies (continued)

(v) 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 Consolidated Statement of Comprehensive Income.

Onerous contract

The Group has recorded a provision for the net unavoidable costs relating to an onerous contract with a customer.

Provision for reforestation

The Group has recorded a provision for the cost of reforestation. This estimated cost of replacing forest cleared in the construction of its pipelines was included in the related fixed asset and is to be depreciated as part of the capital cost of the pipelines.

(w) 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)

(x) 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 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.

(y) Derivative financial instruments and hedging

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

3. Standards issued but not yet effective

The Group has chosen not to early adopt the following standards and interpretations that were issued but not yet effective for accounting periods beginning after 1 January 2010.

IAS 32 Financial Instruments (effective 1 February 2010) amended the definition of a financial liability to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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 14 Prepayments of a minimum funding requirement (effective 1 January 2011 retrospectively) provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

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 July 2010 or 1 January 2011.

IFRS	**Subject of Amendment**
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements
IFRIC 13	Customer Loyalty Programmes

4. Property, plant and equipment

	Freehold land $,000	Lease-hold property $,000	Develop-ment costs $,000	Machinery and equipment $,000	Pipleline & 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
Year Ended 31 December, 2010											
Opening 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
Additions	6,072	80,572	–	6,647	32,546	45,507	4,736	762	9,659	2,001,040	2,187,541
Transfers	–	–	303	699	(123,591)	–	–	4,752	–	(5,754)	(123,591)
Disposals/write back	–	–	–	(20)	(2,010)	–	–	(272)	(169)	(2,170)	(4,641)
Depreciation for year	–	(3,014)	(171)	(6,902)	(192,175)	(63,938)	–	(24,069)	(9,910)	–	(300,179)
Impairment	–		–	–	–	–	(4,736)	(3,797)	–	(8,909)	(17,442)
Revaluation	–		–	–	1,513,786	–	–	–	–	–	1,513,786
Foreign exchange difference	41	580	–	51	10,545	884	–	–	71	15,194	27,366
Closing net book value	10,637	162,958	1,298	18,827	4,995,341	302,486	–	383,179	25,590	4,510,266	10,410,582
At 31 December 2010											
Cost	10,637	219,119	2,062	120,930	4,996,607	595,469	465,513	736,627	80,764	4,534,041	11,761,769
Accumulated depreciation	–	56,161	764	102,103	1,266	292,983	465,513	353,448	55,174	23,775	1,351,187
Net book value	10,637	162,958	1,298	18,827	4,995,341	302,486	–	383,179	25,590	4,510,266	10,410,582

4. Property, plant and equipment (continued)

	Freehold land $,000	Lease-hold property $,000	Develop-ment costs $,000	Machinery and equipment $,000	Pipleline & 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
Year Ended 31 December 2009											
Opening 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
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	–	–	–	–	–	–	–	(1,213)	(451)	–	(1,664)
Depreciation for year	–	(2,277)	(169)	(6,298)	(187,928)	(59,160)	–	(22,651)	(9,333)	–	(287,816)
Impairment	–	–	–	–	–	–	(3,906)	(4,345)	–	(23,711)	(31,962)
Foreign exchange difference	58	1,007	–	201	50,625	4,393	–	–	323	25,375	81,982
Closing 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
At 31 December 2009											
Cost	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	–	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)

(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 asset's 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 2010.

The offshore plant and equipment was fully impaired in 2005.

ii. Pipelines

The Group revalues its pipelines every five to seven years. The Directors have approved an independent valuation performed by PricewaterhouseCoopers at 31 December 2010, of the pipelines and related facilities owned by the Group.

The valuation was conducted using the depreciated replacement cost basis assuming the facilities will continue to be used for the purpose for which they were designed and intended. For valuation purposes the pipelines have been assessed to have a maximum useful life of 60 years as of 31 December 2010, as approved by the Board of Directors.

The revaluation resulted in a net revaluation surplus which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of $62.556 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the Statement of Comprehensive Income. The current year revaluation surplus of $1,576.625 million reserve net of deferred taxes of $551.794 million will be transferred to retained earnings on a basis consistent with the depreciation charged on the pipelines.

The net carrying amount of the pipelines if it was carried at cost rather than at the revalued amount would have been $2,850.435 million as at 31 December 2010 (2009: $3,147.4 million).

4. Property, plant and equipment (continued)

(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.

(c) Assets under construction

Included in assets under construction are costs relating to the North-Eastern Offshore Pipeline and Tobago Pipeline Projects.

i. North-Eastern Offshore Pipeline

The North-Eastern Offshore Pipeline (NEO) Project involves the construction of a 36" diameter offshore pipeline from the BHP Angostura field off the north-east coast of Trinidad to Beachfield. This pipeline opens access to new gas fields where there is an absence of gas pipeline infrastructure.

Cost incurred on this project as at 31 December 2010 is $2,869.80 million (US$452.1 million). The estimated cost to complete the project is $362.83 million (US$56.9 million).

ii. Tobago Pipeline Project

The Group has been requested by the Government of the Republic of Trinidad and Tobago (GORTT) to construct a pipeline and related infrastructure to supply gas to meet the island's long-term domestic needs and to provide additional transportation capacity for third parties. A 12"-diameter 54 km (33 mile) long subsea pipeline is being constructed from the BHP Central Processing Platform in the Angostura Field to Cove Estate, Tobago. The pipeline will terminate at an inlet receiving station at the battery limits of the estate, inclusive of custody transfer metering.

Cost incurred on this project as at 31 December 2010 is $1,016.90 million (US$160.2 million). The estimated cost to complete the project is $94.37 million (US$14.8 million).

5. Intangible assets

	2010 $'000	2009 $'000
Year ended 31 December		
At 1 January	**5,118**	3,199
Additions/transfers at cost	**19,676**	5,572
Depreciation	**(9,241)**	(3,714)
Foreign exchange difference	**(25)**	61
At 31 December	**15,528**	5,118
At 31 December		
Cost	**98,226**	78,312
Accumulated depreciation	**82,698**	73,194
Net book amount	**15,528**	5,118

6. Investment properties

	2010 $'000	2009 $'000
Year ended 31 December		
At 1 January	**615,995**	428,573
Additions	**317,957**	168,852
Depreciation charge for the year	**(14,390)**	(12,339)
Impairment	**(294,495)**	(27,471)
Disposal	**(14)**	58,830
At 31 December	**625,053**	615,995
At 31 December		
Cost	**1,259,787**	929,051
Accumulated depreciation	**634,734**	313,056
Net book value	**625,053**	615,995

Amounts recognized in profit or loss

	2010 $'000	2009 $'000
Rental income from investment properties	**29,996**	28,468
Direct operating expenses	**2,429**	2,610

6. Investment properties (continued)

Investment properties comprise the lands at Union Industrial Estate (UIE) and La Brea Industrial Estate and a warehousing facility at UIE.

In 2008, the Group began the construction of a material and handling storage facility for the aluminum smelter project which was to be built on the UIE. The facility was estimated to cost approximately US$100 million based on an Engineering Procurement contract. The discontinuation of the aluminum smelter project in September 2010 by the GORTT, resulted in the design and use of the material and handling storage facility being changed to a general purpose warehousing facility. At 31 December 2010, the facility was a work in progress and costs incurred were $516.2 million (2009: $212 million).

An impairment review was performed on the UIE and the warehousing facility at 31 December 2010. The recoverable amounts were based on value in use. In determining the value in use, the pre-tax cash flows were discounted at a rate of 5.41 per cent. Projected revenues were based on cash flows from identified tenants/specific projects for the UIE and estimated cash flows for the facility as approved by management. A net impairment charge of $296.9 million has been recorded in the Statement of Comprehensive Income, representing an impairment reversal of $55.5 million for the UIE and an impairment charge of $352.4 million for the facility.

An impairment review was also conducted on the LABIDCO operations based on a value-in-use calculation using a discount rate of 6.37 per cent which has resulted in an impairment reversal of $2.397 million for investment property and an impairment charge of $12.706 million for property, plant and equipment. A net impairment charge of $10.309 million has been recorded in the Statement of Comprehensive Income.

Legal title for the land on which the UIE and the fabrication yard at the La Brea Industrial Estate are situated have not yet been transferred to the Group by The Petroleum Company of Trinidad and Tobago Limited (Petrotrin).

7. Interest in joint venture

The NGC NGL Company Limited's 51 per cent share of the assets, liabilities, and income and expenses of PPGPL As at 31 December 2010 and 2009 are as follows:

	2010 $'000	2009 $'000
Share of PPGPL's Statement of Financial Position:		
Current assets	**951,219**	885,763
Non-current assets	**1,203,037**	1,221,112
Current liabilities	**(452,167)**	(448,147)
Non-current liabilities	**(745,094)**	(809,495)
Net assets	**956,995**	849,233
Share of PPGPL's Statement of Comprehensive Income:		
Revenue	**3,117,067**	1,987,265
Cost of sales	**(1,660,920)**	(1,045,855)
Operating and other expenses	**(236,594)**	(179,519)
Finance costs	**(392)**	(32,986)
Profit before tax	**1,219,161**	728,905
Income tax expense	**(424,890)**	(256,772)
Profit for the year	**794,271**	472,133

8. Investments

Investments comprise the following:

	2010 $'000	2009 $'000
Held-to-maturity investments (Note 8(a))	**139,626**	137,535
Investment in Atlantic 1 Holdings LLC, at cost	**155,493**	155,025
Investment in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited, at cost	**178,526**	177,988
Available-for-sale financial assets (Note 8(b))	**1,048,478**	854,934
	1,522,123	1,325,482

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 comprise the following:

	2010 $'000	2009 $'000
Business Development Company	**912**	909
Petrotrin Bonds	**55,609**	53,771
Government of Trinidad and Tobago Bonds	**19,339**	19,280
Government of Barbados Bonds	**63,766**	63,575
	139,626	137,535

(b) Available-for-sale financial assets

	2010 $'000	2009 $'000
Shares – listed	**1,038,506**	840,463
Shares – unlisted	**9,972**	14,471
	1,048,478	854,934

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 per cent 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 10 years of the investment there is risk in relation to loss of the principal. At the end of the 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 has been accounted for in accordance with IAS 39.

The fair value of the credit linked investment as at 31 December 2010 was $39.376 million (US$6.18 million) (2009: $111.255 million (US$17.50 million)). The fair value gain/loss in respect of this investment is charged to the Statement of Comprehensive Income and presented within finance income or finance expense.

10. Net investment in leased assets	2010 $'000	2009 $'000
Finance lease – gross investment	2,219,692	–
Less: Unearned finance charges	(1,656,381)	–
	563,311	–
Gross investment in leased assets has the following maturity profile:		
Within 1 year	188,618	–
1 to 5 years	803,316	–
Over 5 years	1,227,758	–
	2,219,692	–
Net investment in leased assets has the following maturity profile:		
Within 1 year	–	–
1 to 5 years	44,065	–
Over 5 years	519,246	–
	563,311	–

In April 2006, the Group advanced US$190 million to BG/Chevron Texaco with a view to acquiring the Dolphin pipeline on completion. The Group 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 the pipeline. The advance payment was accounted for as a prepayment (Note 16) and the pre-transfer payments as a liability during the period April 2006 to December 2009 (Note 29).

In December 2010, the Group completed its acquisition of the 58.8 mile, 24-inch diameter offshore subsea pipeline and related facilities. BG/Chevron Texaco has entered into a Gas Transportation Agreement (GTA) with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85 per cent of the pipeline capacity. BGI as operator will operate and maintain the pipeline and related facilities for an initial term of four years.

An assessment was made under IFRIC 4 – Determining whether an arrangement contains a lease and IAS 17 – Leases regarding the accounting treatment of this transaction. Consequently, the pre-transfer and capacity payments received for the period April 2006 to December 2010 were offset against the acquisition cost of the pipeline and set up as the net investment in a leased asset lease receivable. The present value of the future lease rentals, using a discount rate of 34 per cent is $563.31 million (US$88.34 million) which is shown in the Consolidated Statement of Financial Position.

11. Loans receivable

	2010 $'000	2009 $'000
Trinidad and Tobago Electricity Commission (Note 11(a))	**1,817,058**	1,766,906
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited (Note 11(b))	**533,456**	711,952
	2,350,514	2,478,858
Less: current portion of loans – T&TEC	**(151,470)**	(289,662)
Long-term loans receivable	**2,199,044**	2,189,196

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

The Group has converted trade receivables in the amount of US$226.5 million for unpaid gas purchases for the period July 2005 to September 2009 together with related penalty interest of US$35.2 million to a proposed long-term loan receivable with an effective date of 1 December 2008. The loan will be for a period of 7 years, semi-annual repayments and with interest payable at a fixed rate of 3 per cent per annum. The loan was initially scheduled to commence repayment in June 2010, but this has now been deferred to December 2011. Accrued interest of US$10.3 million has been capitalized with the proposed loan. The proposed loan balance at 31 December 2010 amounts to US$328.477 million.

By letter dated 10 May 2010, the Government of Trinidad and & Tobago (GORTT), the shareholder of both T&TEC and the Group, agreed to the terms of the loan. These terms were again reconfirmed by the GORTT during 2011.

The GORTT has stated that funds will be made available to T&TEC to service the debt to the Group.

The impairment provision on the loan has been increased by $21.111 million during 2010 to $277.673 million (US$43.545 million) at 31 December 2010. The increase in impairment is due to the rescheduling of T&TEC's first loan repayment from 1 June 2010 to 1 December 2011. 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 per cent.

The fair value of the long-term loan receivable was $1,817 million at 31 December 2010 (2009: $1,767 million).

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

Pursuant to the Atlantic LLC Agreement, the Members are obligated to make Member's loans and working capital contributions in proportion to each Member's Percentage Interest to fund the construction, commissioning and operations of the ALNG Train 4. The maximum aggregate principal amount of the long-term Member's Loan is US$1.2 billion of which the Group's proportion is 11.11 per cent (US$133.3 million). As at 31 December 2010 the Group has contributed US$111.988 million (2009: US$111.988 million) which represents its share of the long-term Member's Loan. The loan is expected to mature on 15 December 2020. Principal repayments of US$20.553 million on 30 September 2010 and US$7.777 million on 31 December 2010 have been made. The loan balance as at 31 December 2010 is US$83.658 million (TT$533.456 million).

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 per cent to 2.125 per cent per annum. The effective interest rate at the reporting period date was 1.9896 per cent (2009: 1.7049 per cent). The fair value of this loan approximates its carrying value.

12. Deferred expenses	2010 $'000	2009 $'000
Take or pay (Note 12(a))	**198,893**	194,620
Capacity rights (Note 12(b))	**144,890**	–
Other	**863**	–
	344,646	–
Current	**18,005**	–
Non-current	**326,641**	194,620
	344,646	194,620

a) Take or pay

'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.

b) Capacity rights

The Group has acquired reserved capacity rights in a 36" pipeline from Beachfield to Point Fortin.

The expenditure will be amortized to the Statement of Comprehensive Income over the period of the contract which expires on 4 July 2019.

13. 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.

In addition, in accordance with a security agreement, one of the subsidiary companies is required to maintain a debt reserve fund.

These debt reserve funds are held in interest bearing accounts.

14. Cash and short-term deposits	2010 $'000	2009 $'000
Cash at banks and on hand	**3,447,436**	2,380,283
Restricted cash (Note 14b)	**9,960**	9,960
Short-term deposits	**7,000,856**	8,261,113
Less: Provision for impairment of short-term deposits	**(1,100,143)**	(1,096,887)
	9,358,109	9,554,469

14. 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 Group and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is $9,358.11 million (2009: $9,554.47 million).

(b) The Group has an Escrow account with a financial institution and is required to maintain a balance on the account equivalent to two loan instalments at all times.

(c) The Group held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of $1,100.41 million as at 31 December 2010 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 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 2010.

(d) For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December.

	2010 $'000	2009 $'000
Cash at banks and on hand	**3,447,436**	2,380,283
Short-term deposits (with an original maturity date of less than three months)	**23,215**	25,407
	3,470,651	2,405,690

15. Accounts receivable

	2010 $'000	2009 $'000
Trade receivable	**2,177,894**	1,617,764

15. Accounts receivable (continued)

Included in trade receivables is an amount of TT$326.61million (US$51.22 million) due by T&TEC at 31 December 2010. 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. Management is confident that this new pricing mechanism will be agreed to by T&TEC.

As at 31 December 2010, trade receivables impaired and fully provided for totaled $29.6 million (2009: $24.5 million). Movements in the provision for impairment of receivables were as follows:

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2009	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
At 1 January 2010	19	24,447	24,466
Charge for year	–	5,209	5,209
Utilized	–	–	–
Reversal of prior year provision	–	(219)	(219)
Foreign currency translation adjustment	–	123	123
At 31 December 2010	19	29,560	29,579

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

			Past due but not impaired				
	Total $'000	Neither past due nor impaired $'000	<30 days $'000	30-60 days $'000	60-90 days $'000	90-120 days $'000	>120 days $'000
2010							
Accounts receivable	2,177,894	1,840,415	61,008	3,179	628	65	272,599
2009							
Accounts receivable	1,617,764	1,393,302	47,481	20,411	76,245	16,053	64,272

		2010 $'000	2009 $'000
16. Sundry debtors and prepayments			
Sundry debtors and prepayments comprise the following:			
Prepayments	– Dolphin pipeline (Note 10)	**–**	1,207,906
	– Other	**16,439**	9,670
Staff-related balances		**8,694**	4,527
Due from the Government of Trinidad & Tobago		**664,467**	390,589
Value Added Tax		**511,757**	174,990
Interest receivable		**85,599**	76,926
Dividends receivable		**81,302**	48,634
Accrued income		**36,089**	33,242
Other		**41,708**	24,437
		1,446,055	1,970,921

17. Inventories

	2010 $'000	2009 $'000
Finished goods – LNG	**6,329**	3,023
Consumable spares	**25,986**	27,275
TSP spares	**3,028**	3,019
Other	**301**	438
	35,644	33,755

18. Stated capital

Authorised
An unlimited number of ordinary shares of no par value

	2010 $'000	2009 $'000
Issued and fully paid		
1,855,267,000 ordinary shares of no par value (2009: 1,752,848,000)	**1,855,266**	1,752,848

Capital subscribed

During 2010, ordinary shares of 102,418,340 of no par value were allocated and issued 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 Group.

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 per cent of the issued stated capital of the parent company.

20. Other reserves

	2010 $'000	2009 $'000
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines	**1,361,988**	361,576
Unrealized gain on available-for-sale financial assets	**564,390**	367,538
Foreign currency translation	**273,111**	213,698
	2,199,489	942,812

21. Taxation

	2010 $'000	2009 $'000
Corporation tax	**1,036,285**	535,674
Petroleum profit tax	**76,345**	29,496
Business levy	**617**	708
Green fund levy	**16,386**	11,128
	1,129,633	577,006
Deferred tax charge	**77,308**	26,426
	1,206,941	603,432

21. Taxation (continued)

	2010 $'000	2009 $'000
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	**3,300,389**	2,315,864
Tax at the rate of 35%	**1,155,136**	810,552
Tax exempt income	**(283,617)**	(184,035)
Non-deductible (income)/expenses	**319,626**	7,864
Permanent differences	**3,020**	2,496
Other differences	**(4,679)**	7,598
Prior years' tax	**33,287**	(2,358)
Business levy	**617**	708
Green fund	**16,386**	11,128
Increase/(decrease) in valuation allowance	**5,737**	(1,022)
Tax effect of subsidiaries at different rate	**(77,405)**	(70,618)
Effect of oil and gas assets taxed at a different rate	**29,443**	6,277
Foreign exchange translation	**9,390**	14,842
Income tax provision	**1,206,941**	603,432

Significant components of deferred tax asset and liability are as follows:

Deferred tax asset:

	2010 $'000	2009 $'000
Pre-transfer payment – Dolphin pipeline	**–**	251,643
Finance lease – Dolphin pipeline	**213,878**	–
Property, plant and equipment (net of valuation allowance)	**3,689**	4,951
Asset retirement obligation	**239,136**	225,737
Post-retirement medical and group life and pension	**60,008**	46,580
Tax losses	**52,351**	92,074
Accrued interest expense	**32,391**	32,165
Other	**3,662**	3,374
	605,115	656,524

	2010 $'000	2009 $'000
21. Taxation (continued)		
Deferred tax liability:		
Property, plant and equipment	**1,500,837**	922,266
Net deferred tax liability		
Balance at 1 January	**265,742**	236,270
Charge recognized in profit and loss	**77,308**	26,426
Charges recognized through other comprehensive income	**551,794**	–
Foreign exchange translation	**878**	3,046
Balance as at 31 December	**895,722**	265,742
22. Long-term debt		
(i) AKA Ausfuhrkredit GmbH	**44,327**	73,657
(ii) First Citizens Bank Limited	**360,261**	386,020
(iii) US $400m 30-year bond	**2,127,663**	2,224,903
(iv) CALYON	**894,131**	972,892
(v) First Citizens Bank Limited	**34,679**	42,074
(vi) RBTT	**30,888**	37,705
	3,491,949	3,737,251
Less: current portion	**(493,125)**	(163,729)
	2,998,824	3,573,522

Description	Terms and conditions	Security
Item (i) relates to a facility established with AKA GmbH (Ausfuhrkredit-Gesellschaft mbH) 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 instalments commencing June 2004. Interest is payable semi-annually in arrears at the fixed rate of 4.18 per cent per annum commencing June 2004. The fair value of the loan was $44.30 million (US$6.95 million) at December 2010 (2009: $73.80 million (US$11.61 million)).	Export credit insurance provided by HERMES.

22. Long-term debt (continued)

Description	Terms and conditions	Security
Item (ii) 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 original terms of the loan provided for a five-year moratorium on principal and interest and for 20 equal and consecutive semi-annual instalments. In 2010 an agreement was made to re-pay the loan by 20 December 2011. The effective interest rate at 31 December 2010 was 4.25 per cent (2009: 7.4 per cent). The fair value of this loan approximates its carrying value.	No collateral/security required except for the condition that Union Estate's operating account be opened at FCB Ltd.
Item (iii) 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 per cent of its offshore shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.	The bond will be redeemed via a bullet payment on 15 January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05 per cent commencing in July 2006. The fair value of the gross bond was $2,455.50 million (US$385.08 million) at 31 December 2010 (2009: $2,542.71 million) (US$399.96 million). Bonds with a nominal value of US$16.40 million were repurchased during the year. Total re-purchases as at 31 December amounted to US$60.305 million. The Group recorded a gain of $6.770 million in 2010 which has been recognized in the Statement of Comprehensive Income (Note 31). .	None.

22. Long-term debt (continued)

Description	Terms and conditions	Security
Item (iv) 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 instalments 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 cent per annum to 2.50 per cent per annum (Eurodollar rate advances) and 0.50 per cent per annum to 1.50 per cent per annum (Base rate advances). All drawdowns are Eurodollar rate advances. A 15-year interest rate hedge became effective on 1 December 2005 for fifty per cent (50 per cent) of the financing (US$100.0 million) at a fixed rate of interest of 4.98 per cent per annum plus the margins noted above. The fair value of the loan was $908.33 million at 31 December 2010. (2009: $991.99 million). The effective interest rate at the reporting date is 2.192 per cent (2009: 2.3680 per cent) exclusive of the above margin.	Collateral accounts which includes 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 NGC Pipeline Company Limited's shares owned by the parent.

22. Long-term debt (continued)

Description	Terms and conditions	Security
Item (v) 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 6.20 per cent per annum. The fair value of the loan was TT$34.736 million at 31 December 2010 (2009: $45.296 million).	Assignment of pier user contracts, chattel mortgage over two tugboats with carrying amounts totaling $45.291 million and assignment of all risk marine and special perils insurance coverage over the tugboats.
Item (vi) 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 two (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 cent per annum. The fair value of the bond was $30.888 million at December 2010 (2009: $37.705 million).	Bond is guaranteed by The National Gas Company of Trinidad and Tobago Limited and The Petroleum Company of Trinidad and Tobago Limited.

22. Long-term debt (continued)

Maturity profile of long-term debt

	2010 $'000	2009 $'000
In one year or less	**493,125**	163,729
In more than one year but not more than two years	**125,988**	171,158
In more than two years but not more than three years	**101,518**	164,256
In more than three years but not more than four years	**95,989**	139,862
In more than four years but not more than five years	**84,294**	134,348
In more than five years	**2,591,035**	2,963,898
	3,491,949	3,737,251

23. Provisions

	Asset retirement obligation $'000	Environ-mental obligation $'000	Onerous contract $'000	2010 Total $'000	2009 Total $'000
Year ended 31 December					
Balance as at 1 January 2010	571,080	21,717	86,124	**678,921**	666,855
Amounts utilized during year	–	–	–	**–**	(209)
Unwinding of discount	32,931	–	–	**32,931**	28,874
Increase/(decrease) in provision	–	(2,059)	81,176	**79,117**	(25,580)
Foreign currency translation	1,875	66	262	**2,203**	8,981
Balance as at 31 December 2010	605,886	19,724	167,562	**793,172**	678,921
Current portion	–	5,600	–	**5,600**	267
Non-current portion	605,886	14,124	167,562	**787,572**	678,654
	605,886	19,724	167,562	**793,172**	678,921

(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)

(a) Asset retirement obligation (continued)

A re-assessment of the operations of NGC's Platforms will be undertaken in 2011, at which point the timing and cost for decommissioning will be revised as necessary.

(b) Environmental obligation

The Group has committed to reforestation of land areas equivalent to those cleared for pipeline construction and right-of-way extension. The future estimated payments are expected to be made from 2011 to 2015.

(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	2010 $'000	2009 $'000
Movement on the liability recognized in the Statement of Financial Position:		
Value at beginning of the year	**73,434**	63,896
Foreign exchange translation	**(1,894)**	399
Net benefit cost	**6,542**	9,680
Premiums paid	**(651)**	(541)
Value at end of year	**77,431**	73,434
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation at start	**73,434**	63,896
Service cost	**5,736**	5,378
Interest cost	**5,456**	5,571
Actuarial (gain)/loss	**(4,650)**	(1,269)
Foreign exchange translation	**(1,894)**	399
Company's premiums paid	**(651)**	(541)
Defined benefits obligation at end	**77,431**	73,434

	2010 $'000	2009 $'000
24. Post retirement medical and group life (continued)		
The amounts recognized in the statement of comprehensive income are as follows:		
Current service cost	**5,736**	5,378
Interest cost on benefits obligation	**5,456**	5,571
Net actuarial loss recognized in the year	**(4,650)**	(1,269)
Net benefits cost	**6,542**	9,680

The Group expects to contribute $0.75 million to its post-retirement medical and group life plans in 2011.

The principal actuarial assumption used for accounting purpose were:	**2010**	**2009**
Medical cost inflation	**5.75%**	7.00%
Discount rates	**6.25%**	7.50%
Average individual salary increases	**6.00%**	7.00%

	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.	1,910	12,142
Medical expense decrease by 1% P.A.	(1,745)	(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

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Defined benefit obligation	78,962	73,071	63,932	82,994	66,996
Fair value of plan assets	–	–	–	–	–
Deficit	78,962	73,071	63,932	82,994	66,996

24. Post-retirement medical and group life (continued)

Experience history (continued)

	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Experience adjustment on plan liabilities	**7,381**	4,638	6,207	(1,123)	196
Experience adjustment on plan assets	**–**	–	–	–	–

25. Pension obligation

	2010 $'000	2009 $'000
Benefit asset/(liability)		
Present value of obligation	**494,504**	408,600
Fair value of plan assets	**(401,073)**	(347,351)
Foreign exchange translation	**596**	411
Pension liability	**94,027**	61,660
Movement on the asset recognized in the Statement of Financial Position:		
Asset value at beginning of the year	**61,660**	37,838
Net pension cost	**50,212**	43,025
Contributions paid	**(18,030)**	(19,614)
Foreign exchange translation	**185**	411
Liability value at end of the year	**94,027**	61,660
The amounts recognized in the Statement of Comprehensive Income are as follows:		
Current service cost	**22,820**	19,828
Interest cost on benefit obligation	**30,370**	29,162
Expected return on plan assets	**(29,144)**	(29,775)
Net actuarial gain recognized in the year	**26,166**	23,810
Net pension cost	**50,212**	43,025
Actual return on plan assets	**36,124**	36,718

25. Pension obligation (continued)

	2010 $'000	2009 $'000
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefit obligation at start of the year	**408,600**	339,467
Service cost	**22,820**	19,828
Interest cost	**30,370**	29,162
Members' contribution	**7,672**	6,682
Actuarial (gain)/loss	**33,146**	26,689
Benefits paid	**(7,465)**	(12,631)
Expense allowance	**(639)**	(597)
Defined benefit obligation at end of the year	**494,504**	408,600
Changes in fair value of plan assets are as follows:		
Plan assets at start of year	**347,351**	301,629
Expected returns on plan assets	**29,144**	29,775
Actuarial gain/(loss)	**6,980**	6,943
Company contributions	**18,030**	15,550
Members' contributions	**7,672**	6,682
Benefits paid	**(7,465)**	(12,631)
Expense allowance	**(639)**	(597)
Plan assets at end of the year	**401,073**	347,351

The Group expects to contribute $25.4 million to its defined benefit pension plan in 2011.

The major categories of plan assets as a percentage of total plan assets are as follows:	2010	2009
Equity securities	**28%**	26%
Debt securities	**46%**	45%
Money market instruments/cash	**23%**	21%
Mutual funds	**1%**	6%
Other-purchased annuities	**2%**	2%
	100%	100%

25. Pension obligation (continued)

The principal actuarial assumptions used for accounting purposes were:	**2010**	**2009**
Discount rate	**6.25%**	7.50%
Expected return on plan assets	**7.00%**	8.20%
Future salary increases	**6.00%**	7.00%

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.

Experience history

	2010 $'000	**2009 $'000**	**2008 $'000**	**2007 $'000**	**2006 $'000**
Defined benefit obligation	**494,504**	408,600	339,467	302,064	233,070
Fair value of plan assets	**(401,073)**	(347,351)	(301,629)	(299,973)	(271,861)
Deficit	**93,431**	61,249	37,838	2,091	(38,791)
Experience adjustment on plan liabilities	**21,566**	7,231	7,782	(29,700)	3,329
Experience adjustment on plan assets	**6,392**	6,443	(45,066)	(16,239)	(35,895)

The Group's employees are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. This is a defined benefit pension plan that provides pensions related to employees' length of service and basic earnings at retirement. The Plan's financial funding position is assessed by means of triennial actuarial valuations carried out by an independent actuary. The last such funding valuation was carried out as at 31 December 2009 and revealed that the plan was in a deficit to the extent of $38.5 million.

A roll-forward valuation in accordance with IAS 19 "Employee Benefits", using accounting assumptions indicated above, was done as at 31 December 2010, for the sole purpose of preparing these financial statements.

26. Deferred income

	2010 $'000	2009 $'000
Gas sales (Note 26(a))	**257,003**	259,159
Non-refundable capital contribution (Note 26(b))	**44,355**	–
Capital grant (Note 26(c))	**24,066**	12,802
Transportation tariff (Note 26(d))	**70,942**	75,059
Pier user charge (Note 26(e))	**15,230**	12,468
Other	**1,777**	2,039
	413,373	361,527
Current	**60,262**	47,086
Non-current	**353,111**	314,441
	413,373	361,527

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) Non-refundable capital contributions received from industrial users are amortized to the Statement of Comprehensive Income over the period of the industrial users' sales contracts.
(c) 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.
(d) This amount comprises shippers reserve capacity which is billed one month in advance.
(e) 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

	2010 $'000	2009 $'000
Trade payables are settled on 30-day terms	**2,141,969**	1,598,929

29. Sundry creditors and accruals

	2010 $'000	2009 $'000
Accrued interest – Board of Inland Revenue	**150,757**	122,930
Accrued interest – other	**81,537**	86,882
Accrued material/service amounts	**1,302,990**	563,924
Contract provisions	**147,994**	136,191
Employee related accruals	**85,364**	33,956
Pre-transfer payments – Dolphin pipeline	**–**	719,304
Other	**10,320**	24,574
	1,778,962	1,687,761

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 $150.76 million (2009: $122.93 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 May 2011 the parent company applied to offset unpaid tax liabilities against a VAT refund due.

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

Sales include the following:

	2010 $'000	2009 $'000
Gas sales	**12,197,054**	7,520,855
Condensate sales	**104,558**	84,692
Transportation tariffs	**219,813**	219,131
Compression charges	**58,184**	53,587
Crude oil income	**497,076**	390,548
LNG sales	**791,982**	607,292
Marine facilities and services	**298,299**	249,296
	14,166,966	9,125,401

	2010 $'000	2009 $'000
30. Sales and cost of sales (continued)		
Cost of sales include the following:		
Gas purchase	**9,533,742**	6,564,292
Depreciation	**282,779**	272,667
Impairment – offshore plant and equipment	**4,736**	3,906
Deficit arising on pipeline revaluation (Note 4(a)(ii))	**62,556**	–
Other operating cost	**191,028**	226,443
Production taxes including SPT	**149,744**	124,681
Maintenance cost	**183,833**	102,397
Staff cost	**57,432**	64,405
Royalties	**58,360**	44,199
Exploration and production cost	**39,760**	40,274
	10,563,970	7,443,264
31. Other operating income		
Lease income	**44,087**	37,363
Gain on repurchase of bonds (Note 22(iii))	**6,770**	57,061
Project management fees – GORTT	**8,488**	15,532
Operating and maintenance fees – Dolphin pipeline	**38,700**	–
Other	**14,358**	2,476
	112,403	112,432
32. Interest and other investment income		
Interest income	**194,632**	241,536
Other investment income	**644**	65,617
Net gain on financial asset through profit and loss (Note 9)	**–**	70,861
Fair value gain on T&TEC loan receivable (Note 11 (a))	**–**	36,230
Finance income	**195,276**	414,244
Dividend income	**267,936**	236,161
Penalty interest income – T&TEC	**–**	73,776
LNG production payments	**239,684**	346,626
Other investment income	**507,620**	656,563
	702,896	1,070,807

33. Expenses

	2010 $'000	2009 $'000
Administrative, maintenance and general expenses include the following:		
Staff costs (see below)	**238,119**	211,362
Penalty interest – Board of Inland Revenue	**27,827**	117,159
Depreciation	**41,031**	31,202
Provision for irrecoverable receivables	**10,614**	21,243
Increase/(decrease) in provision for onerous contract	**80,808**	(25,344)
Repairs and maintenance (Note)*	**444,117**	–
Other	**350,264**	262,916
	1,192,780	618,538

*Note:

Included in repairs and maintenance is an expenditure of TT$443.72 million (US$69.6 million) incurred in relation to a mechanical failure which occurred during construction of one of the Group's pipelines. A claim of US$65 million has been submitted to the insurers. The insurance proceeds have not been recorded in these financial statements as the quantum of recovery is unknown.

	2010 $'000	2009 $'000
Staff costs:		
Wages and salaries	**233,422**	219,140
National insurance	**5,375**	4,995
Pension and post-retirement medical and group life	**56,754**	51,631
	295,551	275,766
Staff costs included within:		
Cost of sales	**57,432**	64,405
Administrative and general expenses	**238,119**	211,361
	295,551	275,766

	2010 $'000	2009 $'000
34. Impairment expense		
Investment properties (Note 6)	**294,495**	28,056
Property, plant and equipment (Note 4)	**12,706**	27,471
Other investment	**10,467**	–
	317,668	55,527
35. Finance costs		
Interest	**240,573**	262,594
Amortization of transaction costs	**757**	571
Decommissioning – unwinding of discount rate	**32,931**	28,607
Net loss on financial asset at fair value through profit and loss (Note 9)	**71,888**	–
Fair value loss on T&TEC loan receivable (Note 11(a))	**21,111**	–
Fair value loss on other receivables	**14,481**	–
	381,741	291,772
36. Cash generated from operations		
Profit before tax	**3,300,389**	2,315,864
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	**323,810**	303,869
Impairment	**322,404**	59,433
Deficit arising on revaluation of pipelines	**62,556**	–
Loss on disposal of property, plant and equipment	**2,428**	1,018
Share of profit from joint venture	**(794,271)**	(472,133)
Decrease in deferred income	**(12,650)**	184,357
Decrease in deferred expenses	**24,130**	4,102
Post-retirement costs	**56,754**	52,705
Increase/(decrease) in onerous contract provision	**81,176**	(25,580)
Gain on repurchase of bond issue	**(6,770)**	(57,061)
Dividend income	**(267,936)**	(236,161)
Finance costs	**381,741**	291,772
Interest and investment income	**(195,276)**	(414,244)
Operating profit before working capital changes	**3,278,485**	2,007,941
Increase in accounts receivable and sundry debtors	**(1,210,208)**	(1,178,704)
Increase in inventories	**(1,889)**	(12,092)
Increase in trade creditors, sundry creditors and accruals	**1,351,908**	882,380
	3,418,296	1,699,525

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. The Group has made a provision in the financial statements which is believed to be a reasonable estimate of any costs which may be incurred in relation to these outstanding matters.

38. Capital commitments	**2010 $'000**	**2009 $'000**
Approved and contracted capital expenditure	**1,011,470**	2,557,257

39. Other commitments

a) Compensation to landowners

As at 31 December 2010 the Group is unable to accurately estimate the compensation that might be payable to some 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 these 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.

40. Operating lease commitments

	2010 $'000	2009 $'000
(a) Group as a lessee		
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	**11,276**	9,840
One to five years	**452**	7,501
	11,728	17,341
(b) Group as a lessor		
Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	**15,984**	28,321
One to five years	**37,329**	38,205
More than five years	**169,201**	181,084
	222,514	247,610

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 purchase additional volumes of natural gas for several new projects that have not materialized as forecasted. For 2010 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 $166 million (US$26 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 2010.

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

41. Commitment contracts (continued)

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 2010 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 T&TEC, Petrotrin, First Citizens Bank Limited, Trinidad Generation Unlimited, Alutrint Limited and Alutech 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 2010 the Group has not made any provision for doubtful debts relating to amounts owed by related parties except for the amounts of $22.360 million and $20.309 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.

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	2010	8,487	–	664,467	–
	2009	15,532	–	390,589	–
Bonds	2010	1,004	–	19,339	–
	2009	1,173	–	19,280	–
Income	2010	2,277	–	124,647	–
	2009	–	–	–	–
Grants	2010	–	–	–	–
	2009	31,367	–	–	–
Fellow State Enterprises					
T&TEC:	2010	769,873	–	326,615	–
Gas sales	2009	565,703	–	5,379	–
Loan receivable	2010	60,582	–	1,817,058	–
	2009	79,284	–	1,766,903	–
Other receivable	2010	–	–	–	–
	2009	–	–	5,153	–
First Citizens Bank:					
Loan payable	2010	–	25,655	–	394,940
	2009	–	–	–	386,020
Cash and short-term deposits	2010	57,278	–	1,800,137	–
	2009	48,271	–	1,986,655	–
Petroleum Company of	2010	193,052	–	49,371	–
Trinidad and Tobago Limited – gas sales,	2009	219,543	–	87,980	–
transport and other income					
Bonds	2010	10,273	–	55,609	–
	2009	3,777	–	53,771	–
Advances to LABIDCO	2010	–	–	–	25,574
	2009	–	–	–	24,574
Trinidad Generation Unlimited	2010	2,123	–	2,038	–
Income	2009	3,811	–	4,383	–
Alutech Limited	2010	–	–	20,309	–
Other receivables	2009	–	–	–	–
Alutrint Limited	2010	12,713	–	22,074	–
	2009	12,601	–	42,617	–
Associated Company					
National Helicopter Services	2010	520	15,137	–	–
Limited	2009	504	27,552	–	2,630
Joint Venture					
Phoenix Park Gas Processors Ltd.	2010	846,029	–	156,515	–
	2009	586,032	–	139,044	–

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

42. Related party transactions (continued)

	2010 $'000	2009 $'000
Compensation of key management personnel		
Short-term employee benefits	**26,592**	23,644
Post-employment benefit	**1,510**	2,400
	28,102	26,044

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 risks 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 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 aged outstanding trade receivable from T&TEC is to be converted to a loan (See Note 11 (a)). 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 Group the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

43. Financial risk management objectives and policies (continued)

Liquidity risk

The Group monitors its risks of 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 2010	**On demand $'000**	**≤ 3 mths $'000**	**3-12 mths $'000**	**1-5 yrs $'000**	**≥ 5 yrs $'000**	**Total $'000**
Long-term debt	–	77,157	648,497	1,228,712	6,635,734	8,590,100
Trade creditors	–	2,128,804	13,165	–	–	2,141,969
Other payables	18,538	1,383,593	144,537	–	–	1,546,668
Other financial liabilities	–	–	200,000	–	109,941	309,941
	18,538	3,589,554	1,006,199	1,228,712	6,745,675	12,588,678

Year ended 31 Dec 2009	**On demand $'000**	**≤ 3 mths $'000**	**3-12 mths $'000**	**1-5 yrs $'000**	**≥ 5 yrs $'000**	**Total $'00**
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	671,239	65,742	–	–	758,645
Other financial liabilities	–	–	150,000	109,608	–	259,608
	733,617	2,347,093	549,097	1,640,422	6,399,426	11,669,655

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 2010 after taking into account the effect of interest rate swaps approximately 50 per cent of the Group's borrowings are at a fixed rate of interest (2009: 50 per cent)

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 basis points	Effect on profit before tax $'000
Long-term debt		
2010	**+50**	**(4,035)**
	–50	**4,035**
2009	+50	(4,644)
	–50	4,644

Foreign currency risk

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

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

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

	Increase/ (decrease) in exchange rate (cents)	Effect on profit before tax $'000
2010	**0.01**	**3,328**
	(0.01)	**(3,328)**
2009	0.01	2,015
	(0.01)	(2,015)

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
2010	**10%**	**103,851**
	(10%)	**(103,851)**
2009	10%	83,412
	(10%)	(83,412)

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 2009.

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 2010 and 31 December 2009.

43. Financial risk management objectives and policies (continued)

Capital management (continued)

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 per cent and 30 per cent. The Group includes within net debt interest bearing loans and borrowing. Capital includes stated capital, reserves and retained earnings.

	2010 $'000	2009 $'000
Net debt	**3,491,949**	3,737,251
Equity	**19,459,690**	16,695,100
Debt plus equity	**22,951,639**	20,432,351
Gearing ratio	**0.15**	0.18

44. Financial instruments

Fair values

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

	Carrying amounts		Fair value	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Financial assets				
Cash and short-term deposits	**9,358,109**	9,554,469	**9,358,109**	9,554,469
Available-for-sale investments	**1,048,478**	854,934	**1,048,478**	854,934
Debt reserve funds	**167,961**	167,442	**167,961**	167,442
Loans receivable	**2,350,514**	2,478,858	**2,350,456**	2,477,083
Net investment in leased asset	**563,311**	–	**563,311**	–
Accounts receivable	**2,177,894**	1,617,764	**2,177,894**	1,617,764
Financial liabilities				
Fixed rate borrowings	**2,237,557**	2,378,339	**2,195,319**	2,413,285
Floating rate borrowings	**1,254,392**	1,358,912	**1,254,392**	1,358,912
Other financial liabilities	**4,230,872**	2,827,323	**4,230,872**	2,827,323

44. Financial instruments

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.

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 per cent and pays a variable rate equal to LIBOR + 1.625 per cent on the notional amount. The impact of this hedge in 2010 was an increase in interest expense in the amount of $20.90 million (2009: $15.655 million). The secured loan and interest rate swap have the same critical terms.

45. Dividends

In 2010 dividends in the amount of $400 million were proposed for the year 2009 of which $200 million was paid in May 2010.

Subsequent to the year end the amount declared for the year 2009 was increased from $400 million to $585 million. The additional amount of $185 million has not been included in these financial statements at 31 December 2010.

In addition, during 2011 the Board approved the payment of the first interim dividend for the year 2010 in the amount of $150 million. This interim dividend has not been included in these financial statements at 31 December 2010.

46. Events after the reporting period

The loan agreements for the parent company and one of the subsidiary companies have attached to them, covenants which state that audited financial statements should be submitted to the lenders within 120 days of the end of each fiscal year. Although the Group has not complied with this covenant, management is of the opinion that the issue of these financial statements rectifies this position and as such the entire balance continues to be classified as non-current.

Ammonia Plant at the Pt. Lisas Industrial Estate

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Non-Consolidated Financials **2010**

Report of Independent Auditors to the Shareholders of

The National Gas Company of Trinidad and Tobago

We have audited the accompanying non-Consolidated Financial Statements of The National Gas Company of Trinidad and Tobago Limited, which comprise the Statement of Financial Position as at 31 December 2010, and the Statement of Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 present fairly, in all material respects, the financial position of The National Gas Company of Trinidad and Tobago Limited, as at 31 December 2010, 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:
24 August 2011

Non-Consolidated Statement of Financial Position

As at 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2010 $'000	2009 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**8,489,843**	5,361,984
Intangible assets	5	**15,528**	5,118
Investments	6	**2,312,040**	2,102,831
Financial assets at fair value through profit and loss	7	**39,376**	111,255
Long-term loans receivable	9	**2,860,568**	2,520,070
Net investment in leased asset	14	**563,311**	–
Deferred tax asset	20	**545,767**	556,279
Deferred expenses	8	**325,987**	197,545
Debt reserve funds	10	**85,619**	85,354
		15,238,039	10,940,436
CURRENT ASSETS			
Cash and short-term deposits	11	**7,336,424**	8,066,352
Current portion of long-term loans receivable	9	**151,470**	289,662
Accounts receivable	12	**2,030,802**	1,439,334
Sundry debtors and prepayments	13	**1,235,658**	1,881,784
Inventories	15	**28,931**	30,477
Deferred expenses	8	**23,640**	2,751
Income tax receivable		**132,450**	3,363
		10,939,375	11,713,723
Total assets		**26,177,414**	22,654,159

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

Non-Consolidated Statement of Financial Position

As at 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars) (continued)

	Notes	2010 $'000	2009 $'000
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	16	**1,855,266**	1,752,848
Capital subscribed	17	**–**	102,418
Reserve fund	18	**438,192**	438,192
Other reserves	19	**2,044,324**	937,222
Retained earnings		**12,802,941**	11,615,169
		17,140,723	14,845,849
NON-CURRENT LIABILITIES			
Deferred tax liability	20	**1,084,296**	598,893
Long-term debt	21	**2,142,439**	2,616,515
Deferred income	22	**301,358**	259,159
Provisions	23	**783,823**	671,933
Post-retirement medical and group life obligation	24	**77,431**	73,434
Pension obligation	25	**94,027**	61,658
Long-term creditors	26	**109,941**	109,608
		4,593,315	4,391,200
CURRENT LIABILITIES			
Current portion of long-term debt	21	**389,812**	68,065
Trade creditors	27	**2,130,274**	1,553,252
Sundry creditors and accruals	28	**1,497,085**	1,372,715
Provisions	23	**4,400**	–
Dividend payable		**200,000**	150,000
Income tax payable		**221,805**	273,078
		4,443,376	3,417,110
Total liabilities		**9,036,691**	7,808,310
Total equity and liabilities		**26,177,414**	22,654,159

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 24 August 2011.

:Director

:Director

Non-Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars)

	Notes	2010 $'000	2009 $'000
Sales	29	**12,863,557**	8,055,565
Cost of sales	29	**(9,803,796)**	(6,835,563)
Gross profit		**3,059,761**	1,220,002
Other operating income	30	**128,790**	122,466
Interest and other investment income	31	**924,864**	1,266,299
Administrative and general expenses	32	**(1,121,412)**	(559,740)
Impairment expense	32	**(10,467)**	–
Other expenses		**(5,291)**	(31,036)
Finance costs	33	**(329,405)**	(224,814)
Loss on foreign exchange transactions		**(8,659)**	(19,350)
Profit before tax		**2,638,181**	1,773,827
Income tax expense	20	**(1,074,828)**	(496,060)
Profit for the year		**1,563,353**	1,277,767
Other comprehensive income			
Revaluation surplus on pipelines (net of income tax effect)		**884,769**	–
Available-for-sale financial assets		**196,852**	223,060
Foreign currency translation		**49,900**	194,010
Other comprehensive income for the year, net of tax		**1,131,521**	417,070
Total comprehensive income for the year		**2,694,874**	1,694,837

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

Non-Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars)

	Stated capital $'000	Capital subscribed $'000	Reserve fund $'000	Other reserves $'000	Retained earnings $'000	Total $'000
Year ended 31 December 2009						
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
Year ended 31 December 2010						
Balance as at 1 January 2010	1,752,848	102,418	438,192	937,222	11,615,169	14,845,849
Total comprehensive income for the year	–	–	–	1,131,521	1,563,353	2,694,874
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(24,419)	24,419	–
Dividends	–	–	–	–	(400,000)	(400,000)
Capital subscribed	102,418	(102,418)	–	–	–	–
Balance as at 31 December 2010	1,855,266	–	438,192	2,044,324	12,802,941	17,140,723

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

Non-Consolidated Statement of Cash Flows

For the Year Ended 31 December 2010
(Amounts expressed in Trinidad and Tobago dollars)

	2010 $'000	2009 $'000
Cash flows from operating activities		
Cash generated from operations (Note 34)	**2,884,375**	1,212,231
Pension and other post-retirement contributions paid	**(18,681)**	(20,155)
Income taxes paid	**(1,237,257)**	(793,675)
Interest received	**118,016**	298,531
Increase in long-term creditors	**–**	5,052
Interest paid	**(187,949)**	(200,488)
Net cash generated from operating activities	**1,558,504**	501,496
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	**(2,162,862)**	(1,570,932)
Proceeds on disposal of property, plant and equipment	**209**	641
Purchase of investments	**(5,659)**	(127,735)
Net decrease in short-term deposits	**1,241,940**	2,443,669
Investment and advances to subsidiaries	**105,560**	4,212
Proceeds from repayment of loans receivables	**(144,427)**	37,036
Finance lease (net)	**(72,570)**	–
Increase in debt reserve fund	**–**	(13)
Dividends received	**479,002**	466,727
Net cash (used in)/generated from investing activities	**(558,807)**	1,253,605
Cash flows from financing activities		
Repayment of long-term debt	**(153,513)**	(169,076)
Dividends paid	**(350,000)**	(850,000)
Net cash used in financing activities	**(503,513)**	(1,019,076)
Net increase in cash and cash equivalents	**496,184**	736,025
Net foreign exchange difference	**819**	58,713
Cash and cash equivalents		
– beginning of year	**1,223,462**	428,724
– end of year (Note 11(c))	**1,720,465**	1,223,462
Non-cash transactions		
Capital subscribed	**–**	102,418
Capitalization of costs	**–**	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 National Gas Company of Trinidad and Tobago (NGC) 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.

IAS 27	– Consolidated and Separate Financial Statements
IAS 39	– Financial Instruments: Recognition and Measurement – Eligible Hedged Items
IFRS 2	– Share-based payment (revised)
IFRS 3	– Business Combinations (revised)
IFRIC 17	– Distribution of Non-cash Assets to Owners
IFRIC 18	– Transfers of Assets from Customers

Improvements to IFRSs (April 2009)
Embedded derivatives – Amendments to IFRIC 9 and IAS 39 (effective from 1 July 2009)

2.2 Changes in accounting policy and disclosures (continued)

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:

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.

The Company has chosen to early adopt IAS 24 Related Party Disclosures (Amendment) which is effective for annual periods beginning on or after 1 January 2011. The amendment clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities.

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 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 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.

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 time frame 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)

Revaluation

The Group revalues its offshore and onshore pipelines and related facilities every five to seven years. The key considerations in arriving at the fair value include location, historic and replacement cost, effective age, indicative life, gas reserve life, inherent risks and other information from management. The functional condition and economic obsolescence of the assets are also taken into account. Based on these factors, it has been estimated that the onshore and offshore pipelines will have a maximum useful life of 60 years as of 31 December 2010.

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.

2.4 Summary of significant accounting policies (continued)

(b) Accounts and other receivables

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

(c) Inventories

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

(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, 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.

Depreciation is provided using the straight-line method at the following rates which are designed to write-off the cost of these assets over their expected useful life.

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

The pipelines and related facilities were revalued at 31 December 2010. Effective 1 January 2011 these assets will be depreciated over the remaining useful lives varying from five to 60 years.

Leasehold property is amortized as follows:

Land	–	over the term of the lease.
Buildings	–	over 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 will be depreciated from that date.

Following initial recognition at cost, offshore plant and equipment and pipelines are carried at the 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.

2.4 Summary of significant accounting policies (continued)

(f) Intangible assets

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

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

2.4 Summary of significant accounting policies (continued)

(h) Foreign currencies (continued)

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.

(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.

2.4 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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 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 financials 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.

2.4 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

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 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.

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.

2.4 Summary of significant accounting policies (continued)

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

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.

2.4 Summary of significant accounting policies (continued)

(o) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases where the lessor does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Comprehensive Income over the lease term.

Leases for property, plant and equipment where the lessor has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalized at the commencement of the lease at the fair value of the asset or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under a finance lease are recognized in the Statement of Financial Position and presented as a recoverable balance at an amount equal to the net investment in the lease. Interest income and finance charges are recognized in the Statement of Comprehensive Income.

(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.

2.4 Summary of significant accounting policies (continued)

(q) Take or pay (continued)

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 in 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.

Onerous contract

The Company has recorded a provision for the net unavoidable costs relating to an onerous contract with a customer (Note 23 (c)).

2.4 Summary of significant accounting policies (continued)

(r) Provisions (continued)

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

2.4 Summary of significant accounting policies (continued)

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

Financial assets (continued)

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

Financial liabilities

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

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

(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) Non-refundable capital contribution

The Company recognizes a non-refundable capital contribution (NRCC) when payment is received from industrial users as part of a condition of their connection to the pipeline network which provides them with continuous access to a supply of gas for use in their respective industries.

2.4 Summary of significant accounting policies (continued)

(v) Non-refundable capital contribution (continued)

The contribution is recorded as deferred NRCC income in the Statement of Financial Position in the year received. The contribution is then amortized on a monthly basis and taken to the Statement of Comprehensive Income over the period of the industrial user's sales contract.

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 2010.

IAS 32 Financial Instruments (effective 1 February 2010) amended the definition of a financial liability to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non- derivative equity instrument, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

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 14 Prepayments of a minimum funding requirement (effective 1 January 2011 retrospectively) provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

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 July 2010 or 1 January 2011.

IFRS	**Subject of Amendment**
IFRS 3	Business Combinations
IFRS 7	Financial Instruments: Disclosures
IAS 1	Presentation of Financial Statements
IAS 27	Consolidated and Separate Financial Statements
IFRIC 13	Customer Loyalty Programmes

4. Property, plant and equipment

	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
Year ended 31 December 2010									
Opening net book value	3,992	75,082	17,185	2,418,661	320,033	–	24,064	2,502,967	5,361,984
Additions	6,072	80,551	6,197	21,552	45,507	4,736	8,830	1,969,741	2,143,186
Disposals	–	–	–	–	–	–	(130)	–	(130)
Depreciation charge for the year	–	(2,628)	(6,471)	(126,536)	(63,938)	–	(9,284)	–	(208,857)
Impairment	–	–	–	–	–	(4,736)	–	–	(4,736)
Revaluation	–	–	–	1,298,344	–	–	–	–	1,298,344
Transfer	–	–	–	(123,591)	–	–	–	–	(123,591)
Foreign exchange difference	39	580	51	6,827	884	–	71	15,191	23,643
Closing net book value	10,103	153,585	16,962	3,495,257	302,486	–	23,551	4,487,899	8,489,843
At 31 December 2010									
Cost	10,103	207,810	114,519	3,496,522	595,469	465,513	74,870	4,487,899	9,452,705
Accumulated depreciation	–	(54,225)	(97,557)	(1,265)	(292,983)	(465,513)	(51,319)	–	(962,862)
Net book value	10,103	153,585	16,962	3,495,257	302,486	–	23,551	4,487,899	8,489,843

4. Property, plant and equipment

	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
Year ended 31 December 2009									
Opening net book value	3,296	75,966	9,309	2,492,208	350,131	–	21,610	812,073	3,764,593
Additions	645	–	13,681	18,440	24,669	3,906	11,208	1,664,161	1,736,710
Depreciation charge for the year	–	(1,891)	(6,005)	(124,570)	(59,160)	–	(8,670)	–	(200,296)
Disposals	–	–	–	–	–	–	(407)	–	(407)
Impairment	–	–	–	–	–	(3,906)	–	–	(3,906)
Foreign exchange difference	51	1,007	200	32,583	4,393	–	323	26,733	65,290
Closing net book value	3,992	75,082	17,185	2,418,661	320,033	–	24,064	2,502,967	5,361,984
At 31 December 2009									
Cost	3,992	126,511	107,967	3,222,379	548,099	459,367	67,290	2,502,967	7,038,572
Accumulated 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)

(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 $139.0 million, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of $90.30 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December 2010.

The offshore plant and equipment was fully impaired in 2005.

ii. Pipelines

The Company revalues its pipelines every five to seven years. The Directors have approved an independent valuation performed by PricewaterhouseCoopers at 31 December 2010, of the pipelines and related facilities owned by the Group.

The valuation was conducted using the depreciated replacement cost basis assuming the facilities will continue to be used for the purpose for which they were designed and intended. For valuation purposes the pipelines have been assessed to have a maximum useful life of 60 years as of 31 December 2010, as approved by the Board of Directors.

The revaluation resulted in a net revaluation surplus of $1,298.6 million, which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of $62.556 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the Statement of Comprehensive Income. The current year revaluation surplus of $1,361.18 million reserve net of deferred taxes will be transferred to retained earnings on a basis consistent with the depreciation charged on the pipelines.

The net carrying amount of the pipelines if it was carried at cost rather than at the revalued amount would have been $1,565.77 million as at 31 December 2010 (2009: $1,809.82 million).

4. Property, plant and equipment (continued)

(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.

(c) Assets under construction

Included in assets under construction are costs relating to the North-Eastern Offshore Pipeline and Tobago Pipeline Projects.

i) North-Eastern Offshore Pipeline

The North-Eastern Offshore Pipeline Project (NEOP) involves the construction of a 36" diameter offshore pipeline from the BHP Angostura field off the north-east coast of Trinidad to Beachfield. This pipeline opens access to new gas fields where there is an absence of gas pipeline infrastructure.

Cost incurred on this project as at 31 December 2010 is $2,869.80 million (US$452.1 million). The estimated cost to complete the project is $362.83 million (US$56.9 million).

ii) Tobago Pipeline Project

The Company has been requested by the Government of the Republic of Trinidad and Tobago (GORTT) to construct a pipeline and related infrastructure to supply gas to meet the island's long-term domestic needs and to provide additional transportation capacity for third parties. A 12" diameter 54 km (33 mile) long subsea pipeline is being constructed from the BHP Central Processing Platform in the Angostura Field to Cove Estate, Tobago. The pipeline will terminate at an inlet receiving station at the battery limits of the estate, inclusive of custody transfer metering.

Cost incurred on this project as at 31 December 2010 is $1,016.90 million (US$160.2 million). The estimated cost to complete the project is $94.37 million (US$14.8 million).

5. Intangible assets

	2010 $'000	2009 $'000
Year ended 31 December		
At 1 January	**5,118**	3,199
Additions at cost	**19,676**	5,572
Depreciation charge for the year	**(9,241)**	(3,714)
Foreign exchange difference	**(25)**	61
At 31 December	**15,528**	5,118
At 31 December		
Cost	**98,226**	78,312
Accumulated depreciation	**82,698**	73,194
Net book amount	**15,528**	5,118

6. Investments

Investments comprise the following:

	2010 $'000	2009 $'000
a) Investments in and advances to subsidiaries	**1,124,064**	1,110,362
b) Held-to-maturity investments	**139,626**	137,535
c) Available-for-sale financial assets	**1,044,784**	846,722
d) Other	**3,566**	8,212
	2,312,040	2,102,831

(a) Subsidiaries

La Brea Industrial Development Company Limited (LABIDCO)

In June 2007, the shareholders of LABIDCO agreed to the re-capitalization of the Company with a new equity split of 81 per cent to NGC and 19 per cent to Petrotrin. This re-capitalization 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.

6. Investments (continued)

(a) Subsidiaries (continued)

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

Liquidation
During 2007 the Board of Directors of LABIDCO considered the options available for the winding up of the Company. After evaluating the various options the Board agreed that the preferred option was for the shareholders to relinquish their shareholdings voluntarily and that all the assets and liabilities of 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.

(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:

	2010 $'000	**2009 $'000**
Business Development Company	**912**	909
Petrotrin Bonds	**55,609**	53,771
Government of Trinidad and Tobago Bonds	**19,339**	19,280
Government of Barbados Bonds	**63,766**	63,575
	139,626	137,535

(c) Available-for-sale financial assets

	2010 $'000	**2009 $'000**
Shares – listed	**1,038,506**	840,463
Shares – unlisted	**6,278**	6,259
	1,044,784	846,722

6. Investments (continued)

c) Available-for-sale financial assets (continued)

Listed

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

Unlisted

For investments where there is no active market the fair value estimates cannot be reasonably assessed and as such these investments 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 per cent 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 10 years of the investment there is risk in relation to loss of the principal. At the end of the 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 10 years of the investment. This investment has been accounted for in accordance with IAS 39.

The fair value of the credit linked investment as at 31 December 2010 was $39.376 million (US$6.18 million) (2009: $111.255 million (US$17.50 million)). The fair value gain/loss in respect of this investment is charged to the Statement of Comprehensive Income and presented within finance income or finance expense.

8. Deferred expenses

	2010 $'000	2009 $'000
Take-or-pay (Note a)	**198,893**	197,545
Capacity rights (Note b)	**144,890**	–
Other (Note c)	**5,844**	2,751
	349,627	200,296
Current	**23,640**	2,751
Non-current	**325,987**	197,545
	349,627	200,296

8. Deferred expenses (continued)

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) Capacity rights

The Company has acquired reserved capacity rights in a 36" pipeline from Beachfield to Point Fortin.

The expenditure will be amortized to the Statement of Comprehensive Income over the period of the contract which expires on 4 July 2019.

c) Other

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

9. Loans receivable

	2010 $'000	2009 $'000
Trinidad and Tobago Electricity Commission (Note (a))	**1,817,058**	1,766,903
NEC – Union Industrial Estate (Note (b))	**278,440**	278,744
NEC – Warehousing Facility (Note (c))	**383,084**	52,133
Trinidad and Tobago LNG Limited (Note (d))	**533,456**	711,952
	3,012,038	2,809,732
Less: current portion of loan	**(151,470)**	(289,662)
Long-term loans receivable	**2,860,568**	2,520,070

9. Loans receivable (continued)

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

The Company has converted trade receivables in the amount of US$226.5 million for unpaid gas purchases for the period July 2005 to September 2009 together with related penalty interest of US$35.2 million to a proposed long-term loan receivable with an effective date of 1 December 2008. The loan will be for a period of seven years, semi-annual repayments and with interest payable at a fixed rate of 3 per cent per annum. The loan was initially scheduled to commence repayment in June 2010, but this has now been deferred to December 2011. Accrued interest of US$10.3 million has been capitalized with the proposed loan. The proposed loan balance at 31 December 2010 amounts to US$328.477 million.

By letter dated 10 May 2010, the Government of Trinidad and & Tobago (GORTT), the shareholder of both T&TEC and the Company, agreed to the terms of the loan. These terms were again reconfirmed by the GORTT during 2011.

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

The impairment provision on the loan has been increased by $21.111 million during 2010 to $277.673 million (US$43.545 million) at 31 December 2010. The increase in impairment is due to the rescheduling of T&TEC's first loan repayment from 1 June 2010 to 1 December 2011. 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 per cent.

The fair value of the long-term loan receivable was $1,817 million at 31 December 2010 (2009: $1,767 million).

(b) 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 tenor of 25 years. The principal is to be repaid in equal semi-annual instalments. Repayments were re-scheduled in 2010 and will now commence on 1 January 2012. Interest is payable at 3 per cent per annum. The fair value of this loan as at 31 December 2010 was $278.440 million (2009: $278.744 million).

(c) NEC – warehousing facility

The National Gas Company of Trinidad and Tobago Limited has granted a loan to NEC to finance and construct a material storage and handling facility. With the discontinuation of the aluminum smelter during 2010, the facility will now provide general warehousing. The loan amount is a maximum of US$65.6 million which represents 80 per cent of the total cost of US$82 million. Interest is payable at a maximum rate of 7 per cent per annum. The loan is to be repaid via a maximum of 30 semi-annual instalments commencing 01 June 2012.

Drawdowns amounted to $383.084 million (US$60.077 million) as at 31 December 2010.

9. Loans receivable (continued)

(d) Trinidad and Tobago LNG Limited

The amount represents advances of $533.46 million (US$83.66 million) (2009: $711.95 million (US$111.99 million) to Trinidad and Tobago LNG Limited from July 2002 to December 2006. Repayment terms have not been finalized. Principal repayments of US$20.533 million have been made during 2010.

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 per cent to 2.125 per cent per annum. The effective interest rate at the reporting period date was 1.9896 per cent (2009: 1.7049 per cent). 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 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. The debt reserve funds are held in interest bearing accounts.

11. Cash and short-term deposits	2010 $'000	2009 $'000
Cash at banks and on hand	**1,720,465**	1,223,462
Short-term deposits	**6,697,468**	7,921,142
Less: Provision for impairment of short-term deposits (Note (b))	**(1,081,509)**	(1,078,252)
	7,336,424	8,066,352

(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 12 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 $7,336.42 million (2009: $8,066.35 million).

(b) The Company held investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT$1,081.51 million (US$169.6 million) as at 31 December 2010 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 2010.

11. Cash and short-term deposits (continued)

(c) For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December.

	2010 $'000	2009 $'000
Cash at banks and on hand	**1,720,465**	1,223,462
Short-term deposits (with an original maturity date of less than three months)	**–**	–
	1,720,465	1,223,462

12. Accounts receivable

	2010 $'000	2009 $'000
Trade receivable	**2,030,802**	1,439,334

Included in trade receivables is an amount of $326.61 million (US$51.22 million) due by T&TEC at 31 December 2010. 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. Management is confident that this new pricing mechanism will be agreed to by T&TEC.

As at 31 December 2010, trade receivables impaired and fully provided for totaled $1.258 million (2009: $0.90 million). Movements in the provision for impairment of receivables were as follows:

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2009	19	2,599	2,618
Charge for year	–	(1,427)	(1,427)
Utilized	–	(322)	(322)
Foreign currency translation adjustment	–	35	35
At 31 December 2009	19	885	904
Charge for year	–	368	368
Utilized	(19)	–	(19)
Foreign currency translation	–	5	5
At 31 December 2010	–	1,258	1,258

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

12. Accounts receivable (continued)

As at 31 December 2010	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
Trade receivable	2,030,802	1,714,093	51,707	–	–	–	265,002
As at 31 December 2009							
Trade receivable	1,439,334	1,270,615	26,496	17,180	75,176	15,101	34,766

13. Sundry debtors and prepayments

Sundry debtors and prepayments comprise the following:

	2010 $'000	2009 $'000
Prepayments – Dolphin pipeline (Note 14)	–	1,207,906
– Other	**9,713**	4,170
Staff related balances	**6,838**	4,527
Due from GORTT	**539,824**	296,395
Related party balances	**69,313**	153,356
Value Added Tax	**440,207**	88,041
Interest receivable	**84,983**	76,106
Accrued income	**36,089**	33,242
Other	**48,691**	18,041
	1,235,658	1,881,784

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

14. Net investment in leased assets

	2010 $'000	2009 $'000
Finance lease – gross investment	**2,219,692**	–
Less: Unearned finance charges	**(1,656,381)**	–
	563,311	–
Gross investment in leased assets has the following maturity profile:		
Within 1 year	**188,618**	–
1 to 5 years	**803,316**	–
Over 5 years	**1,227,758**	–
	2,219,692	–

	2010 $'000	2009 $'000
14. Net investment in leased assets (continued)		
Net investment in leased assets has the following maturity profile:		
Within 1 year	–	–
1 to 5 years	44,065	–
Over 5 years	519,246	–
	563,311	–

In April 2006, The National Gas Company of Trinidad and Tobago Limited advanced TT$1,207.9 million (US$190 million) to BG/Chevron Texaco with a view to acquiring the Dolphin pipeline on completion. NGC 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 the pipeline. The advance payment was accounted for as a prepayment and the pre-transfer payments as a liability during the period April 2006 to December 2009 (Note 28).

In December 2010, NGC completed its acquisition of the 58.8-mile, 2-inch diameter offshore subsea pipeline and related facilities. BG/Chevron Texaco has entered into a Gas Transportation Agreement (GTA) with NGC for the period 1 June 2010 to 1 May 2027 for use of approximately 85 per cent of the pipeline capacity. BGI as operator will operate and maintain the pipeline and related facilities for an initial term of four years.

An assessment was made under IFRIC 4 – Determining whether an arrangement contains a lease and IAS 17 – Leases regarding the accounting treatment of this transaction. Consequently, the pre-transfer and capacity payments received for the period April 2006 to December 2010 were offset against the acquisition cost of the pipeline and set up as the net investment in a leased asset. The present value of the future lease rentals, using a discount rate of 34 per cent is TT$563.31 million (US$88.34 million) which is shown in the Statement of Financial Position.

	2010 $'000	2009 $'000
15. Inventories		
Consumable spares	25,602	27,020
TSP spares	3,028	3,019
Other	301	438
	28,931	30,477
16. Stated capital		
Authorized		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
1,855,266,340 ordinary shares of no par value (2009: 1,752,848,000)	1,855,266	1,752,848

17. Capital subscribed

During 2010, ordinary shares of 102,418,340 of no par value were allocated and issued 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.

18. Reserve fund

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

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

19. Other reserves

Other reserves comprise the following as at 31 December:

	2010 $'000	2009 $'000
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax	**1,221,926**	361,576
Unrealized gain on available-for-sale financial assets	**564,390**	367,538
Foreign currency translation	**258,008**	208,108
	2,044,324	937,222

20. Taxes

	2010 $'000	2009 $'000
Corporation tax	**964,950**	488,155
Petroleum profit tax	**76,345**	29,496
Green fund	**14,050**	9,354
	1,055,345	527,005
Deferred	**19,483**	(30,945)
	1,074,828	496,060

20. Taxes (continued)	2010 $'000	2009 $'000
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate.		
Accounting profit	**2,638,181**	1,773,827
Tax at the rate of 35%	**923,363**	620,839
Tax exempt income	**(172,253)**	(157,226)
Non deductible expense/income	**246,204**	1,092
Other differences	**(5,418)**	7,045
Prior years' tax	**31,776**	(2,358)
Green fund	**14,050**	9,354
Effect of oil and gas assets taxed at a higher rate	**29,443**	6,277
Foreign exchange translation	**7,663**	11,037
Current year provision	**1,074,828**	496,060
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Accrued interest expense	**29,420**	29,230
Asset retirement obligation	**239,136**	225,737
Post-retirement medical, group life and pension	**60,008**	46,580
Finance lease– Dolphin pipeline	**213,878**	–
Pre-transfer payments – Dolphin pipeline	**–**	251,643
Other	**3,325**	3,089
	545,767	556,279
Deferred tax liability:		
Property, plant and equipment	**1,084,296**	598,893
Net deferred tax liability		
Balance at 1 January	**42,614**	72,853
Charge/(credit) recognized in profit and loss	**19,483**	(30,945)
Charges recognized through other comprehensive income	**476,414**	–
Foreign exchange translation	**18**	706
Balance as at 31 December	**538,529**	42,614

21. Long-term debt	Current portion $'000	Long-term portion $'000	2010 Total $'000	2009 Total $'000
i) AKA Ausfuhrkredit GMBH	29,551	14,776	**44,327**	73,657
ii) First Citizens Bank	360,261	–	**360,261**	386,020
iii) US$400m 30-year bond	–	2,127,663	**2,127,663**	2,224,903
	389,812	2,142,439	**2,532,251**	2,684,580

Description	Terms and conditions	Security
Item (i) relates to a facility established with AKA Ausfuhkredit-Gesellschaft mbH on 10 July 2003 as follows: Tranche 1 US$38.17 million Tranche 2 EUR 1,135.17 million – Insurance Premium	The loan provides for 17 equal and consecutive semi-annual instalments commencing June 2004. Interest is payable semi-annually in arrears at the fixed rate of 4.18 per cent per annum commencing June 2004. The fair value of the loan was $44.3 million (US$6.95 million) at 31 December 2010 (2009: $73.80 million (US$11.61 million).	Export Credit Insurance provided by HERMES.
Item (ii) 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 original terms of the loan provided for a five-year moratorium on principal and interest and for 20 equal and consecutive semi-annual instalments. In 2010 an agreement was made to re-pay the loan by 20 December 2011. The effective interest rate at 31 December 2010 was 4.25 per cent (2009: 7.4 per cent). The fair value of this loan approximates its carrying value.	No collateral/security required except for the condition that Union Estate's operating account be opened at FCB Ltd.

21. Long-term debt (continued)

Description	Terms and conditions	Security
Item (iii) 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 per cent of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.	The bond will be redeemed via a bullet payment on 15 January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05 per cent commencing in July 2006. The fair value of the gross bond was $2,455.50 million (US$385.08 million) at 31 December 2010 (2009: $2,542.71 million) (US$399.96 million). Bonds with a nominal value of US$16.40 million were repurchased during 2010. Total re-purchases as at 31 December 2010 amountedto US$60.305 million. The Company recorded a gain of $6.770 million in 2010 which has been recognized in the Statement of Comprehensive Income (Note 30).	None

	2010 $'000	2009 $'000
Maturity profile of long-term debt		
In one year or less	**389,812**	68,065
In more than one year but not more than two years	**14,776**	68,065
In more than two years but not more than three years	**–**	53,333
In more than three years but not more than four years	**–**	38,602
In more than four years but not more than five years	**–**	38,602
In more than five years	**2,127,663**	2,417,913
	2,532,251	2,684,580

22. Deferred income

	2010 $'000	2009 $'000
Gas sales (Note a)	**257,003**	259,159
Non-refundable capital contribution (Note b)	**50,140**	–
	307,143	259,159
Non-current	**301,358**	259,159
Current (Note 28)	**5,785**	–
	307,143	259,159

22. Deferred income (continued)

Notes

a. Deferred income on gas sales 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. Non-refundable capital contributions received from industrial users are amortized to the Statement of Comprehensive Income over the period of the industrial users' sales contracts. Refer to Note 2.4 (v).

23. Provisions

	Asset retirement obligation $'000	Environ-mental obligation $'000	Onerous contract $'000	2010 Total $'000
Year ended 31 December 2010				
Balance as at 1 January 2010	571,080	14,729	86,124	671,933
Amounts utilized during year	–	–	–	–
Unwinding of discount	32,931	–	–	32,931
Increase in provision	–	2	81,176	81,178
Foreign currency translation	1,875	44	262	2,181
Balance as at 31 December 2010	605,886	14,775	167,562	788,223
Current portion	–	4,400	–	4,400
Non-current portion	605,886	10,375	167,562	783,823
Balance as at 31 December 2010	605,886	14,775	167,562	788,223
Year ended 31 December 2009				
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

23. Provisions (continued)

(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 based on the last decommissioning reports 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.

A re-assessment of the operations of NGC's Platforms will be undertaken in 2011, at which point the timing and cost for decommissioning will be revised as necessary.

(b) Environmental obligation

The Company has committed to the reforestation of land areas equivalent to those cleared for pipeline construction and right-of-way extension. The future estimated payments are expected to be made from 2011 to 2015.

(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.

24. Post-retirement medical and group life	**2010 $'000**	**2009 $'000**
Movement on the liability recognized in the Statement of Financial Position:		
Value at 1 January	**73,434**	63,896
Foreign exchange translation	**(1,894)**	399
Net benefit cost	**6,542**	9,680
Premiums paid	**(651)**	(541)
Value at 31 December	**77,431**	73,434
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation at 1 January	**73,434**	63,896
Service cost	**5,736**	5,378
Interest cost	**5,456**	5,571
Actuarial gain	**(4,650)**	(1,269)
Foreign exchange translation	**(1,894)**	399
Company's premiums paid	**(651)**	(541)
Defined benefits obligation at 31 December	**77,431**	73,434

24. Post-retirement medical and group life (continued)	**2010 $'000**	**2009 $'000**
The amounts recognized in the Statement of Comprehensive Income are as follows:		
Current service cost	**5,736**	5,378
Interest cost on benefits obligation	**5,456**	5,571
Net actuarial gain recognized in the year	**(4,650)**	(1,269)
Net benefits cost	**6,542**	9,680

The Company expects to contribute $0.75 million to its post-retirement medical and group life plans in 2011.

The principal actuarial assumption used for accounting purpose were:	**2010**	**2009**
Medical cost inflation	**5.75%**	7.00%
Discount rates	**6.25%**	7.50%
Average individual salary increases	**6.00%**	7.00%

	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.	1,910	14,301
Medical expense decrease by 1% P.A.	(1,745)	(10,985)

Assets allocation as at 31 December

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

Experience history	**2010 $'000**	**2009 $'000**	**2008 $'000**	**2007 $'000**	**2006 $'000**
Defined benefit obligation	**78,962**	73,071	63,932	82,994	66,996
Fair value of plan assets	**–**	–	–	–	–
Deficit	**78,962**	73,071	63,932	82,994	66,996
Experience adjustment on plan liabilities	**7,381**	4,638	6,207	(1,123)	196
Experience adjustment on plan assets	**–**	–	–	–	–

25. Pension obligation

	2010 $'000	2009 $'000
Benefit asset/liability		
Present value of obligation	**494,504**	408,600
Fair value of plan assets	**(401,073)**	(347,351)
Foreign exchange translation	**596**	411
Pension liability	**94,027**	61,660
Movement on the liability recognized in the Statement of Financial Position:		
Liability at 31 January	**61,660**	37,838
Net pension cost	**50,212**	43,025
Contributions paid	**(18,030)**	(19,614)
Foreign exchange translation	**185**	411
Liability value at 31 January	**94,027**	61,660
The amounts recognized in the Statement of Comprehensive Income are as follows:		
Current service cost	**22,820**	19,828
Interest cost on benefit obligation	**30,370**	29,162
Expected return on plan assets	**(29,144)**	(29,775)
Net actuarial loss recognized in the year	**26,166**	23,810
Net pension cost	**50,212**	43,025
Actual return on plan assets	**36,124**	36,718
Changes in the present value of the defined benefits obligation are as follows:		
Define benefit obligation at 31 December	**408,600**	339,467
Service cost	**22,820**	19,828
Interest cost	**30,370**	29,162
Members' contribution	**7,672**	6,682
Actuarial loss	**33,146**	26,689
Benefits paid	**(7,465)**	(12,631)
Expense allowance	**(639)**	(597)
Defined benefit obligation at 31 December	**494,504**	408,600

25. Pension obligation (continued)

	2010 $'000	2009 $'000
Changes in fair value of plan assets are as follows:		
Plan assets at 1 January	**347,351**	301,629
Expected returns on plan assets	**29,144**	29,775
Actuarial loss	**6,980**	6,943
Company contributions	**18,030**	15,550
Members' contributions	**7,672**	6,682
Benefits paid	**(7,465)**	(12,631)
Expense allowance	**(639)**	(597)
Plan assets at 31 December	**401,073**	347,351

The Company expects to contribute $25.4 million to the defined benefit pension plan in 2011.

The major categories of plan assets as a percentage of total plan assets are as follows:	2010	2009
Equity securities	**28%**	26%
Debt securities	**46%**	45%
Money market instruments/cash	**23%**	21%
Mutual funds	**1%**	6%
Other-purchased annuities	**2%**	2%
	100%	100%

The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**6.25%**	7.50%
Expected return on plan assets (other than purchased annuities)	**7.00%**	8.20%
Future salary increases	**6.00%**	7.00%

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

25. Pension obligation (continued)

Experience history	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Defined benefit obligation	**494,504**	408,600	339,467	302,064	233,070
Fair value of plan assets	**(401,073)**	(347,351)	(301,629)	(299,973)	(271,861)
Surplus/(deficit)	**93,431**	61,249	37,838	2,091	(38,791)
Experience adjustment on plan liabilities	**21,566**	7,231	7,782	(29,700)	3,329
Experience adjustment on plan assets	**6,392**	6,443	(45,066)	(16,239)	(35,895)

The Company's employees are members of The National Gas Company of Trinidad and Tobago Limited Pension Fund Plan. This is a defined benefit pension plan that provides pensions related to employees' length of service and basic earnings at retirement. The Plan's financial funding position is assessed by means of triennial actuarial valuations carried out by an independent actuary. The last such funding valuation was carried out as at 31 December 2009 and revealed that the plan was in a deficit to the extent of $38.5 million.

A roll-forward valuation in accordance with IAS 19 "Employee Benefits", using accounting assumptions indicated above, was done as at 31 December 2010, for the sole purpose of preparing these financial statements.

26. Long-term creditors

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

27. Trade creditors	2010 $'000	2009 $'000
Trade payables are settled on 30-day terms	**2,130,274**	1,553,252

28. Sundry creditors and accruals

	2010 $'000	2009 $'000
Accrued interest – Board of Inland Revenue	**150,757**	122,930
– Other	**84,056**	83,515
Accrued material/service amounts	**1,044,889**	362,049
Contract provisions	**135,109**	55,219
Employee related accruals	**76,489**	30,027
Pre-transfer payments – Dolphin pipeline (See Note 14)	**–**	718,975
Deferred income (Note 22)	**5,785**	–
	1,497,085	1,372,715

Terms and conditions of the above financial liabilities

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

Included within accrued interest is $150.76 million (2009: $122.93 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 May 2011 the Company applied to offset unpaid tax liabilities against a VAT refund due.

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

29. Sales and cost of sales

Sales include the following:

	2010 $'000	2009 $'000
Gas sales	**12,197,054**	7,520,855
Condensate sales	**104,558**	84,692
Transportation tariffs	**6,685**	5,883
Compression charges	**58,184**	53,587
Crude oil	**497,076**	390,548
	12,863,557	8,055,565

	2010 $'000	2009 $'000
29. Sales and cost of sales (continued)		
Cost of sales include the following:		
Gas purchase	**9,086,370**	6,219,918
Depreciation	**190,474**	183,729
Impairment – offshore plant and equipment	**4,736**	3,906
Deficit arising on pipeline revaluation (Note 4(a)(ii))	**62,556**	–
Exploration and production costs	**39,726**	40,274
Production taxes including SPT	**149,744**	124,681
Maintenance costs	**166,988**	158,961
Royalties	**58,360**	44,199
Staff costs	**44,842**	59,895
	9,803,796	6,835,563

30. Other operating income

	2010 $'000	2009 $'000
Lease income	**28,317**	17,449
Operation and maintenance fees – Dolphin pipeline	**38,700**	–
Operation and maintenance fees – other	**31,060**	27,098
Management fees	**(1,779)**	3,911
Project management fees – Government of Trinidad & Tobago	**6,210**	7,223
Gain on disposal of assets	**82**	237
Gain on repurchase of bonds (Note 21(iii))	**6,770**	57,061
Other	**19,430**	9,487
	128,790	122,466

31. Interest and other investment income

	2010 $'000	2009 $'000
Investment income	**113,344**	260,510
Interest income – related parties	**92,834**	33,683
Net gain on financial asset at fair value through profit and loss	**–**	70,861
Fair value gain on T&TEC loan receivable	**–**	36,230
Finance income	**206,178**	401,284

31. Interest and other investment income (continued)

	2010 $'000	2009 $'000
Dividend income	**479,002**	444,613
Penalty interest income – T&TEC	**–**	73,776
LNG production payments	**239,684**	346,626
Other income	**718,686**	865,015
	924,864	1,266,299

32. Expenses

	2010 $'000	2009 $'000
Administrative and general expenses include the following:		
Staff costs	**205,702**	190,639
Penalty interest – Board of Inland Revenue	**27,827**	117,159
Materials, services and contact labour	**102,230**	79,294
Depreciation	**27,624**	20,281
Professional fees	**24,783**	16,610
Repairs and maintenance (Note)*	**444,117**	–
Rates and taxes	**21,580**	16,370
Provision for impairment of receivable	**349**	(1,414)
Increase/(decrease) in value of investment in subsidiary	**(1,422)**	35,146
Increase/(decrease) in provision for onerous contract (Note 23(c))	**80,808**	(25,344)
Other	**187,814**	110,999
	1,121,412	559,740
Impairment of investment	**10,467**	–

*Note:

Included in repairs and maintenance is an expenditure of TT$443.72 million (US$69.6 million) incurred in relation to a mechanical failure which occurred during construction of one of the Company's pipelines. A claim of US$65 million has been submitted to the insurers. The insurance proceeds have not been recorded in these financial statements as the quantum of recovery is unknown.

	2010 $'000	2009 $'000
32. Expenses (continued)		
Staff costs:		
Wages and salaries	**191,780**	194,392
National insurance	**4,801**	4,511
Pension and post-retirement medical and group life	**55,136**	51,631
	250,544	250,534
Staff costs included within:		
Cost of sales	**44,842**	59,895
Administrative and general expenses	**205,702**	190,639
	250,544	250,534

33. Finance costs

	2010 $'000	2009 $'000
Interest	**188,237**	195,636
Amortization of transaction cost	**757**	571
Decommissioning – unwinding of discount rate	**32,931**	28,607
Net loss on financial asset at fair value through profit and loss (Note 7)	**71,888**	–
Fair value loss on T&TEC loan receivable	**21,111**	–
Fair value loss on other loan receivable	**14,481**	–
	329,405	224,814

34. Cash generated from operations

	2010 $'000	2009 $'000
Profit before tax	**2,638,181**	1,773,827
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	**218,098**	204,010
Impairment on property, plant and equipment	**4,736**	3,905
Deficit arising on pipeline revaluation	**62,556**	–
Impairment of investment	**10,467**	–
(Decrease)/increase in provision for investment in subsidiary	**(1,422)**	35,147
Gain on disposal of property, plant and equipment	**(82)**	(239)
Finance costs	**329,405**	224,814
Dividend income	**(479,002)**	(444,613)
Interest income	**(206,178)**	(401,284)
Decrease in deferred income	**(2,927)**	162,563
Increase in deferred expenses	**24,892**	4,119
Post-retirement costs	**56,754**	52,705
Gain on repurchase of bond issue	**(6,770)**	(57,061)
Increase/(decrease) in onerous contract provision	**81,176**	(25,580)
Operating profit before working capital changes	**2,729,884**	1,532,313
Increase in accounts receivable and sundry debtors	**(1,224,947)**	(1,262,185)
Decrease/(increase) in inventories	**1,631**	(9,637)
Increase/(decrease) in trade creditors and sundry creditors and accruals	**1,377,807**	951,740
	2,884,375	1,212,231

35. Contingent liabilities

(a) Taxes

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

(b) Litigation matters

The Company has been named as defendant in lawsuits and proceedings which are at various stages of litigation. The Company has made a provision in these financial statements which is believed to be a reasonable estimate of any costs which may be incurred in relation to these outstanding matters.

	2010 $'000	2009 $'000
36. Capital commitments		
Approved and contracted capital expenditure	**587,435**	1,199,904

37. Other commitments

(a) Compensation to landowners

As at 31 December 2010 the Company is unable to accurately estimate the compensation that might be payable to some 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 these landowners.

(b) Guarantees

The Company has provided the following guarantees as at 31 December 2010:

(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 $31 million at 31 December 2010.

(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 $900.76 million (US$141.26 million) at 31 December 2010.

38. Operating lease commitments

Company as a lessee

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

	2010 $'000	2009 $'000
Payable		
Within one year	**11,276**	9,840
One to five years	**452**	7,501

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 2010 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 $166 million (US$26 million) under one of its purchase contracts. The Company 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 2010.

Management expects that this imbalance will continue 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 2010 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, T&TEC 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 2010 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 2010 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 years ended 31 December 2010 and 2009.

		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	2010	6,210	–	539,824	–
	2009	7,223	–	296,395	–
Bonds	2010	1,004	–	19,339	–
	2009	1,173	–	19,280	–
Fellow State Enterprises:					
Trinidad and Tobago Electricity Commission:					
Gas sales	2010	769,873	–	326,615	–
	2009	576,883	–	5,379	–
Loan receivable	2010	60,582	–	1,817,058	–
	2009	79,284	–	1,766,903	–
Other receivable	2010	–	–	–	–
	2009	–	–	5,153	–
First Citizens Bank:					
Loan payable	2010	–	23,144	–	360,261
	2009	–	30,647	–	386,020
Cash and short-term deposits	2010	77,282	–	1,800,137	–
	2009	48,721	–	1,005,084	–
Petroleum Company of Trinidad and Tobago Limited – Gas sales/transport and condensate	2010	192,260	–	49,334	–
	2009	218,654	–	45,114	–
Bonds	2010	10,273	–	55,609	–
	2009	3,777	–	53,771	–
Joint Venture:					
Phoenix Park Gas Processors Ltd.	2010	846,030	–	156,515	–
	2009	586,032	–	139,044	–
Associates:					
National Helicopter Services Limited	2010	520	15,137	–	–
	2009	504	27,552	–	2,630
Trinidad and Tobago LNG Limited	2010	–	–	329	–
	2009	–	–	8,150	–
Long-term loan receivable	2010	11,363	–	533,456	–
	2009	16,779	–	711,952	–
Interest receivable	2010	–	–	2,395	–
	2009	–	–	3,102	–

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
Associates (continued):					
NGC Pipeline Company Limited	2010	–	–	18,499	24,963
	2009	–	–	13,953	2,708
Transportation tariff	2010	–	67,177	–	–
	2009	–	66,212	–	–
Shipper's commodity	2010	–	7,496	–	–
	2009	–	7,438	–	–
Operations, maintenance and service fees	2010	32,701	–	–	–
	2009	28,657	–	–	–
Subsidiaries					
NGC Trinidad and Tobago LNG Limited:					
Dividend income	2010	635	–	16	–
	2009	630	–	–	421
Management fees	2010	–	–	–	–
	2009	127,210	–	–	–
NGC NGL Company Limited:	2010	421,943	–	–	–
Dividend income	2009	264,534	–	–	–
Management fees	2010	635	–	19	–
	2009	630	–	–	5,648
La Brea Industrial Development	2010	–	–	–	5,380
Company Limited:	2009	1,175	158	109,269	5,363
National Energy Corporation of					
Trinidad and Tobago Limited:	2010	30	4,864	4,842	–
Management fees and other income	2009	1,534	–	999	–
Rental expense	2010	–	747	–	–
	2009	–	2,236	–	–
Loans and advances	2010	23,513	–	661,524	–
	2009	16,429	–	424,156	–
Other	2010	–	–	40,824	2,987
	2009	–	–	113,000	1,181

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

40. Related party transactions (continued)

Compensation of key management personnel	2010 $'000	2009 $'000
Short-term employee benefits	**21,107**	19,720
Post-employment benefit	**1,510**	1,922
	22,617	21,642

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

Credit risk

The Company trades only with recognized creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The Government of Trinidad and Tobago has agreed that the aged outstanding trade receivable from T&TEC is to be converted to a loan (See Note 9(a)). 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 summarises the maturity profile of the Company's financial liabilities at 31 December 2010 based on contractual undiscounted payments (i.e. principal and interest).

At 31 December 2010	On demand $'000	<3 mths $'000	3-12 mths $'000	1-5 yrs $'000	>5 yrs $'000	Total $'000
Long-term debt	–	77,157	484,038	632,378	5,329,530	6,523,103
Trade creditors	–	2,130,274	–	–	–	2,130,274
Other payables	–	1,121,720	134,767	–	–	1,256,487
Other financial liabilities	–	–	200,000	–	109,941	309,941
	–	3,329,151	818,805	632,378	5,439,471	10,219,805

At 31 December 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

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

	Increase/ (decrease)in basis points	Effect on profit before tax $'000
Long-term debt		
2010	**+50**	**(1,793)**
	–50	**1,793**
2009	+50	(1,912)
	–50	1,912
Loan receivables		
2010	**+50**	**2,655**
	–50	**(2,655)**
2009	+50	3,527
	–50	(3,527)

Foreign currency risk

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

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

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

	Increase/ (decrease) in exchange rate (cents)	Effect on profit before tax $'000
2010	**0.01**	**3,328**
	(0.01)	**(3,328)**
2009	0.01	2,015
	(0.01)	(2,015)

41. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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.

Other price risk

The Company is exposed to equity price risk 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
2010	**10%**	**103,851**
	(10%)	**(103,851)**
2009	10%	83,412
	(10%)	(83,412)

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 2009.

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 2010 and 31 December 2009.

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 per cent and 30 per cent. The Company includes within net debt interest bearing loans and borrowings. Capital includes stated capital, reserves and retained earnings.

41. Financial risk management objectives and policies (continued)

Capital management (continued)

	2010 $'000	2009 $'000
Net debt	**2,532,251**	2,684,580
Equity	**17,140,723**	14,845,849
Debt plus equity	**19,672,974**	17,530,429
Gearing ratio	**0.13**	0.15

Fair values

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

	Carrying amounts		Fair value	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Financial assets				
Cash and short-term deposits	**7,336,424**	8,066,352	**7,336,424**	8,066,352
Available-for-sale investments	**1,044,784**	846,722	**1,044,784**	846,722
Accounts receivable	**2,030,802**	1,439,334	**2,030,802**	1,439,334
Held-to-maturity investments	**139,626**	137,535	**139,626**	137,535
Loans receivable	**3,012,038**	2,809,732	**3,012,038**	2,809,732
Net investment in leased assets	**563,311**	–	**563,311**	–
Debt reserve fund	**85,619**	85,354	**85,619**	85,354
Financial liabilities				
Fixed rate borrowings	**2,171,990**	2,298,560	**2,129,473**	2,337,348
Floating rate borrowings	**360,261**	386,020	**360,261**	386,020
Other financial liabilities	**3,931,516**	2,466,598	**3,931,516**	2,466,598

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.

41. Financial risk management objectives and policies (continued)

Capital management (continued)

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 are measured at cost.

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 2010, dividends in the amount of $400 million were proposed for the year 2009 of which $200 million was paid in May 2010.

Subsequent to the year end, the amount declared for the year 2009 was increased from $400 million to $585 million. The additional amount of $185 million has not been included in these financial statements at 31 December 2010.

In addition, during 2011 the Board approved the payment of the first interim dividend for the year 2010 in the amount of $150 million. This interim dividend has not been included in these financial statements at 31 December 2010.

43. Events after the reporting period

The loan agreement for the Company's US$400 million bond has attached to it, a covenant which states that audited financial statements should be submitted to the lenders within 120 days of the end of each fiscal year. Although the Company has not complied with this covenant, management is of the opinion that the issue of these financial statements rectifies this position and as such the entire balance continues to be classified as non-current.

Five-Year Financial Review

2006-2010

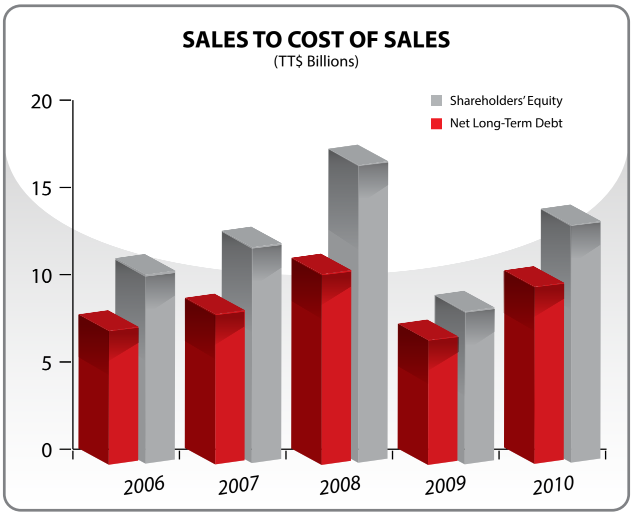
	At 31/12/2010	At 31/12/2009	At 31/12/2008	At 31/12/2007 Restated	At 31/12/2006 Restated
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	**3,457,396**	2,390,243	1,121,597	1,323,815	1,530,510
Short-term investments	**5,900,713**	7,164,226	9,905,535	6,893,741	4,463,010
Accounts receivable	**2,177,894**	1,617,764	1,094,366	3,222,155	2,442,209
Current portion of loans receivable	**151,470**	289,662	28,314	111,784	111,528
Short-term loan receivable	**–**	–	–	90,244	66,842
Inventories	**35,644**	33,755	21,268	39,576	16,764
Sundry debtors and prepayments	**1,446,055**	1,970,921	1,807,675	1,549,101	1,513,577
Income tax receivable	**148,534**	16,391	71,333	81,988	609
Deferred expenses	**18,005**	–	3,646	45,680	206,610
Total current assets	**13,335,711**	**13,482,962**	**14,053,734**	**13,358,084**	**10,351,659**
NON-CURRENT ASSETS					
Property, plant and equipment	**11,051,163**	7,748,855	6,116,887	5,438,869	5,043,704
Pension assets	**–**	–	–	–	38,791
Interest in joint venture	**956,995**	849,233	708,458	666,435	449,684
Investments	**1,522,123**	1,325,482	960,657	1,069,441	1,095,977
Net investment in leased asset	**563,311**	–	–	–	–
Derivative assets	**39,376**	111,255	39,206	–	–
Deferred taxation	**605,115**	656,524	588,451	394,554	369,215
Defered expenses	**326,641**	194,620	184,104	206,386	278,175
Long-term loans receivable	**2,199,044**	2,189,196	1,982,586	736,568	843,437
Debt reserve funds	**167,961**	167,442	164,882	162,296	79,391
Total non-current assets	**17,431,729**	**13,242,607**	**10,745,231**	**8,674,549**	**8,198,374**
TOTAL ASSETS	**30,767,440**	**26,725,569**	**24,798,965**	**22,032,633**	**18,550,033**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current portion of long-term debt	**493,125**	163,729	144,846	162,664	155,569
Trade creditors	**2,141,969**	1,598,929	907,770	2,125,620	2,059,568
Sundry creditors and accruals	**1,778,962**	1,687,761	1,468,319	1,071,499	776,591
Dividends payable	**200,000**	150,000	350,000	–	200,000
Income taxes payable	**242,497**	278,748	587,726	200,771	214,953
Deferred income	**83,700**	58,939	59,313	56,986	56,750
Environmental obligation	**5,600**	267	264	266	2,076
Total current liabilities	**4,945,853**	**3,938,373**	**3,518,238**	**3,617,806**	**3,465,507**

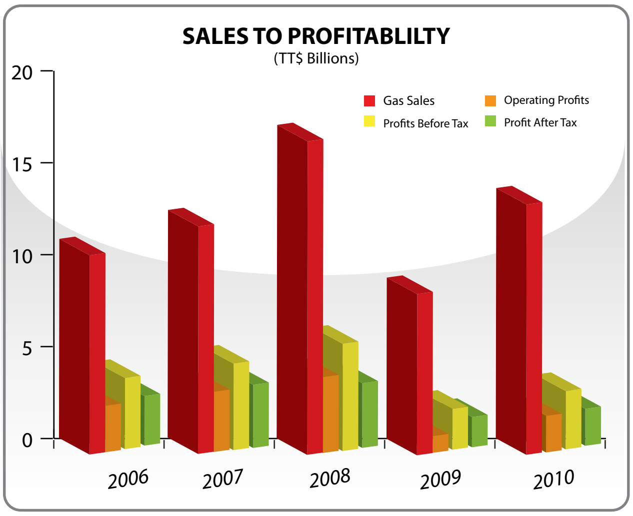
LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)

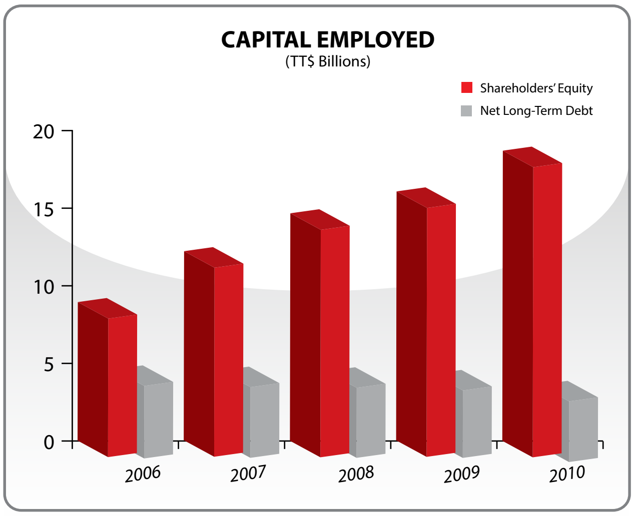
	At 31/12/2010	At 31/12/2009	At 31/12/2008	At 31/12/2007	At 31/12/2006
NON-CURRENT LIABILITIES					
Deferred tax liability	**1,500,837**	922,266	824,721	674,022	624,594
Long-term debt	**2,998,824**	3,573,522	3,825,517	4,061,943	4,195,348
Pension obligation	**94,027**	61,660	37,838	2,091	–
Asset retirement obligation	**605,886**	571,080	534,998	458,491	431,519
Post-retirement medical and group life obligation	**77,431**	73,434	63,896	83,256	66,996
Deferred income	**353,111**	339,342	186,438	62,197	74,713
Long-term creditors	**109,941**	109,608	103,120	111,602	156,707
Environmental obligation	**14,124**	21,450	21,372	21,870	13,892
Onerous contract	**167,562**	86,124	110,221	–	–
Total long-term liabilities	**5,921,743**	**5,758,486**	**5,708,121**	**5,475,472**	**5,563,769**
Total liabilities	**10,867,596**	**9,696,859**	**9,226,359**	**9,093,278**	**9,029,276**
SHAREHOLDERS' EQUITY					
Share capital	**1,855,266**	1,855,266	1,752,848	1,752,848	1,752,848
Reserve fund	**438,192**	438,192	438,192	438,192	438,192
Other reserves	**2,199,489**	942,812	536,459	729,020	758,504
Retained earnings	**14,966,743**	13,458,830	12,529,611	9,757,618	6,340,880
Equity attributable to equity holders of the parent	**19,459,690**	**16,695,100**	**15,257,110**	**12,677,678**	**9,290,424**
MINORITY INTEREST	**440,154**	**333,610**	**315,496**	**261,677**	**230,333**
TOTAL LIABILITY. & SHAREHOLDERS' EQUITY	**30,767,440**	**26,725,569**	**24,798,965**	**22,032,633**	**18,550,033**

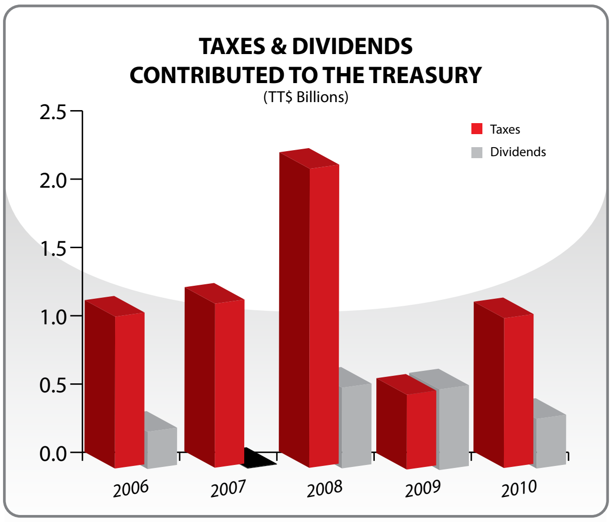
Five-Year Financial Review

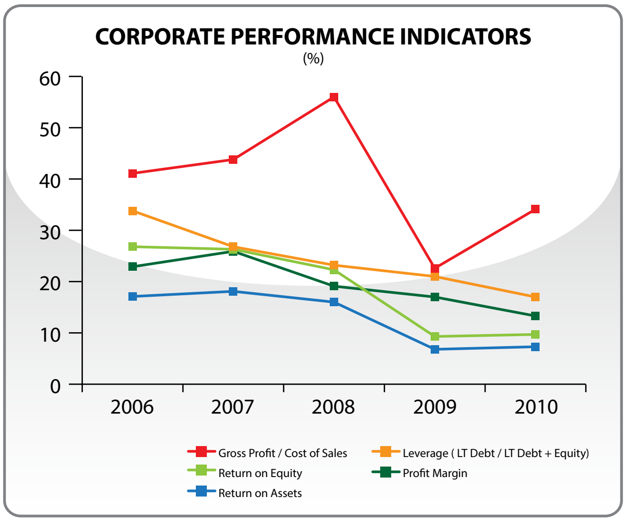
2006-2010 (continued)

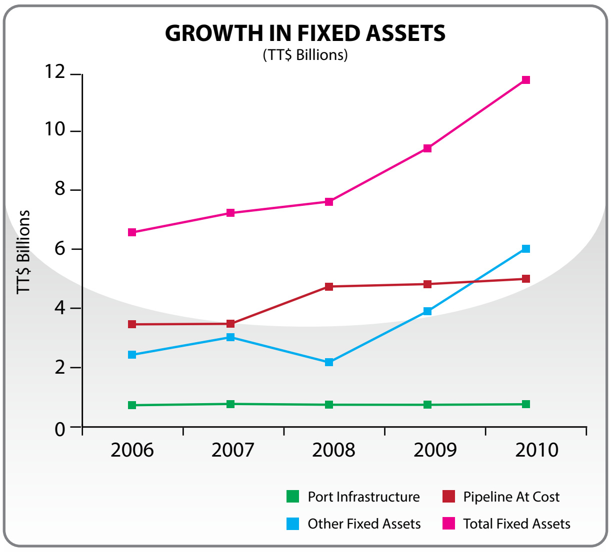












Five-Year Financial Review

2006-2010

INCOME STATEMENT TT$ ('000)	**2010**	**2009**	**2008**	**2007** Restated	**2006** Restated
Sales	**14,166,966**	9,125,401	17,744,608	12,876,021	11,274,937
Cost of Sales	**(10,563,970)**	(7,443,264)	(11,374,789)	(8,954,556)	(7,991,467)
Gross Profit	**3,602,996**	1,682,137	6,369,819	3,921,465	3,283,470
Net Operating Costs	**(1,530,436)**	(729,873)	(2,070,023)	(510,382)	(648,149)
Operating Profit/(Loss)	**2,072,560**	952,264	4,299,796	3,411,083	2,635,321
Interest and Investment Income	**1,497,167**	1,542,940	2,136,003	1,761,839	1,620,006
Finance Costs	**(381,741)**	(291,772)	(509,898)	(317,851)	(332,650)
Other Income	**112,403**	112,432	144,521	42,161	103,309
Profit Before Tax	**3,300,389**	2,315,864	6,070,422	4,897,232	4,025,986
Taxation	**(1,206,941)**	(603,432)	(2,410,291)	(1,321,657)	(1,223,698)
Net Profit for the Year	**2,093,448**	1,712,432	3,660,131	3,575,575	2,802,288
Minority Interest	**(212,792)**	(162,258)	(262,299)	(240,407)	(223,185)
Net Profit Attributable to Equity Holders of Parent	**1,880,656**	1,550,174	3,397,832	3,335,168	2,579,103

BALANCE SHEET TT$ ('000)	**2010**	**2009**	**2008**	**2007** Restated	**2006** Restated
Net Current Assets (Current Assets-Liabilities)	**8,389,858**	9,544,589	10,535,496	9,740,278	6,886,152
Loan Receivable	**2,199,044**	2,189,196	1,982,586	736,568	843,437
Investments	**2,479,118**	2,174,715	1,669,115	1,735,876	1,545,661
Net Investment in Leased Asset	**563,311**	–	–	–	–
Property, Plant and Equipment	**11,051,163**	7,748,855	6,116,887	5,438,869	5,043,704
Pension Assets	**–**	–	–	–	38,791
Derivative Asset	**39,376**	111,255	39,206	–	–
Deferred Items	**931,756**	851,144	772,555	600,940	647,390
Debt Reserve Funds	**167,961**	167,442	164,882	162,296	79,391
	25,821,587	22,787,196	21,280,727	18,414,827	15,084,526
Financed By:					
Long-Term Debt And Accruals	**4,067,795**	4,521,779	4,696,962	4,739,253	4,864,462
Deferred Items	**1,853,948**	1,236,707	1,011,159	736,219	699,307
Minority Interest	**440,154**	333,610	315,496	261,677	230,333
Shareholders' Equity:					
Share Capital	**1,855,266**	1,855,266	1,752,848	1,752,848	1,752,848
Capital Reserves	**2,637,681**	1,381,004	974,651	1,167,212	1,196,696
Retained Earnings	**14,966,743**	13,458,830	12,529,611	9,757,618	6,340,880
	25,821,587	22,787,196	21,280,727	18,414,827	15,084,526

Corporate Information

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