THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Annual Report **2011**

Diversifying the Output Mix

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

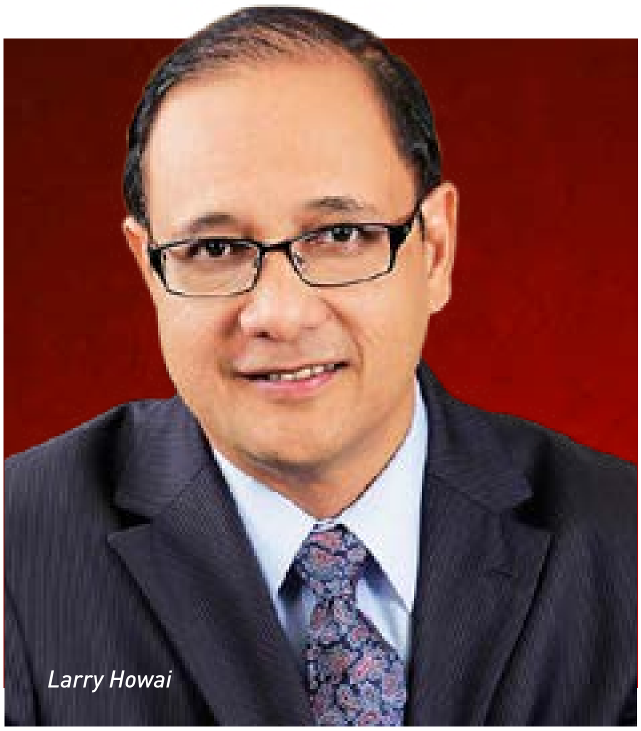
The National Gas Company of Trinidad and Tobago Limited (NGC) was established in August 1975. The Company is a world-class energy company that engages in activities upstream, downstream and midstream of the natural gas sector of Trinidad and Tobago. NGC has a staff of over 735 persons at the professional, technical and administrative levels.

In 2011, the Company's dominant income-generating activity was the purchase, transport and sale of natural gas to the gas-based energy sector. The gas supplied is utilized for the production and export of petrochemicals, metals reduction, electricity generation and in small/light manufacturing activities.

During the course of its business life, NGC has invested in approximately 1,000 km of gas pipeline infrastructure, on land and offshore, 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.

With the goal of promoting and achieving its Corporate Social Responsibility (CSR) objectives, the Company has an extensive community programme. This programme emphasizes Community Economic Development (CED) through facilities construction and skills' enhancement programmes, the sponsorship of sport and youth development, the arts, and environmental preservation through a 'no net loss' 10-year reforestation programme.

Diversifying the Output Mix



Larry Howai

Introduction

I am happy to report on the outstanding financial performance of the Company in its 36th year of operation. In 2011, the Company achieved its highest ever level of profit.

NGC continued its success in maximizing its traditional and existing income streams primarily from sales of natural gas and, to a lesser extent, transportation tariffs and sale of LNG and crude oil. Going forward, however, I am pleased to report that in the implementation of its new strategic direction of becoming a global entity, the Company will seek further diversification of its income streams by expanding the range of its income-generating activities. These diversification efforts are being pursued by the careful evaluation of upstream, midstream and downstream market opportunities at home and abroad.

Economic Context

The outstanding financial performance was achieved notwithstanding the economic challenges of Trinidad and Tobago's major trading partners, who account for approximately two-thirds of the country's total exports and the majority of the exports of gas-based products and LNG.

The economic situation in the global economy continued to be tenuous in 2011. Geopolitical tensions in the Middle East and a growing debt dilemma in the Euro zone constrained expected recovery. As a result, the world economy remained fraught with uncertainty. In the hemisphere, the sovereign debt of the US, traditionally the major energy trading partner of Trinidad and Tobago, was downgraded for the first time from AAA by Standard and Poor's, while its unemployment rate hovered around 8.5 per cent at year's end.

At home, despite predictions of economic recovery and positive growth, the economy contracted by 1.4 per cent. In spite of contraction, the energy sector continued to dominate economic activity and accounted for 45 per cent of GDP in 2011. This was achieved despite the disruption in gas production that resulted from ongoing safety and maintenance upgrades at the major producing facilities. The disruption in production caused a curtailment of supplies to the Point Lisas Industrial Estate during the first quarter and in the month of October.

Commodity Prices

Natural gas prices in the US softened during the second half of the year with Henry Hub prices falling from an average price of US$4.27 per MMbtu in the first half of the year to US$3.72 per MMbtu in the second half. On the other hand, and of more relevance to NGC, there were higher commodity prices in the markets where Trinidad and Tobago's products were delivered in 2011. This translated into higher net-back gas prices for local gas, particularly in the latter half of the year, and contributed significantly to favourable financial performance of the Company. The prices of ammonia and urea, in particular, rose sharply in the second half of the year driven by strong demand and supply shortfall from a number of key producers, while the price of methanol remained relatively firm for most of the year.

LNG

Between 2010 and 2011, LNG production decreased by 8.7 per cent. In 2011, 19 per cent of the country's LNG exports went to the US which was the traditional export destination. This was down significantly from the 70 per cent share of exports to the US in 2006. The majority (81 per cent) of the country's exports in 2011 went to South American, Asian and European markets where they fetched higher prices than in the US.

Outlook

In January 2011, the Central Bank of Trinidad and Tobago projected that the country's economic performance will strengthen moderately and that real GDP growth of 1.5 per cent can be expected in 2012. The International Monetary Fund (IMF) also projected moderate global recovery of 3.3 per cent in the year ahead. NGC takes heart from these cautiously optimistic projections.

Going forward, as the Company seeks to build on its strong foundation and expand its markets, output mix and income streams, it will take note of the potential of the BRIC (Brazil, Russia, India and China) countries, as well as that of the emergent gas-producing countries of Africa.

Appreciation

I take this opportunity to pay public tribute to cultural icon, Pat Bishop, a dear friend of NGC, as well as to an NGC pioneer and our indomitable first General Manager, Knollys Ahloy, who passed away during 2011.

In closing, I credit our excellent results to my colleagues on the Board and the Company's hard-working and committed management and staff, as well as our many loyal and long-standing stakeholders. I thank them all and look forward to their continued support in the future.

Larry Howai
Chairman

Operations' Report

Overview

The operations of the Company in its 36th year of existence were overshadowed by operational factors that affected the supply of natural gas. These factors related to shutdowns resulting from the upgrades and maintenance of major producing facilities, particularly at bpTT. They resulted in the curtailment of gas production and reduced production of LNG and natural gas liquids. Fortunately, buoyant international commodity prices and higher resultant gas prices compensated for these challenges.

Financial performance

The production situation notwithstanding, the Group's financial performance was the best ever. The highlight was the annual after-tax profit which was TT$4.6 billion, inclusive of the contributions from the joint-venture, investee companies and subsidiaries. This resulted in a net profit margin of 24.2 per cent. Sales revenue was TT$19.0 billion. Gas sales revenue of TT$16.7 billion, which was 36.7 per cent higher than in 2010, accounted for 87.8 per cent of total sales revenue.

At year's end, the Company's international investment grade credit ratings were A- from Moody's, BBB+ from Standard & Poor's and AAA from CariCRIS. The debt service coverage ratio improved from 3.56 per cent to 24.68 per cent and the leverage ratio measured by long-term debt/long-term debt and equity decreased from 15 per cent to 11 per cent. Total assets increased by 14.0 per cent and return on assets stood at 13.9 per cent.

Commodity Prices

Commodity prices were relatively buoyant in 2011, particularly in the latter six months of the year and in the non-US markets. This was occasioned by the combination of strong demand and supply shortfalls by other major producing countries. In October 2011, fertilizer prices recorded their highest levels since 2006. On the average, ammonia, methanol and urea prices were, respectively, 47 per cent, 27 per cent and 40 per cent higher than in 2010.

Capital Expenditure

There were important activities in the following major ongoing projects:

- **Union Industrial Estate Pipeline –** for the supply of gas to the Trinidad Generation Unlimited (TGU) power plant in the Union Industrial Estate. This was completed and commissioned in Q4 2011;

S. Andrew Mc Intosh

- **North-Eastern Offshore (NEO) Pipeline Project –** for the connection of the BHP Billiton's Gas Export Platform to the existing pipeline network at Beachfield, Gyuayaguayare. This was completed and commissioned;
- **Tobago Pipeline Project –** for bringing gas from BHP Billiton's Gas Export Platform to Lowlands, Tobago. This is 84 per cent completed;
- **Liquid Fuels Pipeline Project –** for bringing 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 the AVJET Fuel. This is 94 per cent completed;
- **Phoenix Park Valve Station (PPVS) Upgrade –** for increasing the Station's current capacity of two bcf/d to three bcf/d natural gas. This is 91 per cent completed.

Operations

Transmission and supply of natural gas

The continued reliable and safe transmission of gas was facilitated by the achievement of a pipeline system availability of 100 per cent. The major accomplishments with respect to transmission included the commissioning of the North-Eastern Offshore (NEO) pipeline and the initiation of gas supply to TGU through the completion of the Union pipeline project and the pigging on the 36″ NEO and 24″ Union Estate pipelines.

Pipeline configuration at Beachfield Upstream Development (BUD) Facility

Average daily supply of gas for 2011 was 1,704 MMscf/d, down 1.4 per cent from 2010. Supply peaked at 1,796 MMscf/d in May and bottomed out at 1,546 MMscf/d in December. The shift in the concentration of supply continued in 2011 with bpTT's contribution decreasing to 44 per cent of supply, and BG/Texaco and EOG Resources contributing 21 per cent and 15 per cent respectively.

Demand continued to be dominated by the petrochemical industry which maintained a steady volume and accounted for approximately two-thirds, followed by power generation at 18 per cent. There was also effective management of our 'take-or-pay' exposure.

The NGC Pipeline Company Limited, which is responsible for tariff-based transmission services to Atlantic LNG, Point Fortin and to NGC's supply to Union Industrial Estate, accounted for an average shippers' gas flow of 923,939 MMscf/d which was 6.8 per cent less than in 2010.

Liquids collection

Liquids collection increased by 33 per cent during 2011 to 417,676 barrels, aided by an improved liquids-to-gas ratio of 0.67 as against 0.5 in 2010. The majority of liquids, 81 per cent, came from pipeline operations at Beachfield/Guayaguayare.

LNG marketing

Total production of LNG in 2011 from the Atlantic LNG Facility was 31,841,077 cubic metres. Note that NGC has equity interest in Train 1 and 4 through NGC Trinidad and Tobago LNG Limited and Trinidad and Tobago LNG Limited respectively. Trinidad and Tobago LNG Limited accounted for 24.5 trillion BTUs of LNG, comprising 31 partial cargoes based on bpTT gas supply, 1 partial cargo from both bpTT and EOG Resources gas supply, and 3 dedicated cargoes from the EOG Resources supply.

Gas compression

The annual daily average was 58 MMscf/d which was 12 per cent lower than in 2010. This situation was caused primarily by compressor availability issues and the decline in the availability of low pressure gas.

Domestic Market Developments

The expansion of the distribution system continued in 2011 with the installation of seven new connections. In addition, NGC remains fully committed to the national policy of using compressed natural gas (CNG) as a viable alternative motor vehicle fuel. Apart from being responsible for the installation of the CNG connections at refuelling outlets, the Company is leading by example in the acquisition of a new fleet of CNG vehicles.

Sustainability

NGC's commitment to sustainability goes beyond its business interests to include community development and environmental conservation. Its engineering and construction works have long incorporated community-based employment ("local content") as far as possible and green engineering practices. The latter is supported by a stated 'no net loss' policy to replenish forests removed by its pipeline construction operations.

Environment, Health and Safety (EHS)

The Company's EHS profile was maintained in 2011 with a number of interventions at all levels that reinforced our strong EHS culture. Behaviour-based safety programmes included the Safety Training Observation Programme (STOP), Advanced Safety Assurance (ASA) and Leadership Rapport Training.

Human Resources Management

The Company's manpower increased from 692 in 2010 to 735 in 2011. Training was a major focus of our human resource management interventions and the expenditure in this area was TT$11.0 million. A highlight of the human resource management activity for 2011 was the honouring of 86 employees for their dedication and contribution to the Company's success over its 36 years of existence through the Long Service and Safety Awards Recognition Programme.

In 2011, the review process of the Succession Planning framework was completed. This would facilitate the preparation of the best human resources required to fill the gaps resulting from departures, planned and unplanned, in the upcoming period. In addition, in June 2011 we completed the introduction of our Personal Development Plan to train our staff to meet future job challenges.

Corrosion Control activities

Strategic Focus

In 2011, the Company advanced the process of redefining the strategic focus for the period 2011-2015. The process was supported by the Board of Directors which approved the revised Strategic Plan for period 2011-2015. The overarching goals of the plan are growing shareholder value and ensuring company sustainability.

The Company's strategy is built around five strategic pillars or themes, namely:

- Grow External and New Markets
- Grow Local Market
- Strengthen Asset Integrity
- Strengthen Brand and Corporate Social Responsibility
- Strengthen Culture and Competencies

Work progressed on all these areas during 2011. This was evidenced by the signing of a project term sheet with MHTL for a new AUM plant to be established in Point Lisas and participation in the Government-led initiative to increase the use of CNG as an alternative vehicle fuel in Trinidad and Tobago.

With respect to the first pillar, "Grow External and New Markets", the Company sought to build on the links established in 2010 by exploring regional and global market opportunities. In particular, the Company focused on leveraging the growing interest in the Trinidad and Tobago model of gas-based development in East and West Africa by advancing initiatives in Ghana, Tanzania and Mozambique.

The second pillar, "Grow Local Market", was pursued through the previously mentioned domestic market expansion initiatives, particularly in CNG.

Under the third pillar, "Strengthen Asset Integrity", specific initiatives were pursued, namely:

- The physical asset integrity management initiative that focused on the minimization of risks on all the Company's physical assets;
- The financial asset integrity management initiative that focused on enhancing returns from investment funds through a structured and balanced investment portfolio.

In 2011, there was also work in progress in attaining the goals of the fourth pillar, "Strengthen Brand and Corporate Social Responsibility". This pillar placed priority on building and enhancing the NGC brand to the point where, in the future, it could be easily recognized on the world energy stage.

With regard to Community Economic Development (CED), opportunities were sought to uplift targeted communities via various projects and training programmes.

Work was also in progress with respect to the fifth pillar, "Strengthen Culture and Competencies", which addressed issues related to corporate governance, corporate culture and employee engagement. Activities in 2011 spanned the revisions of several corporate governance policies, including the Code of Ethics, Terms of Reference for Board Committees and Corporate Social Responsibility (CSR).

Corporate Social Responsibility

Corporate Social Responsibility (CSR), which falls under the fifth pillar of the Company's strategy, is intertwined with the Company's operations. It also remains a cornerstone of the Company's corporate culture and one of our key defining corporate characteristics.

Through NGC's community relations, to foster business and cultural linkages, the Company partnered with the Government of Ghana to co-host a pre-independence musical concert in celebration of Ghana's 54th Anniversary. The Couva Joylanders Steel Orchestra, a steelband from NGC's site community, showcased Trinidad and Tobago's national instrument at that event.

At home, NGC maintained its community facilities development programme support for the youth through sport, arts and culture and its 'no net loss' 10-year reforestation programme.

Conclusion

The Company's newly adopted strategic focus, encompassed by our five strategic pillars, has steered NGC in the direction of its medium-term plan till 2015. In that regard, the Company endeavours to increase shareholder value, ensure business sustainabilty and be a leader in the global energy industry. We look forward to the opportunities and challenges that will undoubtedly arise in 2012.

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

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December, 2011.

1. BUSINESS ACTIVITIES

During 2011 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$17.646 billion, an increase of approximately 37.2 per cent from the previous year's amount of TT$12.864 billion. This increase in gross sales resulted from commodity prices for ammonia, methanol and oil which were significantly higher in 2011 than in 2010.

In addition, dividend income received from its key strategic investments in the liquefied natural gas (LNG) and natural gas liquids (NGL) business increased from TT$479 million to TT$709 million.

The Company recorded a Net After-tax Profit of TT$3.820 billion representing an increase of TT$2.257 billion or 144 per cent from the previous year's figure of TT$1.563 billion.

Dividends of TT$550 million were paid during the year 2011, compared to the amount of TT$350 million paid in 2010. Retained Earnings at the end of the year amounted to TT$15.745 billion and Issued Share Capital totalled TT$1.86 billion.

A summary of the Separate Statement of Comprehensive Income and Financial Position of the Company for the year ended 31 December, 2011 is set out below.

	2011 $'000	2010 $'000
Sales	**17,646,341**	12,863,557
Cost of Sales	**(12,802,311)**	(9,803,796)
Gross Profit	**4,884,030**	3,059,761
Other operating income	**384,268**	128,790
Interest and other investment income	**1,216,311**	924,864
Administrative and general expenses	**(710,520)**	(1,121,412)
Impairment expense	**–**	(10,467)
Other expenses		
Finance costs	**(228,764)**	(329,405)
Loss on foreign exchange transactions	**(7,920)**	(8,659)
Profit before tax	**5,491,755**	2,638,181
Income tax expense	**(1,671,558)**	(1,074,828)
Profit for the year	**3,820,197**	1,563,353
Other Comprehensive Income		
Revaluation surplus on pipelines (net of income tax effect)	**–**	884,769
Available-for-sale financial assets	**473,040**	196,852
Foreign currency translation	**87,025**	49,900
Other Comprehensive Income for the year, net of tax	**560,065**	1,131,521
Total comprehensive income for the year	**4,380,262**	2,694,874
Retained earnings		
At beginning of year	**12, 802,941**	11,615,619
Transfer of depreciation for offshore plant and equipment and pipelines	**36,949**	24,419
Profit for the year	**3,820,197**	1, 563,353
Total income/expense for the year	**3, 857,146**	1,587,772
Dividends paid/proposed	**(915,000)**	(400,000)
Retained earnings – at the end of year	**15,745,087**	12,802,941

3. DIVIDENDS

In 2011, the Board declared dividends in the amount of TT$915 million for the years 2009 and 2010.

4. DIRECTORS

During the period 01 January to 31 December, 2011, the membership of the Board of NGC 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, Dr. Utam Maharaj and Mr. Clyde Ramkhalawan.

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

(a) **The Audit Commitee** was chaired by Ms. Haseena Ali and included Messrs. Rabindra Jaggernauth, Kesraj Seegobin, Dr. Utam Maharaj and Mr. S. Andrew Mc Intosh. The Committee held seventeen meetings for the period of 01 January to 31 December, 2011.

(b) **The Finance and Tender Committee** was chaired by Mr. Roop Chan Chadeesingh and included Messrs. Premchand Beharry, Clyde Ramkhalawan, Dr. Utam Maharaj, and S. Andrew Mc Intosh. The Committee held eleven meetings for the period 01 January to 31 December, 2011.

(c) **The Human Resources Committee** was chaired by Mr. Cathal Healy-Singh and included Messrs. Carlton Gibson, Rabindra Jaggernauth, S. Andrew Mc Intosh and Ms. Haseena Ali. The Commitee held twelve meetings for the period 01 January to 31 December, 2011.

(d) **The Operations Committee** was chaired by Mr. Premchand Beharry and included Messrs. Carlton Gibson, Cathal Healy-Singh, Clyde Ramkhalawan, Dr. Utam Maharaj, Arnold De Four and S. Andrew Mc Intosh. The Committee held eleven meetings for period 01 January to 31 December, 2011.

5. SIGNIFICANT EVENTS

Trinidad and Tobago Electricity Commission

The Company has converted trade receivables in the amount of US$282.8 million for unpaid gas sales for the period July 2005 to September 2009, together with related interest of US$36.8 million, to a medium-term loan receivable of US $319.7 million with an effective date of 01 December, 2009. The Loan Agreement was executed on 09 March, 2012. The loan will be for a period of seven years with interest at a fixed rate of 3 per cent per annum, with semi-annual instalments to commence on 01 December, 2011.

The impairment provision on the loan has decreased by TT$78.52 million during 2011 to TT$199.16 million (US$31.073 million) at 31 December, 2011. The impairment test was based on cash flows as per the terms of the medium-term loan, using the original effective interest rate of 7 per cent.

The fair value of the long-term receivable was TT$1,849.89 million at 31 December, 2011 (2010: TT$1,817.06 million).

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, National Energy Corporation (NEC) for the sum of US$58.52 million. This amount has been set up as a loan with tenor of 25 years, with interest payable at 3 per cent per annum. The principal is to be repaid in equal semi-annual instalments originally scheduled to commence 01 July, 2009. Interest for 2011 has been capitalized with the loan.

In 2011, the loan repayments have been rescheduled to commence from 01 January, 2015.

A fair value adjustment of TT$18.03 million was recorded as an additional investment in the subsidiary.

ii. NEC – Warehousing Facility

NGC has granted a loan to NEC to finance and construct a material storage and handling facility. With the discontinuation of the aluminium smelter during 2010, the facility will now provide general warehousing.

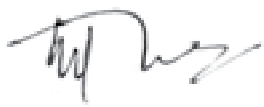
The loan is for US$65.82 million. Interest is payable at a rate of 7 per cent per annum. In 2011, a further moratorium on principal repayments was granted in June 2014.

6. CORPORATE SOCIAL RESPONSIBILITY

As a leading corporate citizen and in keeping with its philosophy of sustainable development, NGC completed several projects in 2011 as part of its Corporate Social Responsibility (CSR) mandate. These included the opening of the Helena Charles Home for Senior Citizens in La Brea. NGC provided financial and technical assistance towards the construction of this facility which provides live-in accommodation and meals for 28 deserving residents. Several other community facilities were at various stages of development at the end of the year.

In terms of the environment, NGC continued its innovative Reforestation Programme with the planting of 10,168 seedlings in an additional 50 hectares. This project has been very successful with an overall 91 per cent survival rate from a total of 31, 882 seedlings across 143 hectares since inception.

Dated this 11th day of October, 2012



BY ORDER OF THE BOARD
Maria Thorne
Company Secretary

THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

Consolidated Financials 2011

Report of Independent Auditors

To the Shareholders of The National Gas Company of Trinidad and Tobago Limited

We have audited the accompanying consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited, which comprise the Consolidated Statement of Financial Position as at 31 December 2011, 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 2011, 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:
30 April 2012

Consolidated Statement of Financial Position

As at 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars)

ASSETS	Notes	2011 $'000	2010 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	**10,555,773**	10,410,582
Intangible assets	5	**17,033**	15,528
Investment properties	6	**616,472**	625,053
Interest in joint venture	7	**1,092,241**	956,995
Investments	8	**1,982,296**	1,522,123
Financial asset at fair value through profit and loss	9	**59,606**	39,376
Net investment in leased asset	10	**569,088**	563,311
Long-term loans receivable	11	**1,978,036**	2,199,044
Deferred tax asset	21	**565,263**	605,115
Deferred expenses	12	**313,370**	326,641
Debt reserve funds	13	**168,839**	167,961
		17,918,017	17,431,729
CURRENT ASSETS			
Cash and short-term investments	14	**12,214,795**	9,358,109
Current portion of long-term loans receivable	11	**520,970**	151,470
Current portion of net investment in leased assets	10	**916**	–
Accounts receivable	15	**2,991,250**	2,177,894
Sundry debtors and prepayments	16	**1,036,800**	1,364,753
Inventories	17	**31,912**	35,644
Dividends receivable		**81,719**	81,302
Deferred expenses	12	**17,965**	18,005
Income taxes receivable		**283,218**	148,534
Total current assets		**17,179,545**	13,335,711
Total assets		**35,097,562**	30,767,440

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

Consolidated Statement of Financial Position

As at 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars) (continued)

EQUITY AND LIABILITIES	Notes	2011 $'000	2010 $'000
EQUITY			
Stated capital	18	**1,855,266**	1,855,266
Reserve fund	19	**438,192**	438,192
Other reserves	20	**2,731,419**	2,199,489
Retained earnings		**18,433,495**	14,966,743
Equity attributable to equity holders of the parent		**23,458,372**	19,459,690
Minority interests		**524,416**	440,154
		23,982,788	19,899,844
NON-CURRENT LIABILITIES			
Deferred tax liability	21	**1,779,689**	1,500,837
Long-term debt	22	**2,888,039**	2,998,824
Provisions	23	**777,689**	787,572
Post-retirement medical and group life obligation	24	**102,951**	77,431
Pension obligation	25	**255,386**	94,027
Deferred income	26	**409,960**	353,111
Long-term creditors	27	**110,504**	109,941
Total non-current liabilities		**6,324,218**	5,921,743
CURRENT LIABILITIES			
Current portion of long-term debt	22	**126,324**	493,125
Trade payables	28	**2,485,623**	2,141,969
Sundry payables and accruals	29	**1,220,651**	1,773,177
Deferred income	26	**44,252**	66,047
Deferred capital grant		**23,438**	23,438
Provisions	23	**7,721**	5,600
Income taxes payable		**317,547**	242,497
Dividends payable		**565,000**	200,000
Total current liabilities		**4,790,556**	4,945,853
Total liabilities		**11,114,774**	10,867,596
Total equity and liabilities		**35,097,562**	30,767,440

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 30 April 2012.

: Director

: Director

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars)

	Notes	2011 $'000	2010 $'000
Sales	30	**18,994,360**	14,166,966
Cost of sales	30	**(13,574,003)**	(10,563,970)
Gross profit		**5,420,357**	3,602,996
Other operating income	31	**372,211**	112,403
Interest and other investment income	32	**712,479**	702,896
Share of income from joint venture	7	**1,053,778**	794,271
Administrative, maintenance & general expenses	33	**(822,245)**	(1,192,780)
Impairment expense	34	**(22,540)**	(317,668)
Finance costs	35	**(277,715)**	(381,741)
Other expenses		**(6,861)**	(5,653)
Loss on foreign exchange transactions		**(12,479)**	(14,335)
Profit before tax		**6,416,985**	3,300,389
Income tax expense	21	**(1,812,114)**	(1,206,941)
Profit for the year		**4,604,871**	2,093,448
Other Comprehensive Income			
Revaluation of pipeline (net of deferred tax)		**–**	1,024,831
Available-for-sale financial assets		**473,040**	196,852
Foreign currency translation		**101,192**	62,251
Other Comprehensive Income for the year, net of tax		**574,232**	1,283,934
Total comprehensive income for the year		**5,179,103**	3,377,382
Attributable to:			
Equity holders of the parent		**4,913,682**	3,164,590
Minority interests		**265,421**	212,792
		5,179,103	3,377,382

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2011 (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 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 (note 46)	–	–	–	–	(400,000)	(400,000)	–	(400,000)
Dividends of subsidiaries	–	–	–	–	–	–	(106,248)	(106,248)
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
Year ended 31 December 2011								
Balance as at 1 January 2011	1,855,266	–	438,192	2,199,489	14,966,743	19,459,690	440,154	19,899,844
Total comprehensive income for the year	–	–	–	571,473	4,342,209	4,913,682	265,421	5,179,103
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(39,543)	39,543	–	–	–
Dividends (note 46)	–	–	–	–	(915,000)	(915,000)	–	(915,000)
Dividends of subsidiaries	–	–	–	–	–	–	(181,159)	(181,159)
Balance as at 31 December 2011	**1,855,266**	**–**	**438,192**	**2,731,419**	**18,433,495**	**23,458,372**	**524,416**	**23,982,788**

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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars)

	Notes	2011 $'000	2010 $'000
Cash flows from operating activities			
Cash generated from operations	36	**4,473,867**	3,418,296
Pension and other post-retirement contributions paid		**(18,800)**	(18,681)
Income taxes paid		**(1,200,996)**	(1,298,817)
Interest paid		**(2,313,233)**	(245,600)
Interest received		**322,330**	115,994
Net cash generated from operating activities		**3,345,078**	1,971,192
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		**(344,088)**	(2,207,216)
Purchase of investment property		**(58,394)**	(317,957)
Proceeds on disposal of property, plant and equipment		**25,259**	209
Finance lease (net)		**–**	(72,570)
Net change in short-term investments		**931,046**	1,282,916
Loans receivable, repayments net of advances		**(112,742)**	179,829
Dividends received		**1,166,029**	926,196
Purchase of long-term investments (net)		**22,004**	(2,511)
Net cash generated from/(used in) investing activities		**1,629,114**	(211,104)
Cash flows from financing activities			
Repayment of long-term debt		**(497,225)**	(251,825)
Dividends paid		**(731,159)**	(456,248)
Net cash used in financing activities		**(1,228,384)**	(708,073)
Net increase in cash and cash equivalents		**3,745,808**	1,052,015
Net foreign exchange difference		**13,295**	12,946
Cash and cash equivalents			
– beginning of year		**3,470,651**	2,405,690
– end of year	14 (d)	**7,229,754**	3,470,651

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 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 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 for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011.

The adoption of these standards and interpretations did not have any effect on accounting policies, financial position or performance of the Group.

IAS 32 ***Financial Instruments: Presentation (amendment)*** effective 1 February 2010
IFRIC 14 ***Prepayments of a Minimum Funding Requirement (amendment)*** effective 1 January 2011
Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 32 ***Financial Instruments: Presentation (Amendment)***
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

2.2 Changes in accounting policy and disclosures (continued)

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Group is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

IFRS 3 *Business Combinations:* The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.

All other components are to be measured at their acquisition date fair value.

IFRS 7 *Financial Instruments – Disclosures:* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the Statement of Changes in Equity or in the Notes to the Financial Statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)

IAS 27 *Consolidated and Separate Financial statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

IAS 34 *Interim Financial Statements*
IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)
IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

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.

Tax assessments

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

Pension and other post-employment benefits

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

2.3 Significant accounting judgements, estimates and assumptions (continued)

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 the 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(r)) based on management's assessment of the timeframe within which the gas will be taken. This assessment requires assumptions to be made regarding the future demand for gas arising from current and existing projects.

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 not extending beyond 31 December 2070.

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 UOP 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 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)

Deferred tax (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, 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 plant and equipment	12.5%	–	25%
Marine infrastructural assets	2.5%	–	20%
Other assets	6.6%	–	50%
Software	50%		

The pipelines and related facilities were revalued at 31 December 2010. Effective 1 January 2011 these assets will be depreciated over their remaining useful lives varying from five to 60 years, not exceeding 31 December 2070.

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 are transferred to their relevant fixed asset categories upon completion and are depreciated from that date.

2.4 Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

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. Valuations are performed every five to seven years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the 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, with exception of a deficit directly offsetting a previous surplus on the same asset. This is directly offset against the surplus in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made as the assets are used by the Group. 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.

2.4 Summary of significant accounting policies (continued)

(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:

Fabrication yard	3.33%
Development cost	10.00% – 33.33%
Buildings	3.33%

No depreciation is provided on freehold land.

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 are 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.

2.4 Summary of significant accounting policies (continued)

(i) Foreign currencies

The presentation currency of the Group's financial statements is Trinidad and 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 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 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.

(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.

2.4 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Investment in joint venture (continued)

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. All financial assets are recognized initially, at fair value, plus directly attributable transaction cost except in the case of investments at fair value through profit or loss. The Group determines the classification of its financial assets on initial recognition and where allowed and appropriate, re-evaluates this designation at each financial year end.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as 'held to maturity' when the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest 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.

2.4 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Group has not designated any financial asset as held for trading.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognized in finance costs in the Statement of Comprehensive Income.

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.

2.4 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

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.

(m) Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

2.4 Summary of significant accounting policies (continued)

(m) Impairment of financial assets (continued)

Financial assets carried at amortized cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Consolidated Statement of Comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Consolidated Statement of Comprehensive Income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Consolidated Statement of Comprehensive Income.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Consolidated Statement of Comprehensive Income – is removed from other comprehensive income and recognized in the Consolidated Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Consolidated Statement of Comprehensive Income; increases in their fair value after impairment are recognized directly in other comprehensive income.

(n) 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'.

2.4 Summary of significant accounting policies (continued)

(n) Financial liabilities (continued)

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.

(o) 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.

2.4 Summary of significant accounting policies (continued)

(p) 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.

(q) 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 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 Consolidated Statement of Comprehensive Income amended over the lease term.

2.4 Summary of significant accounting policies (continued)

(q) Leases (continued)

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.

(r) 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.

(s) 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.

2.4 Summary of significant accounting policies (continued)

(s) Revenue recognition (continued)

Lease rental and service charges 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.

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

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

Interest income is accounted for on the accrual basis.

(t) 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.

(u) 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.

(v) 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 Consolidated Statement of Comprehensive Income over the period of the industrial user's sales contract.

2.4 Summary of significant accounting policies (continued)

(w) Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, when 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. 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.

2.4 Summary of significant accounting policies (continued)

(x) 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 2011.

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income*
The amendments to IAS 1 change the Companying of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 *Income Taxes – Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 *Employee Benefits (Amendment)*
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

3. Standards issued but not yet effective (continued)

IAS 27 *Separate Financial Statements* (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures,* and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities.*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. Standards issued but not yet effective (continued)

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly controlled Entities – Non-monetary Contributions by Venturers.* IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

The application of this new standard will impact the financial position of the Group. This is due to the cessation of proportionate consolidating the joint venture to equity accounting for this investment. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

4. Property, plant and equipment

	Freehold land $'000	Lease-hold property $'000	Deve lopment costs $'000	Machinery and equipment $'000	Pipeline & related facilities $'000	Oil and gas assets $'000	Offshore plant and equipment $'000	Marine infra-structural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
Year ended 31 December 2011											
Opening 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
Additions	2,443	1,357	–	3,659	6,252	59,153	6,577	(7,279)	9,179	247,044	328,385
Transfers	–	–	–	353	3,105,812	–	–	33,869	–	(3,140,034)	–
Disposals	–	–	–	(5)	–	–	–	(6,508)	(210)	–	(6,723)
Depreciation for year	–	(3,167)	(200)	(6,367)	(150,403)	(52,679)	–	(24,298)	(11,003)	–	(248,117)
Impairment	–	–	–	–	–	–	(6,577)	23,964	–	–	17,387
Foreign exchange difference	55	790	–	79	32,522	1,561	–	–	108	19,144	54,259
Closing net book value	13,135	161,938	1,098	16,546	7,989,524	310,521	–	402,927	23,664	1,636,420	10,555,773
At 31 December 2011											
Cost	13,135	221,266	2,062	125,016	8,141,193	656,183	472,090	770,094	89,841	1,636,420	12,127,300
Accumulated depreciation	–	59,328	964	108,470	151,669	345,662	472,090	367,167	66,177	–	1,571,527
Net book value	13,135	161,938	1,098	16,546	7,989,524	310,521	–	402,927	23,664	1,636,420	10,555,773

4. Property, plant and equipment (continued)

	Freehold land $'000	Lease-hold property $'000	Develop-ment costs $'000	Machinery and equipment $'000	Pipeline & related facilities $'000	Oil and gas assets $'000	Offshore plant and equipment $'000	Marine infra-structural assets $'000	Other assets $'000	Assets under construction $'000	Total $'000
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	–	–	–	(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	4,525,131	11,752,859
Accumulated depreciation/ impairment	–	56,161	764	102,103	1,266	292,983	465,513	353,448	55,174	14,865	1,342,277
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)

(a) Revaluation of offshore plant and equipment and pipelines

i. Offshore plant and equipment

The Group revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Group revalued its offshore plant and equipment at an amount of $139 million to be depreciated over the assets' remaining useful life of eight years. A corresponding amount of $90.3 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December 2011.

The offshore plant and equipment were 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 not extending beyond 31 December 2070. The estimated useful life is based on current and estimated feature reserves as well as other factors.

The revaluation resulted in a net revaluation surplus of $1,513.79 million which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of $62.56 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the Consolidated Statement of Comprehensive Income. The 2010 revaluation surplus of $1,576.63 million reserve net of deferred taxes of $551.79 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 $5,874.38 million as at 31 December 2011 (2010: $3,147.40 million).

4. Property, plant and equipment (continued)

(b) Pipelines and related facilities

i. 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.

ii. As at 31 December 2011, the Group has recorded a provision of $37.79 million (2010: $37.60 million) for compensation payable to owners of land along Rights of Way of the Group's pipelines.

(c) Assets under construction

Included under assets under construction are costs relating to the Tobago Pipeline Project.

The Group has been requested by the Government of the Republic of Trinidad and Tobago (GORTT) to construct the Tobago 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, 54km (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. The projected estimated completion date is second quarter 2012.

Cost incurred on this project as at 31 December 2011 is $1,627.90 million.

	2011 $'000	2010 $'000
5. Intangible assets		
Year ended 31 December		
At 1 January	**15,528**	5,118
Additions/transfers at cost	**16,003**	19,676
Depreciation	**(14,575)**	(9,241)
Foreign exchange difference	**77**	(25)
At 31 December	**17,033**	15,528
At 31 December		
Cost	**114,749**	98,226
Accumulated depreciation	**(97,716)**	(82,698)
Net book amount	**17,033**	15,528
6. Investment properties		
Year ended 31 December		
At 1 January	**625,053**	615,995
Additions	**58,394**	317,957
Depreciation	**(20,471)**	(14,390)
Impairment (Note 34)	**(46,504)**	(294,495)
Disposal	**-**	(14)
At 31 December	**616,472**	625,053
At 31 December		
Cost	**1,196,560**	1,259,787
Accumulated depreciation	**(580,088)**	(634,734)
Net book value	**616,472**	625,053
Amounts recognized in profit or loss		
Rental income from investment properties	**18,014**	29,996
Direct operating expenses	**3,387**	2,429

6. Investment properties (continued)

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

In 2008, the Group began the construction of a material and handling storage facility (the facility) for the aluminum smelter project which was to be built on the UIE. The discontinuation of the aluminum smelter project in September 2010 resulted in the design and use of the material and handling storage facility being changed to a general purpose warehousing facility. At 31 December 2011, the costs incurred on the facility was $545.6 million (2010: $516.2 million).

An impairment review was performed on the UIE and the warehouse facility at 31 December 2011. 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 5.39 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 $34.7 million has been recorded in the Consolidated Statement of Comprehensive Income, representing an impairment reversal of $4.7 million for the land at UIE and an impairment charge of $39.4 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 5.22 per cent which has resulted in an impairment charge of $11.79 million for investment property and an impairment reversal of $23.96 million for property, plant and equipment.

Legal title for the land on which the fabrication yard at La Brea Industrial Estate is situated have not yet been transferred to the Group by The Petroleum Company of Trinidad and Tobago Limited (Petrotrin). The Group has applied for a reclamation licence in respect of the land on which the warehouse facility sits.

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 2011 and 2010 are as follows:

	2011 $'000	2010 $'000
Share of PPGPL's Statement of Financial Position:		
Current assets	**1,047,823**	951,219
Non-current assets	**1,182,429**	1,203,037
Current liabilities	**(497,954)**	(452,167)
Non-current liabilities	**(640,057)**	(745,094)
Net assets	**1,092,241**	956,995
Share of PPGPL's statement of comprehensive income:		
Revenue	**3,762,338**	3,117,067
Cost of sales	**(1,869,516)**	(1,660,920)
Operating and other expenses	**(267,363)**	(236,594)
Finance costs	**(614)**	(392)
Profit before tax	**1,624,845**	1,219,161
Income tax expense	**(571,067)**	(424,890)
Profit for the year	**1,053,778**	794,271

8. Investments

Investments comprise the following:

	2011 $'000	2010 $'000
Held-to-maturity investments (Note (a))	**122,887**	139,626
Investment in Atlantic 1 Holdings LLC, at cost	**156,291**	155,493
Investment in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited, at cost	**179,442**	178,526
Available-for-sale financial assets (Note (b))	**1,522,646**	1,044,784
Other	**1,030**	3,566
	1,982,296	1,522,123

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:

	2011 $'000	2010 $'000
Business Development Company	**916**	912
Petrotrin Bonds	**52,013**	55,609
Government of Trinidad and Tobago Bonds	**19,599**	19,339
Government of Barbados Bonds	**50,359**	63,766
	122,887	139,626

(b) Available-for-sale financial assets

	2011 $'000	2010 $'000
Shares – listed	**1,516,336**	1,038,506
Shares – unlisted	**6,310**	6,278
	1,522,646	1,044,784

Listed
Available-for-sale financial assets consist of investments in ordinary shares and the First Unit Scheme of The Trinidad and 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 ten (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.

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

The fair value of the credit linked investment as at 31 December 2011 was $59.61 million (US$9.30 million) (2010: $39.38 million (US$6.18 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	**2011 $'000**	**2010 $'000**
Finance lease – gross investment	**2,041,490**	2,219,692
Less: Unearned finance charges	**(1,471,486)**	(1,656,381)
	570,004	563,311
Gross investment in leased assets has the following maturity profile:		
Within 1 year	**194,848**	188,618
1 to 5 years	**827,087**	803,316
Over 5 years	**1,019,555**	1,227,758
	2,041,490	2,219,692
Net investment in leased assets has the following maturity profile:		
Within 1 year	**916**	–
1 to 5 years	**90,153**	44,065
Over 5 years	**478,935**	519,246
	570,004	563,311
Current	**916**	–
Non-current	**569,088**	563,111
	570,004	563,311

In December 2010, NGC 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.

10. Net investment in leased assets (continued)

An assessment of the transaction was made under IFRIC 4-Determining whether an arrangement contains a lease and IAS 17-Leases. Consequently, the pre-transfer and capacity payments received from BG/ Chevron during 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.

11. Loans receivable	**2011 $'000**	**2010 $'000**
Trinidad and Tobago Electricity Commission (Note (a))	**1,849,896**	1,817,058
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited (Note (b))	**475,665**	533,456
Atlantic LNG 4 Company of Trinidad and Tobago (Note (c))	**173,445**	–
	2,499,006	2,350,514
Less: current portion of loans	**(520,970)**	(151,470)
Long-term loans receivable	**1,978,036**	2,199,044

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

The Group has converted trade receivables in the amount of US$282.8 million for unpaid gas sales for the period July 2005 to September 2009 together with related interest of US$36.8 million to a medium-term loan receivable of US$319.7 million with an effective date of 1 December 2009. The Loan Agreement was executed on 9 March 2012. The loan will be for a period of seven years with interest payable at a fixed rate of 3 per cent per annum with semi-annual instalments to commence on 1 December 2011.

The impairment provision on the loan has decreased by $78.52 million during 2011 to $199.16 million (US$31.07 million) at 31 December 2011. The impairment test was based on cash flows as per the terms of the medium-term loan, using the original effective interest rate of 7 per cent.

The fair value of the long-term loans receivable was $1,849.89 million at 31 December 2011 (2010: $1,817.06 million).

11. Loans receivable (continued)

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

Pursuant to the Atlantic LLC Agreement, the Members are obligated to make Members' loans and working capital contributions in proportion to each 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$133.32 million). As at 31 December 2011, the Group has contributed US$111.99 million (2010: US$ 111.99) which represents its share of the long-term Member's loan. Total principal repayments of US$37.77 million have been made as at 31 December 2011. The loan balance as at 31 December 2011 is US$74.22 million (TT$475.67 million). The loan has no re-payment terms but the borrower has agreed to pay US$115 million to members in 2012, with the Group's portion (11.11 per cent) being US$12.8 million. This loan is expected to mature on 15 December 2020.

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 1.8776 per cent (2010: 1.9896 per cent). The fair value of this loan approximates its carrying value.

(c) Atlantic LNG Company of Trinidad and Tobago

Atlantic LNG Company of Trinidad and Tobago has secured financing in the amount of US$270.6 million. The National Gas Company of Trinidad and Tobago Limited (NGC) has provided financing of US$27.06 million which represents ten per cent (10 per cent) of the total loan facility.

The term facility was funded on 30 August 2011. The loan shall be repayable in five (5) consecutive semi-annual instalments in equal principal amounts, commencing on the 30 August 2011 which is sixty (60) months after the closing date and ending on the seventh (7th) anniversary of the Closing Date in 2016. The loans bear interest at a rate per annum equal to the Libor rate plus the applicable margin of 1.10 per cent. The effective interest rate at 31 December 2011 was 1.9896 per cent.

12. Deferred expenses	**2011 $'000**	**2010 $'000**
Take or pay (Note (a))	**199,159**	198,893
Capacity rights (Note (b))	**128,500**	144,890
Other	**3,676**	863
	331,335	344,646
Current	**17,965**	18,005
Non-current	**313,370**	326,641
	331,335	344,646

(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	2011 $'000	2010 $'000
Cash at banks and on hand	**7,181,128**	3,447,436
Restricted cash (Note b)	**9,956**	9,960
Short-term deposits	**6,125,147**	7,000,856
Less: Provision for impairment of short-term deposits	**(1,101,436)**	(1,100,143)
	12,214,795	9,358,109

(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 $12,214.80 million (2010: $9,358.11 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 $1,101.44 million as at 31 December 2011 which have matured and were not repaid.

CIB experienced financial and liquidity issues. On 31 January 2009 the Central Bank of Trinidad and Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad and Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates and the related accrued interest was fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December 2011.

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

	2011 $'000	2010 $'000
Cash at banks and on hand	**7,181,127**	3,447,436
Short-term deposits (with an original maturity date of less than three months)	**48,626**	23,215
	7,229,753	3,470,651

15. Accounts receivable	**2011 $'000**	**2010 $'000**
Trade receivable	**2,991,250**	2,177,894

Trade receivables are non-interest-bearing and are generally on 30-60 day terms.
Included in trade receivables is an amount of TT$493.3 million (US$77.22 million) due by T&TEC at 31 December 2011.

As at 31 December 2011, trade receivables impaired and fully provided for totalled $47.9 million (2010: $29.6 million). Movements in the provision for impairment of receivables were as follows:

	Individually impaired $'000	**Collectively impaired $'000**	**Total $'000**
At 1 January 2010	19	24,447	24,466
Charge for year	–	5,209	5,209
Utilized	(19)	–	(19)
Reversal of prior year provision	–	(219)	(219)
Foreign currency translation adjustment	–	123	123
At 31 December 2010	–	29,560	29,560
At 1 January 2011	–	29,560	29,560
Charge for year	–	18,367	18,367
Utilized	–	–	–
Reversal of prior year provision	–	(34)	(34)
Foreign currency translation adjustment	–	31	31
At 31 December 2011	**–**	**47,924**	**47,924**

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**
2011							
Accounts receivable	**2,991,250**	**2,611,606**	**142,386**	**31,687**	**8,217**	**8,065**	**189,289**
2010							
Accounts receivable	2,177,894	1,840,415	61,008	3,179	628	65	272,599

16. Sundry debtors and prepayments

Sundry debtors and prepayments comprise the following:

	2011 $'000	2010 $'000
Prepayments	**7,399**	16,439
Staff-related balances	**12,944**	8,694
Related party balances (Note 43)	**35,493**	–
Due from the Government of Trinidad and Tobago – billed	**611,226**	637,927
Due from the Government of Trinidad and Tobago – not yet billed	**96,272**	26,540
Value Added Tax	**74,533**	511,757
Interest receivable	**60,855**	85,599
Accrued income	**53,956**	36,089
Restricted funds (Note (b))	**23,510**	–
Other	**60,612**	41,708
	1,036,800	1,364,753

Notes:

(a) For terms and conditions relating to related party receivables refer to Note 43.

(b) During 2011 certain wire transfers were fraudulently withdrawn from one of the Group's bank accounts.

At the reporting date, one of the wire transfers fraudulently withdrawn is held by an overseas bank and is subject to police investigation. Management is confident that the outcome of the investigations will result in the return of the funds.

The funds for a second wire transfer are currently held by a Trustee Bank subject to the Order of the Court, pending further instructions/Order of the Court and subject to legal proceedings. The outcome of these legal proceedings is uncertain at this time and, as a result, a full provision has been made for these funds.

At 31 December 2011 a provision of $8.378 million has been recorded against the total funds that were fraudulently withdrawn and not yet recovered.

	2011 $'000	2010 $'000
17. Inventories		
Finished goods – LNG	–	6,329
Consumable spares	**25,162**	25,986
TSP spares	**6,438**	3,028
Other	**312**	301
	31,912	35,644
18. Stated capital		
Authorized		
An unlimited number of ordinary shares of no par value		
Issued and fully paid		
1,855,267,000 ordinary shares of no par value	**1,855,266**	1,855,266

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.

	2011 $'000	2010 $'000
20. Other reserves		
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines	**1,322,445**	1,361,988
Unrealized gain on available-for-sale financial assets	**1,037,430**	564,390
Foreign currency translation	**371,544**	273,111
	2,731,419	2,199,489
21. Taxation		
Corporation tax	**1,330,195**	1,036,285
Petroleum profit tax	**146,136**	76,345
Business levy	**404**	617
Green fund levy	**21,706**	16,386
	1,498,441	1,129,633
Deferred tax charge	**313,673**	77,308
	1,812,114	1,206,941

21. Taxation (continued)	**2011 $'000**	**2010 $'000**
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	**6,416,985**	3,300,389
Tax at the rate of 35%	**2,245,945**	1,155,136
Tax exempt income	**(338,642)**	(283,617)
Non-deductible (income)/expenses	**(78,543)**	319,626
Permanent differences	**8,818**	3,020
Other differences	**4,840**	(4,679)
Prior years' tax	**38,682**	33,287
Business levy	**404**	617
Green fund	**21,706**	16,386
(Decrease)/increase in valuation allowance	**(635)**	5,737
Tax effect of subsidiaries at different rate	**(124,388)**	(77,405)
Effect of oil and gas assets taxed at a different rate	**38,062**	29,443
Foreign exchange translation	**(4,135)**	9,390
Income tax provision	**1,812,114**	1,206,941
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Finance lease – Dolphin pipeline	**129,649**	213,878
Property, plant and equipment (net of valuation allowance)	**–**	3,689
Asset retirement obligation	**250,969**	239,136
Post-retirement medical and group life and pension	**125,418**	60,008
Tax losses	**181**	52,351
Accrued interest expense	**33,049**	32,391
Other	**25,997**	3,662
	565,263	605,115
Deferred tax liability:		
Property, plant and equipment	**1,779,689**	1,500,837

	2011 $'000	2010 $'000
21. Taxation (continued)		
Net deferred tax liability		
Balance at 1 January	**895,722**	265,742
Charge recognized in profit and loss	**313,673**	77,308
Charges recognized through other comprehensive income	**-**	551,794
Foreign exchange translation	**5,031**	878
Balance as at 31 December	**1,214,426**	895,722
22. Long-term debt		
(i) AKA Ausfuhrkredit GmbH	**14,851**	44,327
(ii) First Citizens Bank Limited	**-**	360,261
(iii) US $400m 30-year bond	**2,138,996**	2,127,663
(iv) RBTT	**24,055**	30,888
(v) CALYON	**809,655**	894,131
(vi) First Citizens Bank Limited	**26,806**	34,679
	3,014,363	3,491,949
Less: current portion	**(126,324)**	(493,125)
	2,888,039	2,998,824

Description	Terms and conditions	Security
Item (i) relates to a facility established with AKA GmbH (Ausfuhkredit-Gesellschaft mbH) on 10 July, 2003 as follows: Tranche 1 US$38.17 million; and Tranche 2 EUR 1,135.17 million.	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 $14.7 million (US$2.30 million) at December 2011 (2010: $44.30 million (US$6.95 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. The loan was fully repaid on 20 December 2011.	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 Trinidad and 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 $2,478.60 million (US$386.72 million) at 31 December 2011 (2010: $2,455.50 million) (US$385.08 million). Total Bond re-purchases as at 31 December 2011 amounted to US$60.31 million. No bonds were repurchased during 2011.	None.
Item (iv) relates to a Bond issued on 22 May 2005 whereby the parent company committed to borrow TT$62 million to finance the construction of the fabrication yard and dock expansion. The Trustee is RBTT Trust Ltd.	The bond provides for 2 semi annual payments of interest only followed by 18 semi-annual payments of principal and interest. Interest rate is fixed at 6.05 per cent per annum. The fair value of the bond was $24.276 million at December 2011 (2010: $30.952 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)

Description	Terms and conditions	Security
Item (v) relates to a facility established with a group of lenders led by CALYON on 23 December 2004 for US$200 million.	Principal is repayable in 30 consecutive semi-annual 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 $824.88 million at 31 December 2011. (2010: $908.33 million).	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 insurances policies and NGC Pipeline Company Limited's shares owned by the parent.
Item (vi) relates to a facility established with First Citizens Bank Ltd. for TT$67.9 million on 17 May, 2004 by the National Energy Corporation of Trinidad and Tobago Limited in pursuit of its capital expansion programme.	This loan provides for two equal semi-annual payments of interest only followed by 18 semi-annual payments of principal and interest. Interest is fixed at a rate of 6.20 per cent per annum. The fair value of the loan was TT$27.011 million at 31 December 2011 (2010: $34.736 million).	Assignment of pier user contracts, chattel mortgage over two tugboats with carrying amounts totaling $41.576 million and assignment of all risk marine and special perils insurance coverage over the tugboats.

22. Long-term debt (continued)

Maturity profile of long-term debt

	2011 $'000	2010 $'000
In one year or less	**126,324**	493,125
In more than one year but not more than two years	**101,534**	125,988
In more than two years but not more than three years	**96,484**	101,518
In more than three years but not more than four years	**84,709**	95,989
In more than four years but not more than five years	**84,603**	84,294
In more than five years	**2,520,709**	2,591,035
	3,014,363	3,491,949

23. Provisions

	Asset retirement obligation $'000	Environ-mental obligation $'000	Onerous contract $'000	2011 Total $'000	2010 Total $'000
Year ended 31 December					
Balance as at 1 January 2011	605,886	19,724	167,562	793,172	678,921
Unwinding of discount	29,213	–	–	29,213	32,931
Increase/(decrease) in provision	–	(6,908)	(34,045)	(40,953)	79,117
Foreign currency translation	3,151	25	802	3,978	2,203
Balance as at 31 December 2011	638,250	12,841	134,319	785,410	793,172
Current portion	–	7,721	–	7,721	5,600
Non-current portion	638,250	5,120	134,319	777,689	787,572
	638,250	12,841	134,319	785,410	793,172

(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 decommissioning of these platforms is not expected to occur before 2025. 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 2012, 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 2012 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	**2011 $'000**	**2010 $'000**
Movement on the liability recognized in the Statement of Financial Position:		
Value at 1 January	**77,431**	73,434
Foreign exchange translation	**669**	(1,894)
Net benefit cost	**25,544**	6,542
Premiums paid	**(693)**	(651)
Value at 31 December	**102,951**	77,431
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation 1 January	**77,431**	73,434
Service cost	**6,071**	5,736
Interest cost	**4,910**	5,456
Actuarial (gain)/loss	**14,563**	(4,650)
Foreign exchange translation	**669**	(1,894)
Company's premiums paid	**(693)**	(651)
Defined benefits obligation at 31 December	**102,951**	77,431

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

The amounts recognized in the Statement of Comprehensive Income are as follows:	2011 $'000	2010 $'000
Current service cost	**6,071**	5,736
Interest cost on benefits obligation	**4,910**	5,456
Net actuarial loss recognized in the year	**14,563**	(4,650)
Net benefits cost	**25,544**	6,542

The Group expects to contribute $0.75 million to its post-retirement medical and group life plans in 2012.

The principal actuarial assumption used for accounting purpose were:	2011	2010
Medical cost inflation	**5.75%**	5.75%
Discount rates	**5.50%**	6.25%
Average individual salary increases	**6.00%**	6.00%

	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 per cent P.A.	**2,251**	18,433
Medical expense decrease by 1 per cent P.A.	**(1,692)**	(14,043)

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

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Defined benefit obligation	**102,951**	77,431	73,434	63,932	82,994
Fair value of plan assets	**–**	–	–	–	–
Deficit	**102,951**	77,431	73,434	63,932	82,994

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

Experience history (continued)

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Experience adjustment on plan liabilities	**46**	7,381	4,638	6,207	(1,123)
Experience adjustment on plan assets	**–**	–	–	–	–

25. Pension obligation

	2011 $'000	2010 $'000
Benefit liability		
Present value of obligation	**689,134**	494,504
Fair value of plan assets	**(434,826)**	(401,073)
Foreign exchange translation	**1,078**	596
Pension liability	**255,386**	94,027
Movement on the liability recognized in the Statement of Financial Position:		
Liability at 1 January	**94,027**	61,660
Net pension cost	**178,984**	50,212
Contributions paid	**(18,107)**	(18,030)
Foreign exchange translation	**482**	185
Liability value at 31 December	**255,386**	94,027
The amounts recognized in the statement of comprehensive income are as follows:		
Current service cost	**31,612**	22,820
Interest cost on benefit obligation	**30,565**	30,370
Expected return on plan assets	**(28,496)**	(29,144)
Net actuarial gain recognized in the year	**145,303**	26,166
Net pension cost	**178,984**	50,212
Actual return on plan assets	**20,047**	36,124

25. Pension obligation (continued)	2011 $'000	2010 $'000
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefit obligation at 1 January	**494,504**	408,600
Service cost	**31,612**	22,820
Interest cost	**30,565**	30,370
Members' contribution	**7,463**	7,672
Actuarial (gain)/loss	**136,854**	33,146
Benefits paid	**(11,080)**	(7,465)
Expense allowance	**(784)**	(639)
Defined benefit obligation at 31 December	**689,134**	494,504
Changes in fair value of plan assets are as follows:		
Plan assets at 1 January	**401,073**	347,351
Expected returns on plan assets	**28,496**	29,144
Actuarial gain/(loss)	**(8,449)**	6,980
Company contributions	**18,107**	18,030
Members' contributions	**7,463**	7,672
Benefits paid	**(11,080)**	(7,465)
Expense allowance	**(784)**	(639)
Plan assets at end of 31 December	**434,826**	401,073

The Group expects to contribute $30.8 million to its defined benefit pension plan in 2012.

The major categories of plan assets as a percentage of total plan assets are as follows:	2011	2010
Equity securities	**28%**	28%
Debt securities	**46%**	46%
Money market instruments/cash	**23%**	23%
Mutual funds	**1%**	1%
Other-purchased annuities	**2%**	2%
	100%	100%

25. Pension obligation (continued)

The principal actuarial assumptions used for accounting purposes were:	**2011**	**2010**
Discount rate	**5.50%**	6.25%
Expected return on plan assets	**6.72%**	7.00%
Future salary increases	**6.00%**	6.00%

The 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.

Experience history

	2011 $'000	**2010 $'000**	**2009 $'000**	**2008 $'000**	**2007 $'000**
Defined benefit obligation	**689,134**	494,504	408,600	339,467	302,064
Fair value of plan assets	**(434,826)**	(401,073)	(347,351)	(301,629)	(299,973)
Deficit	**254,308**	93,431	61,249	37,838	2,091
Experience adjustment on plan liabilities	**(65,895)**	21,566	7,231	7,782	(29,700)
Experience adjustment on plan assets	**(9,493)**	6,392	6,443	(45,066)	(16,239)

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 2011, for the sole purpose of preparing these financial statements.

26. Deferred income	**2011 $'000**	**2010 $'000**
Gas sales (Note (a))	**293,203**	257,003
Non-refundable capital contribution (Note (b))	**55,936**	50,140
Capital grant (Note (c))	**20,481**	24,066
Transportation tariff (Note (d))	**68,040**	70,942
Pier user charge (Note (e))	**15,821**	15,230
Other	**731**	1,777
	454,212	419,158
Current	**44,252**	66,047
Non-current	**409,960**	353,111
	454,212	419,158

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 Consolidated 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 Consolidated 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 are 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 payables	**2011 $'000**	**2010 $'000**
Trade payables		
Trade payables are settled on 30-day terms	**2,485,623**	2,141,969

29. Sundry payables and accruals	2011 $'000	2010 $'000
Accrued interest – Board of Inland Revenue	**17,938**	150,757
Accrued interest – other	**88,008**	81,537
Accrued material/service amounts	**901,621**	1,305,476
Contract provisions	**129,039**	147,994
Employee-related accruals	**82,914**	85,364
Other	**1,131**	2,049
	1,220,651	1,773,177

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.)

In a budget presentation on 8 September 2010, 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 certain unpaid tax liabilities against VAT refunds due. This request was approved by the Board of Inland Revenue and as such the prior year interest accrued of $150.76 million was reversed in 2011.

Accrued interest of $17.9 million relates to an assessment for additional taxes for a prior year.

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	2011 $'000	2010 $'000
Sales include the following:		
Gas sales	**16,678,300**	12,197,054
Condensate sales	**188,679**	104,558
Transportation tariffs	**325,278**	219,813
Compression charges	**59,903**	58,184
Crude oil income	**607,269**	497,076
LNG sales	**858,668**	791,982
Marine facilities and services	**276,263**	298,299
	18,994,360	14,166,966

	2011 $'000	2010 $'000
30. Sales and cost of sales (continued)		
Cost of sales include the following:		
Gas purchase	**12,628,421**	9,533,742
Depreciation	**231,117**	282,779
Impairment – offshore plant and equipment	**6,577**	4,736
Deficit arising on pipeline revaluation (Note 4(a)(ii))	**–**	62,556
Other operating cost	**150,193**	191,028
Production taxes including SPT	**122,759**	149,744
Maintenance cost	**247,018**	183,833
Staff cost (Note 33)	**83,640**	57,432
Royalties	**68,434**	58,360
Exploration and production cost	**35,844**	39,760
	13,574,003	10,563,970
31. Other operating income		
Lease income	**18,450**	44,087
Interest income – Dolphin lease	**193,094**	–
Operating and maintenance fees – Dolphin pipeline	**125,227**	38,700
Project management fees – GORTT	**6,070**	8,488
Gain on repurchase of bonds (Note 22(iii))	**–**	6,770
Gain on disposal of fixed assets	**18,536**	–
Amortization of non-refundable capital contribution	**6,206**	–
Other	**4,628**	14,358
	372,211	112,403
32. Interest and other investment income		
Interest income	**97,397**	134,664
Related party income	**36,289**	60,582
Related party income – prior year	**(56,108)**	–
Net gain on financial asset through profit and loss (Note 9)	**19,998**	–
Fair value gain on T&TEC loan receivable (Note 11(a))	**79,817**	–
Fair value gain on other loan receivable	**1,669**	–
Finance income	**179,062**	195,276
Dividend income	**242,211**	267,936
LNG production payments	**291,206**	239,684
Other investment income	**533,417**	507,620
	712,479	702,896

33. Expenses

	2011 $'000	2010 $'000
Administrative, maintenance and general expenses include the following:		
Staff costs (see below)	**443,354**	238,119
Penalty interest – Board of Inland Revenue	**(133,519)**	27,827
Depreciation	**52,046**	41,031
Provision for irrecoverable receivables	**7,125**	10,614
Increase/(decrease) in provision for onerous contract	**(34,051)**	80,808
Repairs – projects (Note)*	**–**	443,720
Other	**487,290**	350,661
	822,245	1,192,780
Staff costs:		
Wages and salaries	**318,120**	233,422
National insurance	**5,728**	5,375
Pension and Post-retirement medical and group life	**203,146**	56,754
	526,994	295,551
Staff costs included within:		
Cost of sales	**83,640**	57,432
Administrative and general expenses	**443,354**	238,119
	526,994	295,551

*Note:

Included in 2010 project repairs is expenditure of TT$443.72 million incurred in relation to a mechanical failure which occurred during construction of one of the Group's pipelines. A claim has been submitted to the insurers. (Note 38)

	2011 $'000	2010 $'000
34. Impairment expense		
Investment properties (Note 6)	**46,504**	294,495
Property, plant and equipment (Note 4)	**(23,964)**	12,706
Other investment	**-**	10,467
	22,540	317,668
35. Finance costs		
Interest	**225,512**	240,573
Amortization of transaction costs	**815**	757
Decommissioning – unwinding of discount rate	**29,213**	32,931
Net loss on financial asset at fair value through profit and loss (Note 9)	**-**	71,888
Take-or-pay interest	**10,933**	–
Fair value loss on T&TEC receivable (Note 11 (a))	**11,242**	21,111
Fair value loss on other receivables	**-**	14,481
	277,715	381,741
36. Cash generated from operations		
Profit before tax	**6,416,985**	3,300,389
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	**283,163**	323,810
Impairment	**29,117**	322,404
Deficit arising on revaluation of pipelines	**-**	62,556
Loss on disposal of property, plant and equipment	**(18,536)**	2,428
Gain on financial asset at fair value through profit and loss	**(19,998)**	–
Share of profit from joint venture	**(1,053,778)**	(794,271)
Increase/(decrease) in deferred income	**33,058**	(12,650)
Decrease in deferred expenses	**15,048**	24,130
Post-retirement costs	**204,528**	56,754
(Decrease)/increase in onerous contract provision	**(34,045)**	81,176
Decrease in environmental obligation	**(6,663)**	–
Gain on repurchase of bond issue	**-**	(6,770)
Dividend income	**(242,211)**	(267,936)
Fair value gain on loan receivable	**(81,486)**	–
Finance costs	**277,715**	381,741
Interest income on finance lease	**(193,094)**	–
Interest and investment income	**(77,578)**	(195,276)
Operating profit before working capital changes	**5,532,225**	3,278,485

36. Cash generated from operations (continued)

	2011 $'000	2010 $'000
Operating profit before working capital changes	**5,532,225**	3,278,485
Increase in accounts receivable and sundry debtors	**(774,816)**	(1,210,208)
(Decrease)/increase in inventories	**3,732**	(1,889)
(Decrease)/increase in trade creditors, sundry creditors and accruals	**(287,274)**	1,351,908
	4,473,867	3,418,296

37. Contingent liabilities

(a) 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.

(b) Litigation matters

The Group is involved in a number of proceedings which are at various stages of litigation and their outcomes are difficult to predict. The information usually required by IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these matters.

The Group 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. It is the opinion of management, based on the information provided by the internal legal counsel, that if any further liability should arise out of these claims it is not likely to have a materially adverse impact on the Company's financial position or results.

38. Contingent asset

The Group has submitted a claim to its insurers in respect of amounts incurred in relation to a mechanical failure which occurred during construction of one of the Group's pipelines which occurred in 2010. There is uncertainty regarding the quantum and timing of recovery however discussions are currently ongoing with the insurers.

39. 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.

	2011 $'000	2010 $'000
40. Capital commitments		
Approved and contracted capital expenditure	**587,763**	1,011,470
41. Operating lease commitments		
(i) Group as a lessee		
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	**21,659**	27,260
One to five years	**53,583**	37,781
One to five years	**177,984**	169,201
	253,226	11,728
(ii) Group as a lessor		
Future minimum rental receivable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	**16,189**	15,984
One to five years	**42,028**	37,329
More than five years	**177,984**	169,201
	236,201	222,514

42. 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.

In prior years, the Group committed to purchasing additional volumes of natural gas for several new projects that have not materialized as forecasted. For 2011 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 $103.3 million (US$15.7 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 2011.

Management expects that there will be 'take or pay' during 2012.

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 2011 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.

43. 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.

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 39. For the year ended 31 December 2011 the Group has not made any additional provision for doubtful debts relating to amounts owed by related parties. At 31 December 2011, the Group has a provision for doubtful debts relating to amounts owed by related parties of $42.728 million (2010: $42.728 million). 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.

43. 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	2011	6,070	–	707,498	–
	2010	8,487	–	664,467	–
Bonds	2011	1,777	–	19,599	–
	2010	1,004	–	19,339	–
Fellow State Enterprises					
Trinidad & Tobago Electricity Commission: Gas sales	2011	984,224	–	541,228	–
	2010	769,873	–	326,615	–
Loans receivable	2011	(20,768)	–	1,849,896	–
	2010	60,582	–	1,817,058	–
Other receivables	2011	–	–	35,493	–
	2010	–	–	–	–
First Citizens Bank: Loans payable	2011	–	15,462	–	26,806
	2010	–	25,655	–	394,940
Cash and short-term deposits	2011	5,373	–	397,620	
	2010	57,278	–	1,800,137	–
Petroleum Company of Trinidad and Tobago Limited – gas sales, transport and other income	2011	277,420	–	33,981	–
	2010	193,052	–	49,371	–
Bonds	2011	6,700	–	52,013	–
	2010	9,607	–	55,609	–
Petrotrin shareholder advance to LABIDCO	2011	–	–	–	24,573
	2010	–	–	–	25,574

43. 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
Fellow State Enterprises					
Trinidad Generation Unlimited Income	2011 2010	2,129 2,123	– –	2,038 2,038	– –
Alutech Limited Other receivables	2011 2010	– –	– –	20,309 20,309	– –
Alutrint Limited	2011 2010	– 12,713	– –	21,922 22,074	– –
Trinidad Nitrogen Company Ltd	2011 2010	1,529,945 1,081,047	– –	261,492 222,852	– –
Associated Company					
National Helicopter Services Limited	2011 2010	504 520	15,787 15,137	– –	– –
Joint Venture					
Phoenix Park Gas Processors Ltd.	2011 2010	897,151 846,029	– –	153,076 156,515	– –

Compensation of key management personnel	**2011 $'000**	**2010 $'000**
Short-term employee benefits	**36,309**	26,592
Post-employment benefit	**2,923**	1,510
	39,232	28,102

44. 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 may enter 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.

44. Financial risk management objectives and policies (continued)

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. 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.

As stated in Note 11(a), a loan agreement was executed with T&TEC in 2011 for the capitalization of 2005 to 2009 outstanding trade balances. The Group is working with T&TEC and the GORTT to formulate the terms and conditions for the sale of gas and to put measures in place to ensure timely payment.

With respect to credit risk arising from other financial assets of the Group, the exposure to credit risk arises from default of the counter party with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Group monitors its risks 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 summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 Dec 2011	On demand $'000	≤ 3 mths $'000	3-12 mths $'000	1-5 yrs $'000	≥ 5 yrs $'000	Total $'000
Long-term debt	–	77,434	258,404	1,311,931	5,450,143	7,097,912
Trade creditors	–	2,477,781	7,842	–	–	2,485,623
Other payables	–	794,638	127,208	–	–	921,846
Other financial liabilities	–	–	565,000	110,504	–	675,504
	–	3,349,853	958,454	1,422,435	5,450,143	11,180,885

Year ended 31 Dec 2012	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

44. 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 2011, 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 (2010: 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		
2011	**+50**	**2,035**
	-50	**(2,035)**
2010	+50	(4,035)
	–50	4,035
Loans receivable		
2011	**+50**	**3,347**
	-50	**(3,347)**
2010	+50	2,655
	–50	(2,655)

44. Financial risk management objectives and policies (continued)

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
2011	**0.01**	**3,485**
	(0.01)	**(3,485)**
2010	0.01	4,178
	(0.01)	(4,178)

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.

44. Financial risk management objectives and policies (continued)

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
2011	**10%**	**151,085**
	(10%)	**(151,085)**
2010	10%	103,851
	(10%)	(103,851)

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 2010.

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 2011 and 31 December 2010.

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.

	2011 $'000	2010 $'000
Net debt	**3,014,363**	3,491,949
Equity	**23,458,372**	19,459,690
Debt plus equity	**26,472,735**	22,951,639
Gearing ratio	**0.11**	0.15

45. 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	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and short-term deposits	**12,214,795**	9,358,109	**12,214,795**	9,358,109
Available-for-sale investments	**1,522,646**	1,044,478	**1,522,646**	1,048,478
Debt reserve funds	**168,839**	167,961	**168,839**	167,961
Loans receivable	**2,499,006**	2,350,514	**2,499,006**	2,350,514
Net investment in leased asset	**570,004**	563,311	**570,004**	563,311
Accounts receivable	**2,991,250**	2,177,894	**2,991,250**	2,177,894
Financial liabilities				
Fixed rate borrowings	**2,204,708**	2,237,557	**2,119,842**	2,195,319
Floating rate borrowings	**809,655**	1,254,392	**809,655**	1,254,392
Other financial liabilities	**4,388,215**	4,230,872	**4,388,215**	4,230,872

45. 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 are 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.

45. Financial instruments

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 2011 was an increase in interest expense in the amount of $20.03 million (2010: $20.90 million). The secured loan and interest rate swap have the same critical terms.

46. Dividends

	2011 $'000	2010 $'000
Dividends declared during the year:		
Dividends for 2009	**–**	400,000
Additional dividends for 2009	**185,000**	–
Dividends for 2010	**730,000**	–
	915,000	400,000

47. Events after the reporting period

Proposed acquisition of an interest in a methanol company

NGC has submitted a bid to acquire a minority shareholding in a methanol company operating in Trinidad and Tobago.

This investment presents NGC with an attractive opportunity to diversify its asset base, become a more prominent player in the natural gas value-chain and earn a steady stream of dividend income. In addition, NGC's brand as a global player in the gas industry will be enhanced. This investment will provide NGC the opportunity to access methanol for potential future downstream marketing/domestic use and to gain expertise in the industry through forming a close partnership with an industry leader. This proposed acquisition is aligned to NGC's strategic plan.

The proposed acquisition is subject to approval by the parent's shareholder, the Government of the Republic of Trinidad and Tobago.

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

Separate Financial Statements 2011

Report of Independent Auditors

To the Shareholders of The National Gas Company of Trinidad and Tobago Limited

We have audited the accompanying separate financial statements of The National Gas Company of Trinidad and Tobago Limited, which comprise the Statement of Financial Position as at 31 December 2011, 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 separate 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 2011, 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:
30 April 2012

Separate Statement of Financial Position

As at 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars)

	Notes	2011 $'000	2010 $'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**8,662,530**	8,489,843
Intangible assets	5	**13,600**	15,528
Investments	6	**2,814,714**	2,312,040
Financial assets at fair value through profit and loss	7	**59,606**	39,376
Long-term loans receivable	9	**2,673,549**	2,860,568
Net investment in leased asset	14	**569,088**	563,311
Deferred tax asset	19	**558,231**	545,767
Deferred expenses	8	**310,526**	325,987
Debt reserve funds	10	**86,066**	85,619
		15,747,910	15,238,039
CURRENT ASSETS			
Cash and short-term deposits	11	**9,611,395**	7,336,424
Current portion of long-term loans receivable	9	**542,333**	151,470
Accounts receivable	12	**2,793,360**	2,030,802
Sundry debtors and prepayments	13	**1,009,706**	1,235,658
Inventories	15	**31,666**	28,931
Deferred expenses	8	**22,951**	23,640
Income tax receivable		**252,691**	132,450
Current portion of net investment in leased asset	14	**916**	–
		14,265,018	10,939,375
Total assets		**30,012,928**	26,177,414

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

Separate Statement of Financial Position

As at 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars) (continued)

	Notes	2011 $'000	2010 $'000
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	16	**1,855,266**	1,855,266
Reserve fund	17	**438,192**	438,192
Other reserves	18	**2,567,440**	2,044,324
Retained earnings		**15,745,087**	12,802,941
		20,605,985	17,140,723
NON-CURRENT LIABILITIES			
Deferred tax liability	19	**1,344,432**	1,084,296
Long-term debt	20	**2,138,996**	2,142,439
Deferred income	21	**343,326**	301,358
Provisions	22	**775,630**	783,823
Post-retirement medical and group life obligation	23	**102,951**	77,431
Pension obligation	24	**255,386**	94,027
Long-term creditors	25	**110,504**	109,941
		5,071,225	4,593,315
CURRENT LIABILITIES			
Current portion of long-term debt	20	**14,851**	389,812
Trade payables	26	**2,450,337**	2,130,274
Sundry payables and accruals	27	**987,725**	1,491,300
Deferred income	21	**5,813**	5,785
Provisions	22	**5,051**	4,400
Dividend payable		**565,000**	200,000
Income tax payable		**306,941**	221,805
		4,335,718	4,443,376
Total liabilities		**9,406,943**	9,036,691
Total equity and liabilities		**30,012,928**	26,177,414

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 30 April 2012.

: Director　　　　: Director

Separate Statement of Comprehensive Income

For the Year Ended 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars)

	Notes	2011 $'000	2010 $'000
Sales	28	**17,646,341**	12,863,557
Cost of sales	28	**(12,802,311)**	(9,803,796)
Gross profit		**4,844,030**	3,059,761
Other operating income	29	**384,268**	128,790
Interest and other investment income	30	**1,216,311**	924,864
Administrative and general expenses	31	**(710,520)**	(1,121,412)
Impairment expense	31	**–**	(10,467)
Other expenses		**(5,650)**	(5,291)
Finance costs	32	**(228,764)**	(329,405)
Loss on foreign exchange transactions		**(7,920)**	(8,659)
Profit before tax		**5,491,755**	2,638,181
Income tax expense	19	**(1,671,558)**	(1,074,828)
Profit for the year		**3,820,197**	1,563,353
Other Comprehensive Income			
Revaluation surplus on pipelines (net of income tax effect)		**–**	884,769
Available-for-sale financial assets		**473,040**	196,852
Foreign currency translation		**87,025**	49,900
Other Comprehensive Income for the year, net of tax		**560,065**	1,131,521
Total comprehensive income for the year		**4,380,262**	2,694,874

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

Separate Statement of Changes in Equity

For the Year Ended 31 December 2011 (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 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 (note 41)	–	–	–	–	(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
Year ended 31 December 2011						
Balance as at 1 January 2011	1,855,266	–	438,192	2,044,324	12,802,941	17,140,723
Total comprehensive income for the year	–	–	–	560,065	3,820,197	4,380,262
Transfer of depreciation for offshore plant and equipment and pipelines	–	–	–	(36,949)	36,949	–
Dividends (note 41)	–	–	–	–	(915,000)	(915,000)
Balance as at 31 December 2011	1,855,266	–	438,192	2,567,440	15,745,087	20,605,985

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

Separate Statement of Cash Flows

For the Year Ended 31 December 2011 (Amounts expressed in Trinidad and Tobago Dollars)

	2011 $'000	2010 $'000
Cash flows from operating activities		
Cash generated from operations (Note 33)	**3,988,878**	2,884,375
Pension and other Post-retirement contributions paid	**(14,537)**	(18,681)
Income taxes paid	**(1,104,760)**	(1,237,257)
Interest received	**347,634**	118,016
Interest paid	**(177,298)**	(187,949)
Net cash generated from operating activities	**3,039,917**	1,558,504
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	**(336,883)**	(2,162,862)
Proceeds on disposal of property, plant and equipment	**–**	209
Decrease/(increase) in long-term investments	**22,004**	(5,659)
Net decrease in short-term deposits	**924,497**	1,241,940
Investment and advances to subsidiaries	**(74,925)**	105,560
Issue of loan receivables	**(209,932)**	(144,427)
Proceeds from repayment of loan receivable	**39,104**	–
Finance lease (net)	**–**	(72,570)
Dividends received	**709,394**	479,002
Increase in debt reserve funds	**–**	–
Net cash generated from/(used in) investing activities	**1,073,259**	(558,807)
Cash flows from financing activities		
Repayment of long-term debt	**(391,035)**	(153,513)
Dividends paid	**(550,000)**	(350,000)
Net cash used in financing activities	**(941,035)**	(503,513)
Net increase in cash and cash equivalents	**3,172,141**	496,184
Net foreign exchange difference	**(56)**	819
Cash and cash equivalents		
– beginning of year	**1,720,465**	1,223,462
– end of year (Note 11(c))	**4,892,550**	1,720,465

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 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 for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011.

The adoption of these standards and interpretations did not have any effect on accounting policies, financial position or performance of the Company.

IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 32 *Financial Instruments: Presentation (Amendment)*
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

2.2 Changes in accounting policy and disclosures (continued)

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but had no impact on the financial position or performance of the Company.

IFRS 3 *Business Combinations:* The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.

All other components are to be measured at their fair value at acquisition date.

IFRS 7 *Financial Instruments – Disclosures:* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the Statement of Changes in Equity or in the Notes to the Financial Statements.

IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)

IAS 27 *Consolidated and Separate Financial statements*

IAS 34 *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

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.

2.3 Significant accounting judgements, estimates and assumptions (continued)

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.

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 of dismantling and removing 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(r)) based on management's assessment of the timeframe within which the gas will be taken. This assessment requires assumptions to be made regarding the future demand for gas arising from current and existing projects.

2.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Revaluation

The Company 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 not extending beyond 31 December 2070.

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

These factors could include:
- changes in proved reserves;
- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues.

2.4 Summary of significant accounting policies

(a) Cash and cash equivalents

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

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

(b) Accounts and other receivables

Trade accounts receivable are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. A provision is made when there is objective evidence that the 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.

2.4 Summary of significant accounting policies

(d) Taxes

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.

(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%

The pipelines and related facilities were revalued at 31 December 2010. Effective 1 January 2011, these assets will be depreciated over their remaining useful lives varying from 5 to 60 years, not exceeding 31 December 2070.

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.

2.4 Summary of significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

All costs relating to assets under construction will upon completion be transferred to their relevant fixed asset categories upon completion 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.

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, with the exception of a deficit directly offsetting a previous surplus on the same asset. This 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 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 and 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 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 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.

2.4 Summary of significant accounting policies (continued)

(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 investment is 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. All financial assets are recognized initially at fair value plus directly attributable transaction cost, except in the case of investments at fair value through profit or loss. 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.

2.4 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as 'held to maturity' when the Company has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial asset as held for trading.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognized in finance costs in the Statement of Comprehensive Income.

2.4 Summary of significant accounting policies (continued)

(k) Investments and other financial assets (continued)

Available-for-sale financial investments

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

Fair value

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

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.

2.4 Summary of significant accounting policies (continued)

(l) Impairment of financial assets

The Company assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Comprehensive Income. Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

2.4 Summary of significant accounting policies (continued)

(l) Impairment of financial assets (continued

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available fo sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Comprehensive Income – is removed from other comprehensive income and recognized in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

(m) 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)

(n) Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

2.4 Summary of significant accounting policies (continued)

(o) 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.

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.

(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.

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.

2.4 Summary of significant accounting policies (continued)

(p) Leases (continued)

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.

(q) Revenue recognition

Revenue associated with the sale of gas, oil and condensate is 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 accrual basis.

(r) Take or pay

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

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

2.4 Summary of significant accounting policies (continued)

(s) Provisions

General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when 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 22 (c)).

Provision for reforestation

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

2.4 Summary of significant accounting policies (continued)

(t) 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.

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 2011.

IAS 1 *Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)*
The amendments to IAS 1 change the items presented in OCI. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendment affects presentation only and has no impact on the Company's financial position or performance.

IAS 12 *Income Taxes – Recovery of Underlying Assets*
The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IAS 19 *Employee Benefits* (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

3. Standards issued but not yet effective (continued)

IAS 27 *Separate Financial Statements* (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 *Consolidated Financial Statements*
IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities.*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

3. Standards issued but not yet effective (continued)

IFRS 11 ***Joint Arrangements***
IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.

Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 ***Disclosure of Involvement with Other Entities***
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 ***Fair Value Measurement***
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013.

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 2011									
Opening net book value	10,103	153,585	16,962	3,495,257	302,486	–	23,551	4,487,899	8,489,843
Additions	2,443	1,798	2,360	6,252	59,153	6,577	7,186	240,604	326,373
Disposals	–	–	–	–	–	–	(175)	–	(175)
Depreciation charge for the year	–	(2,806)	(5,843)	(122,481)	(52,679)	–	(9,999)	–	(193,808)
Impairment	–	–	–	–	–	(6,577)	–	–	(6,577)
Transfer	–	–	–	3,105,812	–	–	–	(3,105,812)	–
Foreign exchange difference	55	787	79	24,818	1,561	–	108	19,466	46,874
Closing net book value	12,601	153,364	13,558	6,509,658	310,521	–	20,671	1,642,157	8,662,530
At 31 December 2011									
Cost	12,601	210,677	117,467	6,633,952	657,765	474,487	80,740	1,642,157	9,829,846
Accumulated depreciation	–	(57,313)	(103,909)	(124,294)	(347,244)	(474,487)	(60,069)	–	(1,167,316)
Net book value	12,601	153,364	13,558	6,509,658	310,521	–	20,671	1,642,157	8,662,530

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
Transfers	–	–	–	(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 (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 2011.

The offshore plant and equipment were 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 Company.

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 not extending beyond 31 December 2070. The estimated useful life is based on current and estimated future gas reserves as well as other factors.

The revaluation resulted in a net revaluation surplus of $1,298.3 million, which has been incorporated in fixed assets effective 31 December 2010. Included in the net surplus is an amount of $62.56 million which represents a deficit arising on the revaluation of certain pipelines which has been charged directly to the Statement of Comprehensive Income. The 2010 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 $4,622.03 million as at 31 December 2011 (2010: $1,565.77 million).

4. Property, plant and equipment (continued)

(b) Pipelines and related facilities

i 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.

ii. As at 31 December 2011 the Company has recorded a provision of $37.79 million (2010: $37.60 million) for compensation payable to owners of land along Rights of Way of the Company's pipelines.

(c) Assets under construction

Included under assets under construction are costs relating to the Tobago Pipeline Project.

The Company has been requested by the Government of the Republic of Trinidad and Tobago (GORTT) to construct a Tobago 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. The projected estimated completion date is second quarter 2012.

Cost incurred on this project as at 31 December 2011 is $1,627.90 million.

	2011 $'000	2010 $'000
5. Intangible assets		
Year ended 31 December		
At 1 January – net book value	**15,528**	5,118
Additions at cost	**10,510**	19,676
Depreciation charge for the year	**(12,515)**	(9,241)
Foreign exchange difference	**77**	(25)
At 31 December	**13,600**	15,528
At 31 December		
Cost	**109,256**	98,226
Accumulated depreciation	**(95,656)**	(82,698)
Net book amount	**13,600**	15,528
6. Investments		
Investments comprise the following:		
a) Investments in and advances to subsidiaries	**1,168,151**	1,124,064
b) Held-to-maturity investments	**122,887**	139,626
c) Available-for-sale financial assets	**1,522,646**	1,044,784
d) Other	**1,030**	3,566
	2,814,714	2,312,040

(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 $86.34 million and $24.57 million (inclusive of the equity contribution of $22.61 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 and Tobago Limited (NEC).

The current Board of the majority shareholder, NGC, is reconsidering the options available for combining the operations of LABIDCO with that of NEC. However, depending on the mechanism used to effect the amalgamation, the agreement and/or the approval of the minority shareholder, Petrotrin, will be required.

(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:

	2011 $'000	**2010 $'000**
Business Development Company	**916**	912
Petrotrin Bonds	**52,013**	55,609
Government of Trinidad and Tobago Bonds	**19,599**	19,339
Government of Barbados Bonds	**50,359**	63,766
	122,887	139,626

(c) Available-for-sale financial assets

Shares – listed	**1,516,336**	1,038,506
Shares – unlisted	**6,310**	6,278
	1,522,646	1,044,784

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 and 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$35.50 million) in two single tranche credit linked notes at a cost of $112.84 million (US$17.75 million) each. During the first ten (10) years of the investment there is risk in relation to loss of the principal. At the end of the ten (10) year period, the note converts to a zero coupon bond and this risk no longer applies. Upon maturity of the notes they will have a value of US$100 million each subject to any loss in value arising from credit events during the first ten (10) years of the investment.

The fair value of the credit linked investment as at 31 December 2011 was $59.61 million (US$9.30 million) (2010: $39.38 million (US$6.18 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	**2011 $'000**	**2010 $'000**
Take or pay (Note a)	**199,159**	198,893
Capacity rights (Note b)	**128,500**	144,890
Other (Note c)	**5,818**	5,844
	333,477	349,627
Current	**22,951**	23,640
Non-current	**310,526**	325,987
	333,477	349,627

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

	2011 $'000	2010 $'000
Trinidad and Tobago Electricity Commission (Note (a))	**1,849,896**	1,817,058
NEC – Union Industrial Estate (Note (b))	**273,657**	278,440
NEC – Warehousing facility (Note (c))	**421,857**	383,084
Trinidad and Tobago LNG Limited (Note (d))	**497,027**	533,456
Atlantic LNG Company of Trinidad and Tobago (Note (e))	**173,445**	–
	3,215,882	3,012,038
Less: current portion of loan	**(542,333)**	(151,470)
Long-term loans receivable	**2,673,549**	2,860,568

9. Loans receivable (continued)

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

The Company has converted trade receivables in the amount of US$282.8 million for unpaid gas sales for the period July 2005 to September 2009 together with related interest of US$36.8 million to a medium-term loan receivable of US$319.7 million with an effective date of 1 December 2009. The Loan Agreement was executed on 9 March 2012. The loan will be for a period of seven years with interest payable at a fixed rate of 3 per cent per annum with semi-annual instalments to commence on 1 December 2011.

The impairment provision on the loan has decreased by $78.52 million during 2011 to $199.16 million (US$31.073 million) at 31 December 2011. The impairment test was based on cash flows as per the terms of the medium-term loan, using the original effective interest rate of 7 per cent.

The fair value of the long-term loans receivable was $1,849.89 million at 31 December 2011 (2010: $1,817.06 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$58.52 million. This amount has been set up as a loan with tenor of 25 years, with interest payable at 3 per cent per annum. The principal is to be repaid in equal semi-annual instalments originally scheduled to commence 1 July 2009. Interest for 2011 has been capitalized with the loan.

In 2011 the loan repayments have been re-scheduled to commence from 1 January 2015.

A fair value adjustment of $18.03 million was recorded as an additional investment in the subsidiary.

(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 is for US$65.82 million. Interest is payable at a rate of 7 per cent per annum. In 2011 a further moratorium on principal repayments was granted to June 2014.

9. Loans receivable (continued)

(d) Trinidad and Tobago LNG Limited

This amount represents advances of $497.03 million (US$77.55 million) (2010: $533.46 million (US$83.66 million) to Trinidad and Tobago LNG Limited from July 2002 to December 2006. Repayment terms have not been finalized. Principal repayments of US$6.111 million have been made during 2011.

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 date was 1.8776 per cent (2010: 1.9896 per cent). The fair value of this loan approximates its carrying value.

(e) Atlantic LNG Company of Trinidad and Tobago

Atlantic LNG Company of Trinidad and Tobago has secured financing in the amount of US$270.6 million. The National Gas Company of Trinidad and Tobago Limited (NGC) has provided financing of US$27.06 million which represents ten per cent (10 per cent) of the total loan facility.

The term facility was funded on 30 August 2011. The loan shall be repayable in five consecutive semi-annual instalments in equal principal amounts, commencing on the date which is sixty (60) months after the closing date of 30 August 2011 and ending on the seventh anniversary of the Closing Date in 2016. The loans bear interest at a rate per annum equal to the LIBOR rate plus the applicable margin of 1.10 per cent. The effective interest rate at 31 December 2011 was 1.9896 per cent

10. Debt reserve funds

In accordance with the Letter of Credit and Reimbursement Agreement ("L/C Agreement") dated as of 15 October 1997 among the Company, The Bank of Nova Scotia Trinidad and Tobago Limited, Citibank N.A., De Nationale Inversteringsbank (NA) N.V., and Kredietbank N.V. Dublin Branch collectively and The Bank of Nova Scotia L/C Agent, the Company maintains certain debt reserve funds which are funded from appropriations from two gas sales contracts. The debt reserve funds are held in interest-bearing accounts.

11. Cash and short-term deposits	**2011 $'000**	**2010 $'000**
Cash at banks and on hand	**4,892,550**	1,720,465
Short-term deposits	**5,805,900**	6,697,468
Less: Provision for impairment of short-term deposits (Note(b))	**(1,087,055)**	(1,081,509)
	9,611,395	7,336,424

11. Cash and short-term deposits

(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 $9,611.40 million (2010: $7,336.42 million).

(b) The Company holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT$1,087.06 million (US$169.61 million) as at 31 December 2011 which have matured and were not repaid.

CIB experienced financial and liquidity issues. On 31 January 2009 the Central Bank of Trinidad and Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad and 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 2011.

By order of the High Court dated 17 October 2011, CIB was ordered to be wound up and the Deposit Insurance Corporation (DIC) was appointed liquidator. The Company has submitted a claim to the liquidator for the amount due.

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

	2011 $'000	2010 $'000
Cash at banks and on hand	**4,892,550**	1,720,465

12. Accounts receivable

	2011 $'000	2010 $'000
Due from third parties	**1,803,582**	1,275,486
Due from related parties	**989,778**	755,316
	2,793,360	2,030,802

Trade receivables are non-interest-bearing and are generally on 30-60 day terms.

12. Accounts receivable (continued)

As at 31 December 2011, trade receivables impaired and fully provided for totalled $16.84 million. Movements in the provision for impairment of receivables were as follows:

	Individually impaired $'000	Collectively impaired $'000	Total $'000
At 1 January 2010	19	885	904
Charge for year	–	368	368
Utilized	(19)	–	(19)
Foreign currency translation adjustment	–	5	5
At 31 December 2010	–	1,258	1,258
Charge for year	–	15,581	15,581
Utilized	–	–	–
Foreign currency translation	–	–	–
At 31 December 2011	–	16,839	16,839

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
As at December 2011							
Accounts receivable	**2,793,360**	**2,435,338**	**128,026**	**27,826**	**6,932**	**7,547**	**187,691**
As at December 2010							
Accounts receivable	2,030,802	1,714,093	51,707	–	–	–	265,002

13. Sundry debtors and prepayments

	2011 $'000	2010 $'000
Sundry debtors and prepayments comprise the following:		
Prepayments – Other	**4,564**	9,713
Staff-related balances	**7,233**	6,838
Due from Government of Trinidad and Tobago – billed	**547,362**	513,284
Due from Government of Trinidad and Tobago – unbilled	**96,272**	26,540
Related party balances	**154,491**	69,313
Value Added Tax	**50,115**	440,207
Interest receivable	**59,549**	84,983
Accrued income	**53,956**	36,089
Other	**36,164**	48,691
	1,009,706	1,235,658

For terms and conditions relating to related party receivables refer to Note 39.

14. Net investment in leased assets

	2011 $'000	2010 $'000
Finance lease – gross investment	**2,041,490**	2,219,692
Less: Unearned finance charges	**(1,471,486)**	(1,656,381)
	570,004	563,311
Gross investment in leased assets has the following maturity profile:		
Within 1 year	**194,848**	188,618
1 to 5 years	**827,087**	803,316
Over 5 years	**1,019,555**	1,227,758
	2,041,490	2,219,692
Net investment in leased assets has the following maturity profile:		
Within 1 year	**916**	–
1 to 5 years	**90,153**	44,065
Over 5 years	**478,935**	519,246
	570,004	563,311
Current	**916**	–
Non current	**569,088**	563,311
	570,004	563,311

14. Net investment in leased assets (continued)

In December 2010, NGC 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 of the transaction was made under IFRIC 4-Determining whether an arrangement contains a lease and IAS 17-Leases. Consequently, the pre-transfer and capacity payments received from BG/Chevron during 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.

	2011 $'000	2010 $'000
15. Inventories		
Consumable spares	**24,916**	25,602
TSP spares	**6,438**	3,028
Other	**312**	301
	31,666	28,931
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	**1,855,266**	1,855,266

17. 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 Company.

	2011 $'000	2010 $'000
18. Other reserves		
Other reserves comprise the following as at 31 December:		
Revaluation surplus for offshore plant and equipment and pipelines, net of deferred tax	**1,184,977**	1,221,926
Unrealized gain on available-for-sale financial assets	**1,037,430**	564,390
Foreign currency translation	**345,033**	258,008
	2,567,440	2,044,324
19. Taxes		
Corporation tax	**1,261,757**	964,950
Petroleum profit tax	**146,136**	76,345
Green fund	**19,125**	14,050
	1,427,018	1,055,345
Deferred tax	**244,540**	19,483
	1,671,558	1,074,828
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate.		
Accounting profit	**5,491,755**	2,638,181
Tax at the rate of 35 per cent	**1,922,114**	923,363
Tax exempt income	**(251,419)**	(172,253)
Non deductible expense/(income)	**(86,768)**	246,204
Other differences	**4,196**	(5,418)
Prior years' tax	**34,041**	31,776
Green fund	**19,125**	14,050
Effect of oil and gas assets taxed at a higher rate	**38,062**	29,443
Foreign exchange translation	**(7,793)**	7,663
Current year taxation expense	**1,671,558**	1,074,828

19. Taxes (continued)

	2011 $'000	2010 $'000
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Accrued interest expense	**29,313**	29,420
Asset retirement obligation	**250,969**	239,136
Post-retirement medical, group life and pension	**125,418**	60,008
Finance lease – Dolphin pipeline	**129,649**	213,878
Other	**22,882**	3,325
	558,231	545,767
Deferred tax liability:		
Property, plant and equipment	**1,344,432**	1,084,296
Net deferred tax liability		
Balance at 1 January	**538,529**	42,614
Charge recognized in profit and loss	**244,540**	19,483
Charge recognized through other comprehensive income	**–**	476,414
Foreign exchange translation	**3,132**	18
Balance as at 31 December	**786,201**	538,529

20. Long-term debt

	Current portion $'000	Long-term portion $'000	2011 Total $'000	2010 Total $'000
i) AKA Ausfuhrkredit GmbH	14,851	–	**14,851**	44,327
ii) First Citizens Bank	–	–	**–**	360,261
iii) US$400M 30-year bond	–	2,138,996	**2,138,996**	2,127,663
	14,851	2,138,996	**2,153,847**	2,532,251

20. Long-term debt (continued)

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 $14.7 million (US$2.30 million) at 31 December 2011 (2010: $44.3 million (US$6.95 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. The loan was fully repaid on 20 December 2011.	No collateral/ security required except for the condition that Union Estate's operating account be opened at FCB Ltd.
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 and 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 $2,478.58 million (US$386.72 million) at 31 December 2011 (2010: $2,455.50 million) (US$385.08 million). Total bond re-purchases as at 31 December 2011 amounted to US$60.31 million. No bonds were repurchased during 2011.	None.

20. Long-term debt (continued)

	2011 $'000	2010 $'000
Maturity profile of long-term debt		
In one year or less	**14,851**	389,812
In more than one year but not more than two years	**–**	14,776
In more than two years but not more than three years	**–**	–
In more than three years but not more than four years	**–**	–
In more than four years but not more than five years	**–**	–
In more than five years	**2,138,996**	2,127,663
	2,153,847	2,532,251

21. Deferred income

	2011 $'000	2010 $'000
Gas sales (Note a)	**293,203**	257,003
Non-refundable capital contribution (Note b)	**55,936**	50,140
	349,139	307,143
Non-current	**343,326**	301,358
Current	**5,813**	5,785
	349,139	307,143

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(t).

22. Provisions

	Asset retirement obligation $'000	Environ -mental obligation $'000	Onerous contract $'000	2010 Total $'000
Year ended 31 December 2011				
Balance as at 1 January 2011	605,886	14,775	167,562	788,223
Amounts utilized during year	–	–	–	–
Unwinding of discount	29,213	–	–	29,213
Decrease in provision	–	(6,663)	(34,045)	(40,708)
Foreign currency translation	3,151	–	802	3,953
Balance as at 31 December 2011	638,250	8,112	134,319	780,681
Current portion	–	5,051	–	5,051
Non-current portion	638,250	3,061	134,319	775,630
Balance as at 31 December 2011	638,250	8,112	134,319	780,681
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
	605,886	14,775	167,562	788,223

22. 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 decommissioning of these platforms is not expected to occur before 2025. 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 2012, 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 2012 to 2015.

(c) Onerous contract

The Company has an onerous compression contract to provide compression services 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.

23. Post-retirement medical and group life	2011 $'000	2010 $'000
Movement on the liability recognized in the Statement of Financial Position:		
Value at 1 January	**77,431**	73,434
Foreign exchange translation	**669**	(1,894)
Net benefit cost	**25,544**	6,542
Premiums paid	**(693)**	(651)
Value at 31 December	**102,951**	77,431
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation at 1 January	**77,431**	73,434
Service cost	**6,071**	5,736
Interest cost	**4,910**	5,456
Actuarial gain	**14,563**	(4,650)
Foreign exchange translation	**669**	(1,894)
Company's premiums paid	**(693)**	(651)
Defined benefits obligation at 31 December	**102,951**	77,431
The amounts recognized in the Statement of Comprehensive Income are as follows:		
Current service cost	**6,071**	5,736
Interest cost on benefits obligation	**4,910**	5,456
Net actuarial loss recognized in the year	**14,563**	(4,650)
Net benefits cost	**25,544**	6,542

The Company expects to contribute $0.75 million to its post-retirement medical and group life plans in 2012.

The principal actuarial assumption used for accounting purpose were:	2011	2010
Medical cost inflation	**5.75 %**	5.75 %
Discount rates	**5.50 %**	6.25 %
Average individual salary increases	**6.00 %**	6.00 %

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

Effects of one percentage point charge in medical expense increase assumption.	Aggregate service and interest costs $'000	Year end deferred benefit obligation $'000
Medical expense increase by 1 per cent P.A.	2,251	18,433
Medical expense decrease by 1 per cent P.A.	(1,692)	(14,043)

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	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Defined benefit obligation	**102,951**	77,431	73,071	63,932	82,994
Fair value of plan assets	**–**	–	–	–	–
Deficit	**102,951**	77,431	73,071	63,932	82,994
Experience adjustment on plan liabilities	**46**	7,381	4,638	6,207	(1,123)
Experience adjustment on plan assets	**–**	–	–	–	–

24. Pension obligation	2011 $'000	2010 $'000
Benefit liability		
Present value of obligation	**689,134**	494,504
Fair value of plan assets	**(434,826)**	(401,073)
Foreign exchange translation	**1,078**	596
Pension liability	**255,386**	94,027
Movement on the liability recognized in the Statement of Financial Position:		
Liability at 1 January	**94,027**	61,660
Net pension cost	**178,984**	50,212
Contributions paid	**(18,107)**	(18,030)
Foreign exchange translation	**482**	185
Liability value at 31 December	**255,386**	94,027
The amounts recognized in the Statement of Comprehensive Income are as follows:		
Current service cost	**31,612**	22,820
Interest cost on benefit obligation	**30,565**	30,370
Expected return on plan assets	**(28,496)**	(29,144)
Net actuarial loss recognized in the year	**145,303**	26,166
Net pension cost	**178,984**	50,212
Net pension cost:		
National Gas Company of Trinidad and Tobago	**174,721**	48,754
Subsidiaries	**4,263**	1,458
	178,984	50,212
Actual return on plan assets	**20,047**	36,124

24. Pension obligation (continued)

	2011 $'000	2010 $'000
Changes in the present value of the defined benefits obligation are as follows:		
Define benefit obligation at 1 January	**494,504**	408,600
Service cost	**31,612**	22,820
Interest cost	**30,565**	30,370
Members' contribution	**7,463**	7,672
Actuarial loss	**136,854**	33,146
Benefits paid	**(11,080)**	(7,465)
Expense allowance	**(784)**	(639)
Defined benefit obligation at 31 December	**689,134**	494,504
Changes in fair value of plan assets are as follows:		
Plan assets at 1 January	**401,073**	347,351
Expected returns on plan assets	**28,496**	29,144
Actuarial gain/(loss)	**(8,449)**	6,980
Company contributions	**18,107**	18,030
Members' contributions	**7,463**	7,672
Benefits paid	**(11,080)**	(7,465)
Expense allowance	**(784)**	(639)
Plan assets at 31 December	**434,826**	401,073

The Company expects to contribute $30.8 million to the defined benefit pension plan in 2012.

The major categories of plan assets as a percentage of total plan assets are as follows:	2011	2010
Equity securities	**28%**	28%
Debt securities	**46%**	46%
Money market instruments/cash	**23%**	23%
Mutual funds	**1%**	1%
Other-purchased annuities	**2%**	2%
	100%	100%

24. Pension obligation (continued)

The principal actuarial assumptions used for accounting purposes were:

Discount rate	5.50%	6.25%
Expected return on plan assets (other than purchased annuities)	6.72%	7.00%
Future salary increases	6.00%	6.00%

The 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.

Experience history	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Defined benefit obligation	**689,134**	494,504	408,600	339,467	302,064
Fair value of plan assets	**(434,826)**	(401,073)	(347,351)	(301,629)	(299,973)
Deficit	**254,308**	93,431	61,249	37,838	2,091
Experience adjustment on plan liabilities	**(65,895)**	21,566	7,231	7,782	(29,700)
Experience adjustment on plan assets	**(9,493)**	6,392	6,443	(45,066)	(16,239)

The Company's and its subsidiaries' 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 2011, for the sole purpose of preparing these financial statements.

The subsidiary companies have no further obligations to pension costs once the contributions have been paid.

25. 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.

	2011 $'000	2010 $'000
26. Trade payables		
Trade payables		
Trade payables are settled on 30-day terms	**2,450,337**	2,130,274
27. Sundry payables and accruals		
Accrued interest – Board of Inland Revenue	**17,938**	150,757
– Other	**83,748**	84,056
Accrued material/service amounts	**698,920**	1,044,889
Contract provisions	**120,639**	135,109
Employee-related accruals	**66,480**	76,489
	987,725	1,491,300

Terms and conditions of the above financial liabilities.

Interest payable is normally settled in accordance with the terms and conditions of the respective loan. (See Note 20).

In a budget presentation on 8 September 2010, 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 certain unpaid tax liabilities against VAT refunds due. This request was approved by the Board of Inland Revenue and as such the prior year interest accrued of $150.76 million was reversed in 2011.

Accrued interest of $17.93 million relates to an assessment for additional taxes for a prior year.

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

28. Sales and cost of sales

	2011 $'000	2010 $'000
Sales include the following:		
Gas sales	**16,678,300**	12,197,054
Condensate sales	**188,679**	104,558
Transportation tariffs	**112,190**	6,685
Compression charges	**59,903**	58,184
Crude oil	**607,269**	497,076
	17,646,341	12,863,557
Cost of sales include the following:		
Gas purchase	**12,148,249**	9,086,370
Depreciation	**175,160**	190,474
Impairment – offshore plant and equipment	**6,577**	4,736
Deficit arising on pipeline revaluation (Note 4(a)(ii))	**–**	62,556
Exploration and production costs	**35,844**	39,726
Production taxes including SPT	**122,759**	149,744
Maintenance costs	**176,579**	166,988
Royalties	**68,434**	58,360
Staff costs	**68,709**	44,842
	12,802,311	9,803,796

29. Other operating income

	2011 $'000	2010 $'000
Lease income	**19,684**	28,317
Interest income – Dolphin lease	**193,094**	–
Operation and maintenance fees – Dolphin pipeline	**125,227**	38,700
Operation and maintenance fees – other	**29,760**	31,060
Management fees	**4,003**	(1,779)
Project management fees – Government of Trinidad and Tobago	**2,842**	6,210
(Loss)/gain on disposal of assets	**(305)**	82
Gain on repurchase of bonds (Note 20 (iii))	**–**	6,770
Amortization of non-refundable capital contribution	**6,206**	–
Other	**3,757**	19,430
	384,268	128,790

	2011 $'000	2010 $'000
30. Interest and other investment income		
Investment income	**82,498**	113,344
Interest income – related parties	**31,728**	92,834
Net gain on financial asset at fair value	**19,998**	–
Fair value gain on T&TEC loan receivable	**79,817**	–
Fair value gain on other loan receivable	**1,669**	–
Finance income	**215,710**	206,178
Dividend income	**709,394**	479,002
LNG production payments	**291,207**	239,684
Other income	**1,000,601**	718,686
	1,216,311	924,864

31. Expenses

	2011 $'000	2010 $'000
Administrative and general expenses include the following:		
Staff costs	**410,844**	205,702
Penalty interest – Board of Inland Revenue (Note 27)	**(133,519)**	27,827
Materials, services and contact labour	**164,046**	102,230
Depreciation	**31,163**	27,624
Professional fees	**32,081**	24,783
Repairs – projects (Note)*	**-**	443,720
Rates and taxes	**18,760**	21,580
Provision for impairment of receivable	**4,308**	349
Decrease in provision for investment in a subsidiary – LABIDCO	**(19,653)**	(1,422)
Increase/(decrease) in provision for onerous contract (Note 22 (c))	**(34,051)**	80,808
Other	**236,541**	188,211
	710,520	1,121,412
Impairment of investment	**-**	10,467

*Note:

Included in 2010 project repairs is expenditure of TT$443.72 million incurred in relation to a mechanical failure which occurred during construction of one of the Company's pipelines. A claim has been submitted to the insurers. (Note 34a).

	2011 $'000	2010 $'000
31. Expenses (continued)		
Total staff costs:		
Amount included in cost of sales	**68,709**	44,842
Amount included in administrative and general expenses	**410,844**	205,702
Total staff costs	**479,553**	304,507
Staff costs:		
Wages and salaries	**275,544**	191,780
National insurance	**5,126**	4,801
Pension and post-retirement medical and group life	**198,883**	53,963
	479,553	250,544
32. Finance costs		
Interest	**176,561**	188,237
Amortization of transaction cost	**815**	757
Decommissioning – unwinding of discount rate	**29,213**	32,931
Take-or-pay interest	**10,933**	–
Net loss on financial asset at fair value through profit and loss (Note 7)	**–**	71,888
Fair value loss on T&TEC receivable	**11,242**	21,111
Fair value loss on other loan receivable	**–**	14,481
	228,764	329,405

33. Cash generated from operations	**2011 $'000**	**2010 $'000**
Profit before tax	**5,491,755**	2,638,181
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	**206,323**	218,098
Impairment on property, plant and equipment	**6,577**	4,736
Deficit arising on pipeline revaluation	**–**	62,556
Impairment of investment	**–**	10,467
Decrease in provision for investment in subsidiary	**(19,653)**	(1,422)
Loss/(gain) on disposal of property, plant and equipment	**175**	(82)
Finance costs	**228,764**	329,405
Dividend income	**(709,394)**	(479,002)
Interest income	**(114,226)**	(206,178)
Interest income on finance lease	**(193,094)**	–
Increase/(decrease) in deferred income	**40,361**	(2,927)
Decrease in deferred expenses	**17,916**	24,892
Post-retirement costs	**200,265**	56,754
Gain on repurchase of bond issue	**–**	(6,770)
(Decrease)/increase in onerous contract provision	**(34,045)**	81,176
Decrease in environmental obligation	**(6,663)**	–
Gain on financial asset at fair value through profit and loss	**(19,998)**	–
Fair value gain on loan and other receivable	**(81,486)**	–
Operating profit before working capital changes	**5,013,577**	2,729,884
Increase in accounts receivable and sundry debtors	**(809,256)**	(1,224,947)
(Increase)/decrease in inventories	**(2,582)**	1,631
(Decrease)/increase in trade creditors and sundry creditors and accruals	**(212,861)**	1,377,807
	3,988,878	2,884,375

34. Contingent asset and liabilities

Contingent liabilities

(a) Taxes

For years of income 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.

34. Contingent asset and liabilities (continued)

Contingent liabilities

(b) Litigation matters

The Company is involved in a number of proceedings which are at various stages of litigation and their outcomes are difficult to predict. The information usually required by IAS 37 *"Provisions, Contingent Liabilities and Contingent Assets"* is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of these matters.

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. It is the opinion of management, based on the information provided by internal legal counsel, that if any further liability should arise out of these claims it is not likely to have a materially adverse impact on the Company's financial position or results.

Contingent asset

(a) Insurance claim

The Company has submitted a claim to its insurers in respect of amounts incurred in relation to a mechanical failure which occurred during construction of one of the Company's pipelines which occurred in 2010. There is uncertainty regarding the quantum and timing of recovery however discussions are currently ongoing with the insurers.

35. Capital commitments	**2011 $'000**	**2010 $'000**
Approved and contracted capital expenditure	**193,107**	587,435

36. Guarantees

The Company has provided the following guarantees as at 31 December 2011:

(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 $24.1 million at 31 December 2011.

(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 $813.85 million (US$126.98 million) at 31 December 2011.

37. Operating lease commitments

Company as a lessee

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

	2011 $'000	2010 $'000
Payable		
Within one year	**5,470**	11,276
One to five years	**11,555**	452

38. Commitment contracts

Purchases

The Company purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers with terms varying from 15 to 23 years Under these long-term 'take-or-pay' contracts, the Company is obliged to take, 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.

In prior years, the Company committed to purchase additional volumes of natural gas for several new projects that have not materialized as forecasted. For 2011 the Company has an imbalance between the annual contractual volume and amount of natural gas taken which has given rise to a 'take-or-pay' liability of $103.3 million (US$15.7 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 2011.

Management expects that there will be take or pay during 2012.

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.

38. Commitment contracts (continued)

Royalty gas

For the period November 2005 to December 2011 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.

39. 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.

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 36(ii). For the year ended 31 December 2011, 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 2011 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%

39. Related party transactions (continued)

The following table provides the total amount of material transactions, which have been entered into with related parties as at or for the years ended 31 December 2011 and 2010.

		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	2011	2,842	–	643,634	–
	2010	6,210	–	539,824	–
Bonds	2011	1,777	–	19,599	–
	2010	1,004	–	19,339	–
Fellow State Enterprises:					
Trinidad and Tobago Electricity Commission:					
Gas sales	2011	984,224	–	541,228	–
	2010	769,873	–	326,615	–
Loans receivable	2011	(20,768)	–	1,849,896	–
	2010	60,582	–	1,817,058	–
Other receivables	2011	–	–	35,493	–
	2010	–	–	–	–
First Citizens Bank:					
Loan payable	2011	–	13,432	–	–
	2010	–	23,144	360,261	–
Cash and short-term deposits	2011	5,373	–	397,620	–
	2010	77,282	–	1,800,137	–
Petroleum Company of Trinidad and Tobago Limited – Gas sales/transport and condensate	2011	276,567	–	33,981	–
	2010	192,260	–	49,334	–
Bonds	2011	6,700	–	52,013	–
	2010	9,607	–	55,609	–
Trinidad Nitrogen Company Limited	2011	1,529,945	–	261,492	–
	2010	1,081,047	–	222,852	–

39. Related party transactions (continued)

		Income from related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Joint Venture:					
Phoenix Park Gas Processors Ltd.	2011	897,151	–	153,076	–
	2010	846,030	–	156,515	–
Associates:					
National Helicopter Services Limited	2011	504	15,787	–	–
	2010	520	15,137	–	–
Subsidiaries:					
Trinidad and Tobago LNG Limited	2011	–	–	9,933	–
	2010	–	–	329	–
Dividend income	2011	117,159	–	–	–
	2010	–	–	–	–
Long-term loans receivable	2011	10,473	–	497,027	–
	2010	11,363	–	533,456	–
Interest receivable	2011	–	–	2,649	–
	2010	–	–	2,395	–
NGC Pipeline Company Limited	2011	–	–	21,093	803
	2010	–	–	18,499	24,963
Transportation tariff	2011	–	67,708	–	–
	2010	–	67,177	–	–
Shipper's commodity	2011	–	7,684	–	–
	2010	–	7,496	–	–
Operations, maintenance and service fees	2011	31,334	–	–	–
	2010	32,701	–	–	–

39. Related party transactions (continued)

		Income from related parties $'000	Purchases from related parties $'000	Amounts due from related parties $'000	Amounts due to related parties $'000
Subsidiaries (continued)					
NGC Trinidad and Tobago LNG Limited:					
Dividend income	2011	130,632	–	–	–
	2010	–	–	–	–
Management fees	2011	640	–	–	–
	2010	635	–	–	–
Other receivables	2011	–	–	12	270
	2010	–	–	11	–
NGC NGL Company Limited:					
Dividend income	2011	405,019	–	–	–
	2010	421,943	–	–	–
Management fees	2011	640	–	–	–
	2010	635	–	19	–
Other receivables	2011	–	–	50	–
	2010	–	–	19	–
La Brea Industrial Development Company Limited:	2011	–	–	–	5,407
	2010	–	–	–	5,380
National Energy Corporation of Trinidad and Tobago Limited:					
Management fees and other income	2011	1,001	–	1,001	–
	2010	30	4,864	4,842	–
Rental expense	2011	–	–	–	–
	2010	–	747	–	–
Loans and advances	2011	41,174	–	695,514	–
	2010	23,513	–	661,524	–
Other	2011	–	–	79,982	3,135
	2010	–	–	40,824	2,987

39. Related party transactions (continued)

Compensation of key management personnel	$'000	$'000
Short-term employee benefits	**27,409**	21,107
Post-employment benefit	**2,923**	1,510
	30,332	22,617

40. Financial risk management objectives and policies

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

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

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

Credit risk

The Company trades only with recognized creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. 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.

As stated in Note 9 (a), a loan agreement was executed with T&TEC in 2011 for the capitalization of 2005 to 2009 outstanding trade balances. The Company is working with T&TEC and the GORTT to formulate the terms and conditions for the sale of gas and to put measures in place to ensure timely payment.

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.

40. 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 2011 based on contractual undiscounted payments (i.e. principal and interest).

At 31 December 2011	On demand $'000	<3 mths $'000	3-12 mths $'000	1-5 yrs $'000	>5 yrs $'000	Total $'000
Long-term debt	–	77,434	92,399	774,340	5,042,265	5,986,438
Trade creditors	–	2,450,337	–	–	–	2,450,337
Sundry payables	–	761,493	117,290	–	–	878,783
Other financial liabilities	–	–	565,000	110,504	–	675,504
	–	3,289,264	774,689	884,844	5,042,265	9,991,062

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

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.

40. 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. The Company had no floating rate borrowings as at 31 December 2011.

	Increase/ (decrease) in basis points	Effect on profit before tax $'000
Long-term debt		
2011	**+50**	**-**
	-50	**-**
2010	+50	(1,793)
	–50	1,793
Loans receivable		
2011	**+50**	**3,347**
	-50	**3,347**
2010	+50	2,655
	–50	(2,655)

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.

40. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in the TT 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
2011	**0.01**	**1,914**
	(0.01)	**(1,914)**
2010	0.01	3,328
	(0.01)	(3,328)

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.

40. Financial risk management objectives and policies (continued)

Other price risk (continued)

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
2011	**10%**	**151,085**
	10%	**(151,085)**
2010	10%	103,851
	(10%)	(103,851)

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 2010.

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 2011 and 31 December 2010.

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.

	2011 $'000	2010 $'000
Net debt	**2,153,847**	2,532,251
Equity	**20,605,985**	17,140,723
Debt plus equity	**22,759,832**	19,672,974
Gearing ratio	**0.09**	0.13

40. Financial risk management objectives and policies (continued)

Capital management (continued)

Fair values

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

	Carrying amounts		Fair value	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Cash and short-term deposits	**9,611,395**	7,336,424	**9,611,395**	7,336,424
Available-for-sale investments	**1,522,646**	1,044,784	**1,522,646**	1,044,784
Accounts receivable	**2,793,360**	2,030,802	**2,793,360**	2,030,802
Other receivables	**842,399**	723,539	**842,399**	723,539
Held-to-maturity investments	**122,887**	139,626	**122,887**	139,626
Loans receivable	**3,215,882**	3,012,038	**3,215,882**	3,012,038
Net investment in leased assets	**570,004**	563,311	**570,004**	563,311
Debt reserve fund	**86,066**	85,619	**86,066**	85,619
Financial liabilities				
Fixed rate borrowings	**2,153,847**	2,171,990	**2,068,706**	2,129,473
Floating rate borrowings	**–**	360,261	**–**	360,261
Other financial liabilities	**4,075,816**	4,099,452	**4,075,816**	4,099,452

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.

40. 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 loans 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.

41. Dividends

	2011 $'000	2010 $'000
Dividends declared during the year:		
Dividends for 2009	**–**	400,000
Additional dividends for 2009	**185,000**	–
Dividends for 2010	**730,000**	–
	915,000	400,000

42. Events after the reporting period

Proposed acquisition of an interest in a methanol company

NGC has submitted a bid to acquire a minority shareholding in a methanol company operating in Trinidad and Tobago.

This investment presents NGC with an attractive opportunity to diversify its asset base, become a more prominent player in the natural gas value-chain and earn a steady stream of dividend income. In addition, NGC's brand as a global player in the gas industry will be enhanced. This investment will provide NGC the opportunity to access methanol for potential future downstream marketing/domestic use and to gain expertise in the industry through forming a close partnership with an industry leader. This proposed acquisition is aligned to NGC's strategic plan.

The proposed acquisition is subject to approval by the parent's shareholder, the Government of the Republic of Trinidad and Tobago.

Consolidated Five-Year Financial Review

2007-2011

ASSETS	At 31/12/2011	At 31/12/2010	At 31/12/2009	At 31/12/2008	At 31/12/2007 Restated
CURRENT ASSETS					
Cash and cash equivalents	**7,191,084**	3,457,396	2,390,243	1,121,597	1,323,815
Short-term investments	**5,023,711**	5,900,713	7,164,226	9,905,535	6,893,741
Accounts receivable	**2,991,250**	2,177,894	1,617,764	1,094,366	3,222,155
Current portion of loans receivable	**520,970**	151,470	289,662	28,314	111,784
Short-term loans receivable	**–**	–	–	–	90,244
Current Portion of net investment in leased assets	**916**	–	–	–	–
Inventories	**31,912**	35,644	33,755	21,268	39,576
Sundry debtors and prepayments	**1,118,519**	1,446,055	1,970,921	1,807,675	1,549,101
Income Tax receivable	**283,218**	148,534	16,391	71,333	81,988
Deferred Expenses	**17,965**	18005	–	3,646	45,680
Total current assets	**17,179,545**	**13,335,711**	**13,482,962**	**14,053,734**	**13,358,084**
NON-CURRENT ASSETS					
Property, plant and equipment	**11,189,278**	11,051,163	7,748,855	6,116,887	5,438,869
Pension assets	**–**	–	–	–	–
Interest in joint venture	**1,092,241**	956,995	849,233	708,458	666,435
Investments	**1,982,296**	1,522,123	1,325,482	960,657	1,069,441
Net investment in leased asset	**569,088**	563,311	–	–	–
Derivative assets	**59,606**	39,376	111,255	39,206	–
Deferred taxation	**565,263**	605,115	656,524	588,451	394,554
Deferred expenses	**313,370**	326,641	194,620	184,104	206,386
Long-term loans receivable	**1,978,036**	2,199,044	2,189,196	1,982,586	736,568
Debt reserve funds	**168,839**	167,961	167,442	164,882	162,296
Total non-current assets	**17,918,017**	**17,431,729**	**13,242,607**	**10,745,231**	**8,674,549**
TOTAL ASSETS	**35,097,562**	**30,767,440**	**26,725,569**	**24,798,965**	**22,032,633**
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current portion of long-term debt	**126,324**	493,125	163,729	144,846	162,664
Trade creditors	**2,485,623**	2,141,969	1,598,929	907,770	2,125,620
Sundry creditors and accruals	**1,220,651**	1,778,962	1,687,761	1,468,319	1,071,499
Dividends payable	**565,000**	200,000	150,000	350,000	–
Income taxes payable	**317,547**	242,497	278,748	587,726	200,771
Deferred income	**67,690**	83,700	58,939	59,313	56,986
Environmental obligation	**7,721**	5,600	267	264	266
Total current liabilities	**4,790,556**	**4,945,853**	**3,938,373**	**3,518,238**	**3,617,806**

Consolidated Five-Year Financial Review

2007-2011 (continued)

	At 31/12/2011	At 31/12/2010	At 31/12/2009	At 31/12/2008	At 31/12/2007
NON - CURRENT LIABILITIES					
Deferred tax liability	**1,779,689**	1,500,837	922,266	824,721	674,022
Long-term debt	**2,888,039**	2,998,824	3,573,522	3,825,517	4,061,943
Pension obligation	**255,386**	94,027	61,660	37,838	2,091
Asset retirement obligation	**638,250**	605,886	571,080	534,998	458,491
Post-retirement medical and group life obligation	**102,951**	77,431	73,434	63,896	83,256
Deferred income	**409,960**	353,111	339,342	186,438	62,197
Long-term creditors	**110,504**	109,941	109,608	103,120	111,602
Environmental obligation	**5,120**	14,124	21,450	21,372	21,870
Onerous contract	**134,319**	167,562	86,124	110,221	–
Total non-current liabilities	**6,324,218**	**5,921,743**	**5,758,486**	**5,708,121**	**5,475,472**
Total liabilities	**11,114,774**	**10,867,596**	**9,696,859**	**9,226,359**	**9,093,278**
SHAREHOLDERS' EQUITY					
Share capital	**1,855,266**	1,855,266	1,855,266	1,752,848	1,752,848
Reserve fund	**438,192**	438,192	438,192	438,192	438,192
Other reserves	**2,731,419**	2,199,489	942,812	536,459	729,020
Retained earnings	**18,433,495**	14,966,743	13,458,830	12,529,611	9,757,618
Equity attributable to equity holders of the parent	**23,458,372**	**19,459,690**	**16,695,100**	**15,257,110**	**12,677,678**
MINORITY INTEREST	**524,416**	**440,154**	**333,610**	**315,496**	**261,677**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**35,097,562**	**30,767,440**	**26,725,569**	**24,798,965**	**22,032,633**

Consolidated Five-Year Financial Review

2007-2011

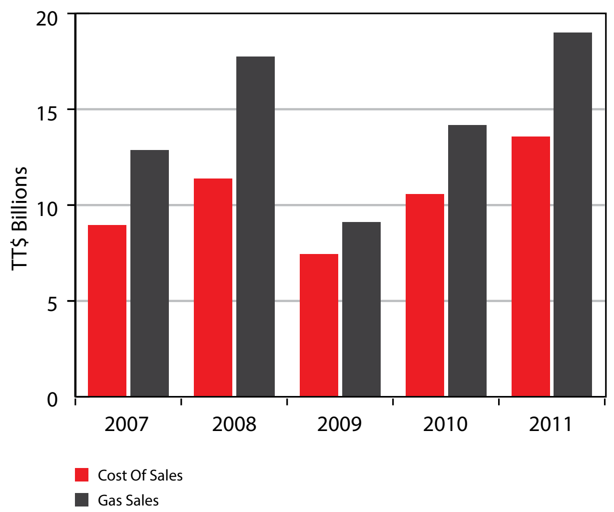
INCOME STATEMENT

TT$ ('000)	**2011**	**2010**	**2009**	**2008** Restated	**2007** Restated
Sales	**18,994,360**	14,166,966	9,125,401	17,744,608	12,876,021
Cost Of Sales	**(13,574,003)**	(10,563,970)	(7,443,264)	(11,374,789)	(8,954,556)
Gross Profit	**5,420,357**	3,602,996	1,682,137	6,369,819	3,921,465
Net Operating Costs	**(864,125)**	(1,530,436)	(729,873)	(2,070,023)	(510,382)
Operating Profit/(Loss)	**4,556,232**	2,072,560	952,264	4,299,796	3,411,083
Interest and Investment Income	**1,766,257**	1,497,167	1,542,940	2,136,003	1,761,839
Finance Costs	**(277,715)**	(381,741)	(291,772)	(509,898)	(317,851)
Other Income	**372,211**	112,403	112,432	144,521	42,161
Profit Before Tax	**6,416,985**	3,300,389	2,315,864	6,070,422	4,897,232
Taxation	**(1,812,114)**	(1,206,941)	(603,432)	(2,410,291)	(1,321,657)
Net Profit for the Year	**4,604,871**	2,093,448	1,712,432	3,660,131	3,575,575
Minority Interest	**(265,421)**	(212,792)	(162,258)	(262,299)	(240,407)
Net Profit Attributable to Equity Holders of Parent	**4,339,450**	1,880,656	1,550,174	3,397,832	3,335,168

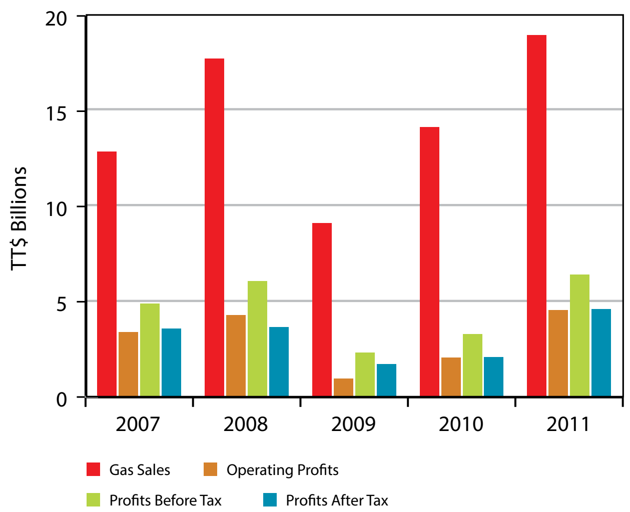
BALANCE SHEET

TT$ ('000)	**2011**	**2010**	**2009**	**2008** Restated	**2007** Restated
Net Current Assets (Current Assets-Liabilities)	**12,388,989**	8,389,858	9,544,589	10,535,496	9,740,278
Loans Receivable	**1,978,036**	2,199,044	2,189,196	1,982,586	736,568
Investments	**3,074,537**	2,479,118	2,174,715	1,669,115	1,735,876
Net Investment in Leased Asset	**569,088**	563,311			
Property, Plant and Equipment	**11,189,278**	11,051,163	7,748,855	6,116,887	5,438,869
Pension Assets	**–**	–	–	–	–
Derivative Asset	**59,606**	39,376	111,255	39,206	–
Deferred Items	**878,633**	931,756	851,144	772,555	600,940
Debt Reserve Funds	**168,839**	167,961	167,442	164,882	162,296
	30,307,006	**25,821,587**	**22,787,196**	**21,280,727**	**18,414,827**
Financed By:					
Long-term Debt And Accruals	**4,134,569**	4,067,795	4,521,779	4,696,962	4,739,253
Deferred Items	**2,189,649**	1,853,948	1,236,707	1,011,159	736,219
Minority Interest	**524,416**	440,154	333,610	315,496	261,677
Shareholders' Equity:					
Share Capital	**1,855,266**	1,855,266	1,855,266	1,752,848	1,752,848
Capital Reserves	**3,169,611**	2,637,681	1,381,004	974,651	1,167,212
Retained Earnings	**18,433,495**	14,966,743	13,458,830	12,529,611	9,757,618
	30,307,006	25,821,587	22,787,196	21,280,727	18,414,827

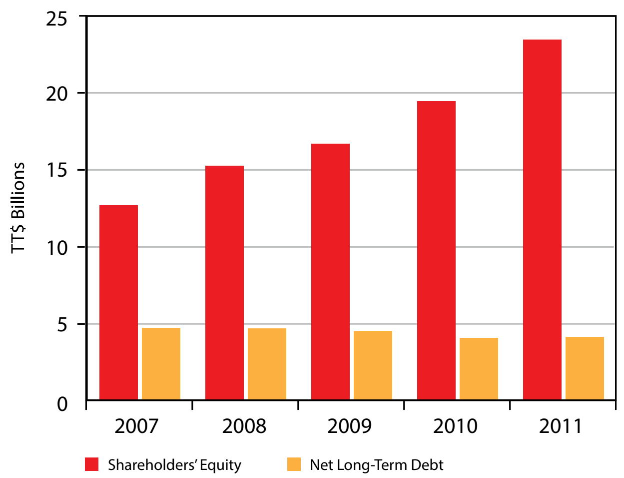
SALES TO COST OF SALES



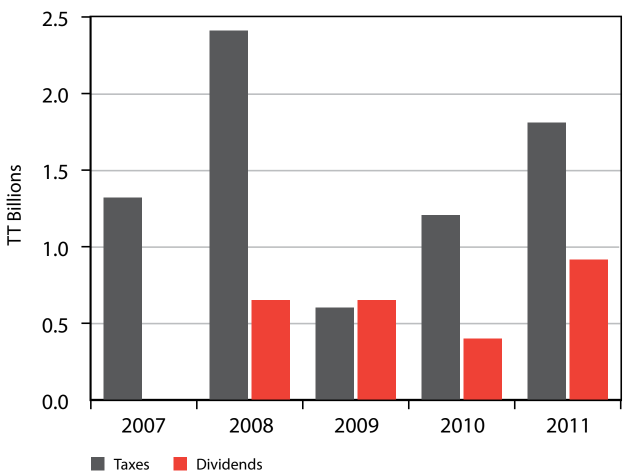
SALES TO PROFITABILITY



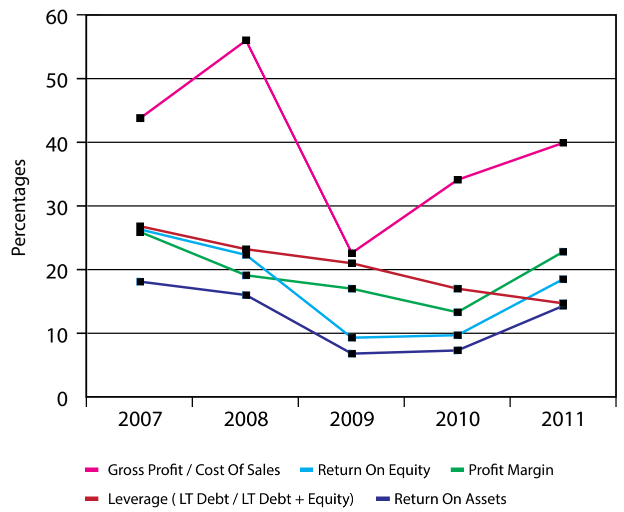
CAPITAL EMPLOYED



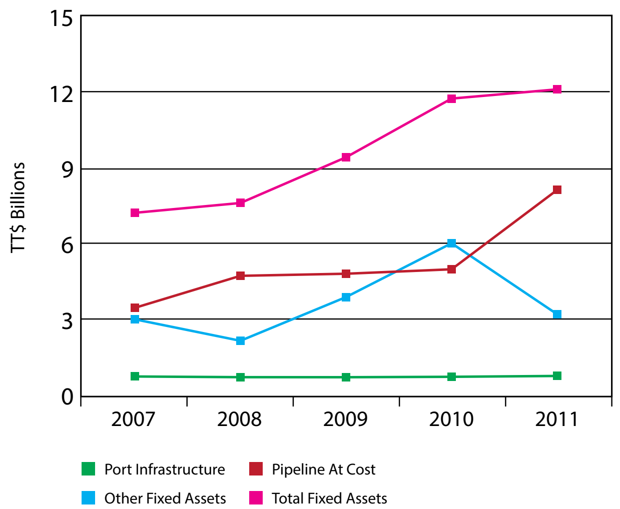
TAXES & DIVIDENDS CONTRIBUTED TO THE TREASURY



CORPORATE PERFORMANCE INDICATORS



GROWTH IN FIXED ASSETS



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VP, Legal and Cororate Management/
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