



ANNUAL REPORT 2012

Partnering for National Development

We are proud to be a national symbol of
Trinidad and Tobago which celebrates
50 years as an independent nation



NGC is a diversified state-owned company on a national mission to develop Trinidad and Tobago's natural gas-based energy sector. Ours is an example of what you can accomplish when you're given the freedom to engage in new ventures, follow world-class business practices and work together in the pursuit of a common cause that ultimately benefits the people.

Our mission is to create exceptional national value. It's an important goal that unites our company and our country, and we will succeed.



Mission

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

Vision

To be a valued partner in the global
energy business.

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56-inch Cross Island Pipeline



In our 50th year of Independence, The National Gas Company of Trinidad and Tobago Limited (NGC), established by the Government of Trinidad and Tobago in August 1975, continues to play a key role in the development and management of Trinidad and Tobago's gas-based energy sector.

NGC is an investment grade company and financially stable with a credit rating of A- from Standard & Poor's, Baa1 from Moody's and AAA from the CariCRIS rating agencies. With an asset base of close to TT\$38 billion, NGC is one of the largest companies in the Caribbean and Latin America measured by assets. Consistently profitable throughout its existence, NGC is a significant contributor to state revenues in the form of taxes and dividends.

In its 37 years of existence, NGC has had a history of outstanding financial performance which has been its source of strength, allowing the Company to self-fund a number of projects, as well as access funding on local and international money markets for major capital projects necessary for the growth of the local gas-based industry. This has been key to its success at promoting and facilitating investment and the development of an energy policy in the country.

From our strategic position in the midstream of the local gas value chain, we have forged strong linkages both upstream

with gas suppliers and downstream with gas consumers. Our customer base comprises power generation plants, a large group of global-scale petrochemical and iron and steel plants and a wide range of light manufacturing and commercial enterprises.

NGC's traditional business has been the purchase, transportation and sale of natural gas. We have provided these services with a high degree of reliability, maintaining a 99 per cent pipeline availability rating for most of our existence.

As a diversified group of companies, the NGC Group has invested in 4.4 Bcf/d of pipeline infrastructure, both on land and offshore, in industrial sites, port and marine infrastructure, natural gas and oil production in the Teak, Samaan and Poui (TSP) offshore fields, natural gas liquids and liquefied natural gas production and shipping.

With over 700 highly trained and experienced personnel, NGC does not only have the 'know how', but, also, the 'can do' attitude to deliver capital projects on time, within budget and in accordance with international standards of excellence. Moreover, the Company has a strong sense of responsibility for its fenceline communities, from the smallest of them situated close to our installations to the entire national community. Our Corporate Social Responsibility (CSR) Programme is one of the most extensive in the country and in the region.



Partnering for National Development

Roop Chan Chadeesingh
Chairman



INTRODUCTION

2012 was a year of milestone achievements for The National Gas Company of Trinidad and Tobago Limited (NGC). The Company celebrated its 37th year of operations and joined the national community in commemorating the country's 50th Anniversary as an independent nation. 2012 also marked the 30th Anniversary of the commissioning of the Company's Flare Gas Conservation Project. This was NGC's first major capital investment which has provided approximately 900 Bcf of compressed gas, which would otherwise have been flared during offshore oil production activities, for commercial use on land over 30 years.

During the course of the year, NGC continued to play an integral role in establishing Trinidad and Tobago as a leading energy producer and the financial capital of the Caribbean. Moreover, in addition to championing national development by promoting the Trinidad and Tobago model of gas-based development, the Company continued with its distinctive Corporate Social Responsibility (CSR) Programme, targeting all citizens in even the remotest of areas.

I am equally pleased to report that operationally, NGC continued to maintain its track record of profitability and safety. In this regard, the Group earned an after-tax profit

of \$3.9 billion and the Phoenix Park Valve Station project reached a milestone of 1.2 million man-hours worked without a lost-time accident.

ECONOMIC CONTEXT

Trinidad and Tobago's economic performance was set against the backdrop of an uncertain global recovery characterized by banking crises in the Euro area, sluggish economic activity in the United Kingdom and the so-called 'fiscal cliff' in the United States. As an emerging economy, the country was impacted by the spillover effects of the economic difficulties in many of the advanced economies with real GDP growth slowing in Brazil, Russia, India and China. With few exceptions, Caribbean countries felt the effects with some of the economies stagnating and others slipping into recession.

The Central Statistical Office (CSO) reported subdued economic activity at home. While CSO preliminary estimates indicated that the economy would grow by 1.2 per cent in 2012, overall growth was considerably lower. This was mainly due to a larger-than-expected decline in the energy sector. This decline was as a consequence of continued maintenance operations which resulted in a one per cent decline in production levels of natural gas, crude oil, petrochemicals and refining activity.



Aerial view of the Phoenix Park Gas Processors Limited at Savonetta

However, the energy sector continued to dominate economic activity. It accounted for 43.7 per cent of Gross Domestic Product (GDP), 54.3 per cent of government revenue and 81.4 per cent of merchandise export receipts.

FINANCIAL HIGHLIGHTS

A combination of weak external demand, a fall in commodity prices globally and the adverse impact of prolonged maintenance work in the upstream and downstream sectors compromised output of natural gas and petrochemicals throughout the year. As a result, NGC's Group sales revenue fell by 3.4 per cent to TT\$18.4 billion with gas sales accounting for 88 per cent of total revenues.

The asset base stood at TT\$38.1 billion with a return on assets of 10.4 per cent. The Company's favourable international investment ratings from Moody's, Standard & Poor's and CariCRIS were maintained.

TRIBUTE

On behalf of the Board of Directors, I take the opportunity to say farewell to my predecessor, Chairman Larry Howai (now Senator), who assumed the office of Minister of

Finance and the Economy in the Government of the Republic of Trinidad and Tobago on June 26, 2012.

I must also acknowledge and thank the former NGC President, S. Andrew Mc Intosh, for his contribution and to wish him the very best in all his future endeavours. At the same time, I extend a hearty welcome to the Company's new President, Indar Maharaj, who joined the NGC family in April 2012 after 30 years of experience in the energy industry.

In closing, I commend my colleagues on the Board and the Company's diligent and committed management and staff for maintaining the standard of performance despite diverse challenges. I anticipate their continued support as the country enters its 51st year as an independent nation within the Commonwealth of Nations.

Roop Chan Chadeesingh
Chairman

President's Report

Indar Maharaj
President



INTRODUCTION

It is indeed a great pleasure that I can report for the first time about the performance of NGC in 2012. Having joined at the helm of the Company in April, it was a position that I accepted with a great sense of responsibility and pride, and a firm resolve to act with the best interests of the country and Company in mind.

At this juncture, it would be remiss of me not to acknowledge the past Presidents of NGC, especially my most recent predecessor, Mr. S. Andrew McIntosh, who have made invaluable contributions to the growth and prosperity of the Company.

The year 2012 was a momentous period for our nation which celebrated 50 years of Independence. For 37 of those years, NGC, a national company, has contributed to the growth and development of Trinidad and Tobago. The Company's contribution could only have occurred because of its strong financial performance throughout its corporate existence. In fact, robust financial successes allowed it to be classed as an investment grade company by reputable international credit agencies for almost six years – a feat of which we are very proud. We should therefore be quite delighted that in 2012 we achieved an after tax-profit of \$3.9 billion.

However, NGC is at a turning point in its history. During the year, besides our traditional business of compressing, purchasing, transporting and selling natural gas to

industries, we have also focused on other areas along the local value chain and the deepening of our integration into all facets of the gas business. This included capitalizing on our own shipping of LNG cargoes from our investment in Atlantic's Train IV; continued expansion of our pipeline network; development of industrial parks and projects; expansion of CNG conversions in the local transportation sector, as well as our continued concentration on a global vision to export our business model to countries which are in their own developmental stages.

FINANCIAL PERFORMANCE

The Group achieved an annual after-tax profit of \$3.9 billion, 15 per cent less than in 2011: a consequence of a lower gas availability from one of our suppliers. Total sales revenue was \$18.4 billion and total assets stood at \$38.1 billion.

At year's end, the Company's international financial reputation remained intact as investment grade credit ratings were maintained at A- from Standard & Poor's, Baa1 from Moody's and AAA from CariCRIS rating agencies. The debt service coverage ratio improved from 24.68 in 2011 to 27.61 and the leverage ratio measured by long-term debt/long-term debt and equity was 10 per cent.

CAPITAL WORKS

Capital works were concentrated primarily at NGC's Tobago Gas Processing and Metering Facility in Lowlands,



which was commissioned in December 2012, having received its first natural gas supply in November. Work of a similar nature continued at the Phoenix Park Valve Station (PPVS) Upgrade. Construction of the Liquid Fuels Pipeline Project continued on behalf of the Government of Trinidad and Tobago.

Three other initiatives included the continuation of works on the pipeline to the Diamond Vale Industrial Estate, the design for the diversion of the 16-inch diameter line into Charlieville to replace ageing pipeline infrastructure and the design and planning for the NGC-owned CNG stations at Point Lisas and Beachfield to facilitate the convenient refuelling of the company's fleet of vehicles.

COMMERCIAL ACTIVITIES

The highlights of the Company's commercial activities in 2012 included:

- 1) The direct marketing of LNG with the sale of two cargoes, which was a financial success. This represented an expansion of NGC's international brand and reputation;
- 2) The successful engagement with the Mitsubishi consortium and other local and foreign stakeholders to initiate the estimated US\$850 million Mitsubishi Methanol to DME project. This was the first energy mega project for the last 10 years and the first of its kind to be constructed and operated at Union Industrial Estate (UIE);
- 3) The successful management of the imbalance in the gas supply/demand situation to maintain commerciality of the energy sector operations,

manage operational risks and ensure in a transparent manner that downstream users were treated equitably.

Transmission and Supply of Natural Gas

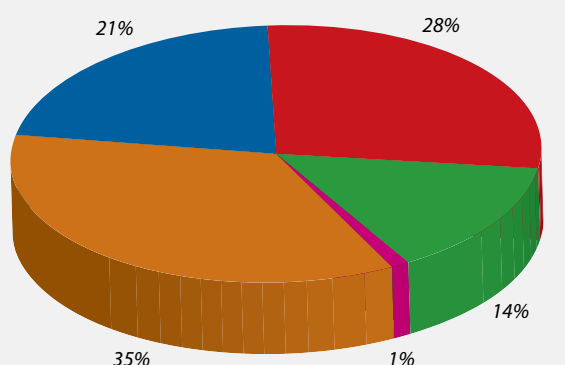
The continued reliable and safe transmission of natural gas was facilitated by the achievement of a pipeline system availability of 100 per cent. The major accomplishments with respect to transmission included the commissioning of the 36-inch diameter North-Eastern Offshore (NEO) pipeline, the initiation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

Average daily supply of natural gas for 2012 was 1,612 MMscf/d, down 5.4 per cent from 2011. bpTT accounted for 35 per cent of supply, with EOG Resources, BGTT/Texaco and BHPB contributing 28 per cent, 21 per cent and 14 per cent respectively.

On the demand side, ammonia production accounted for 36 per cent, methanol production, 33 per cent and power generation, 19 per cent. In addition, the Company managed its take-or-pay exposure in 2012 to the extent that its liability of US\$9.5 million was 43.6 per cent less than in 2011.

The NGC Pipeline Company Limited, which is responsible for tariff-based transmission services to ALNG Train IV, accounted for an average shippers' gas flow of 947,092 MMscf/d, 2.3 per cent more than in 2011.

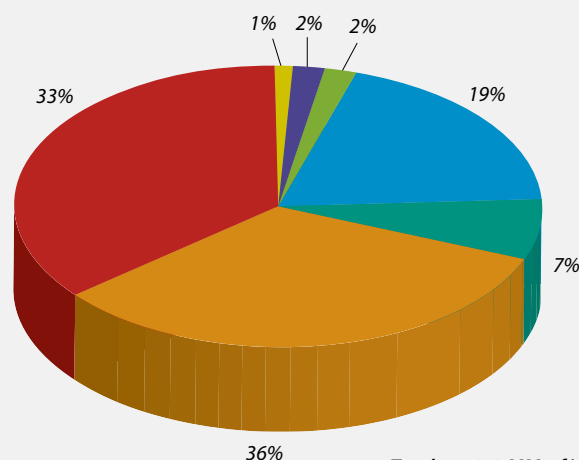
National Gas Supply 2012



Total – 1,612 MMscf/d

EOG BHPB Other/TSP BP BGTT/Texaco

Natural Gas Usage 2012



Total – 1,612 MMscf/d

Ammonia Methanol Refining Gas Processing
Other Power Generation Metal Industries

President's Report

Liquids Collection

Liquids collection in 2012 was 176,865 barrels, down from 417,676 barrels in 2011. The decrease was due primarily to the relatively low liquids-to-gas ratio of 0.30 per cent in 2012 compared to 0.67 per cent in 2011. The Beachfield/Guayaguayare pipeline operations maintained its position as the major contributor, accounting for 78 per cent of liquids collected and sold.

LNG Operations

Domestic LNG production was 32.3 million cubic meters, 1.4 per cent above the level achieved in 2011. The upsurge in shale gas production in the U.S. and dampening prices at the Henry Hub prompted LNG producers in Trinidad and Tobago to continue the strategic diversification of exports to take advantage of spot market based trading and higher prices elsewhere. Argentina emerged as the largest export market in 2012, accounting for 18.5 per cent, followed by the US and Chile with 16.5 per cent and 16.0 per cent respectively.

Gas Compression

The gas lift compression operations achieved an average throughput of 57 MMscf/d versus a combined demand requirement in Teak and Poui fields of 88 MMscf/d. The drop in production was a direct result of two factors, namely declining crude production associated with gas availability and mechanical problems associated with the compression operations. As a consequence, high press makeup gas had to be consumed from the NGC's offshore network, which resulted in a financial deficit for the overall compression services operation. The commercial performance of this operation continues to be a challenge.

FLARE GAS CONSERVATION ANNIVERSARY

Possibly one of the most notable early milestones in NGC's history was the installation of NGC's Teak and Poui natural gas compression platforms in 1981. These two platforms, installed 11 and 25 miles off the southeast coast respectively, are situated adjacent to the then Amoco's oil-producing rigs.

Commissioned in 1982, compressed natural gas from this project provided NGC with its cheapest supply of natural gas, allowing the Company to supply the country with subsidised fuel for its electricity needs.

In 2012, NGC's offshore operations celebrated 30 years of platform operations, and it was with great pride that the Flare Gas Conservation Project was remembered at an appreciation event hosted for the offshore crews, past and present.



DOMESTIC MARKET DEVELOPMENTS

The domestic market comprised 120 customers. Cumulative sales were 10,994 MMbtu/d which contributed US\$8.68 million to total revenue. Market initiatives were explored to facilitate the expanded use of natural gas as the fuel of first choice for vehicle users and the engineering and design of external and in-house CNG stations.

COMMODITY PRICES

Commodity prices continued to be robust in 2012. As a consequence, NGC was well served and reaped benefits from its established gas pricing policy that is linked in part to commodity prices. On the average, ammonia and methanol were four per cent and one per cent higher respectively than in 2011.

ENVIRONMENT, HEALTH AND SAFETY

In April, NGC hosted a series of contractor fora to review challenges, including those related to Environment, Health and Safety (EHS).

The EHS Department facilitated several of these fora with large and medium sized contractor companies, whose works often involve high risk activities, such as those encountered on a number of construction projects. These sessions were held quarterly and focused on "lessons learnt" and "best practices" that can be adopted to positively enhance the contractor work ethic. Sessions focused on transferring knowledge from the NGC EHS behaviour-based programmes such as the Safety Training Observation Programme (STOP), Advanced Safety Assurance (ASA) and EHS Leadership.

During the year, the Company successfully achieved 1.2 million man-hours worked without a lost-time accident on its Phoenix Park Valve Station Upgrade project. EHS leadership programmes were also offered to all levels of staff. There are areas where we will have to continue to work towards bringing greater awareness of EHS.



CORPORATE SOCIAL RESPONSIBILITY

This year in Trinidad and Tobago, there was an atmosphere of jubilation and celebration as our country celebrated 50 years of Independence. NGC, as a state company, provided support to various stakeholders in their efforts to make this historic milestone a memorable one.

NGC's contribution to five major activities underscored its commitment to the people of Trinidad and Tobago.

First on the list was the NGC Bocas Literary Festival in April, in which NGC assumed title sponsorship. The Bocas Lit Fest not only highlights the literary talents of established and upcoming writers that the Caribbean has to offer, but seeks to revitalise a culture of reading in the nation.

In May, NGC, in collaboration with Pan Trinbago and the SteelFesTT Committee, hosted an inaugural event – The Steelpan Festival of Trinidad and Tobago, SteelFesTT. This was a four-day international conference on Trinidad and Tobago's national instrument – the Steelpan. The event focused on the sharing of ideas for the development of the steelpan instrument and its future. Prior to her passing, Pat Bishop, TC, former director of the NGC-sponsored Lydian Singers, coined the festival's theme: The Steelpan: Uniting the Sounds of the World.

In Sport, NGC signed an historic Memorandum of Understanding (MoU) with the Trinidad and Tobago Cricket Board (TTCB). NGC committed to contributing TT\$10 million in support of the Cricket Board's programme. The terms of the MoU comprised TTCB's preparation and participation in the 2012 and 2013 Nokia Championship League, the TTCB grassroots developmental programme, the regional and local T20 competitions, the National Cricket Academy, women's cricket, as well as other developmental activities, including the production of a coaching DVD.

Apart from these 50th Anniversary signature undertakings, the Company paid particular attention to training initiatives in Trinidad and Tobago. In Trinidad, the programmes entailed emergency medical technician training and Community Response Emergency Team (CERT) modules in Mayaro and Guayaguayare. In Tobago, NGC collaborated with Metal Industries Company Limited (MIC) to host a Process Plant Maintenance Scholarship Programme that included an apprenticeship component. This prepared trainees for potential job opportunities at NGC's Tobago Onshore Facility at the Cove Eco-Industrial Estate and Business Park at Lowlands, Tobago.

Moreover, NGC, in collaboration with the National Energy Skills Centre (NESC) and the Tobago House of Assembly (THA), supported a Building Construction Technology (BCT) programme. This was undertaken in two cycles and



NGC Bocas Lit Fest

had the objective of providing participants with practical and theoretical training.

A third initiative was the Tobago Outboard Boat Engine Repairs Programmes also executed in conjunction with NESC and the Department of Marine Resources and Fisheries of the THA. NGC sponsored two of these programmes in Goldsborough and Buccoo, targeting some 40 boat owners, sailors, fisher folk and other persons who were interested in learning the fundamentals of outboard marine engine repairs and maintenance.

A top priority for NGC is environmental conservation. NGC has continued to adhere to its "no net loss" policy through its reforestation programme. By the end of 2012, NGC had completed the reforestation of 132.5 hectares of degraded forests with mixed hardwood and fruit seedlings in fulfillment of a 10-year programme to replace 315 hectares of forest lost or degraded during its pipeline and estate construction activities.

CONCLUSION

In 2012, we, along with our countrymen, felt a deep sense of pride celebrating our nation's 50 years of Independence. At NGC, we were especially proud as we have been contributing to national development for 37 years. Our financial performance has proved essential to the development of the gas-based energy sector of our country. As we approach the new financial year, our aspirations are crystalized in our vision statement – global energy business. Our history, skilled staff and strong business acumen have equipped us with the tools to undertake that challenge in 2013.

Indar Maharaj
President

Board of Directors



Roop Chan Chadeesingh
Chairman



Gordon Ramjattan
Deputy Chairman



Haseena Ali
Director



Mulchan Lewis
Director



Khalid Hassanali
Director



Dr Utam Maharaj
Director



Clyde Ramkhalawan
Director



Orville Moore
Director



Premchand Beharry
Director



Olave Maria Thorne
Company Secretary



Year Ended 31 December 2012

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December 2012.

1. BUSINESS ACTIVITIES

During 2012, the Company actively pursued its core business of the purchase, compression, transportation, 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\$16.926 billion, a decrease of approximately four per cent from the previous year's amount of TT\$17.646 billion. This decrease in gross sales was based on the curtailment of volumes due to the short supply of gas from our suppliers. Condensate sales also decreased as barrels sold in 2012 were much lower than in 2011. Total barrels sold in 2012 were 178,642 compared to 418,206 in 2011.

In addition, dividend income received from its key strategic investments in the Liquefied Natural Gas (LNG) and Natural Gas Liquids (NGLs) business increased from TT\$709 million to TT\$1.285 billion.

The Company recorded a Net after Tax Profit of TT\$3.910 billion representing an increase of TT\$90 million or 2.4 per cent from the previous year's figure of TT\$3,820 billion. This increase in net profit is due mainly to the income received from NGC's investments.

Dividends of TT\$1.240 billion were paid during the year 2012 which comprised of TT\$185 million for 2009, TT\$380 million for 2010 and TT\$675 million for 2011, as compared to the amount of TT\$550 million paid in 2011. To date no dividends have been declared for 2012.

Retained Earnings at the end of the year amounted to TT\$18.192 billion and Issued Share Capital totalled TT\$1.86 billion.



NGC's Gas Receiving Facility located at Cove Eco-Industrial and Business Park (CEIBP) in Tobago

Directors' Report (continued)

Year Ended 31 December 2012

A summary of the Separate Statement of Comprehensive Income and Financial Position of the Company for the year ended 31 December 2012 is set out below:

	2012 \$'000	2011 \$'000
Sales	16,926,197	17,646,341
Cost of sales	(12,947,934)	(12,802,311)
Gross profit	<u>3,978,263</u>	<u>4,844,030</u>
Other operating income	394,650	384,268
Interest and other investment income	1,895,326	1,216,311
Administrative and general expenses	(800,108)	(710,520)
Other expenses	(25,444)	(5,650)
Finance costs	(205,571)	(228,764)
Loss on foreign exchange transactions	<u>(20,738)</u>	<u>(7,920)</u>
Profit before tax	5,216,378	5,491,755
Income tax expense	(1,306,290)	(1,671,558)
Profit for the year	<u>3,910,088</u>	<u>3,820,197</u>
Other comprehensive income		
Available-for-sale financial assets	(98,993)	473,040
Foreign currency translation	(105,137)	87,025
Other comprehensive income for the year, net of tax	<u>(204,130)</u>	<u>560,065</u>
Total comprehensive income for the year	<u>3,705,958</u>	<u>4,380,262</u>
Retained earnings –		
At beginning of year	15,745,087	12,802,941
Transfer of depreciation for offshore plant and equipment and pipelines	36,818	36,949
Profit for the year	<u>3,910,088</u>	<u>3,820,197</u>
Total income/expense for the year	<u>3,946,906</u>	<u>3,857,146</u>
Dividends paid/proposed	(1,500,000)	(915,000)
Retained earnings – at end of year	<u>18,191,993</u>	<u>15,745,087</u>



Year Ended 31 December 2012

3. DIVIDENDS

In 2012, the Board declared dividends in the amount of TT\$1.5 billion for the year 2011.

4. DIRECTORS

During the period 1 January to 31 December, 2012, the membership of the Board of NGC comprised:

- Larry Howai (Chairman until 25 June, 2012)
- Roop Chan Chadeesingh (Deputy Chairman until 13 November, 2012 and Chairman from 14 November, 2012)
- Gordon Ramjattan (Deputy Chairman from 21 December, 2012)
- Haseena Ali
- Premchand Beharry
- Clyde Ramkhalawan
- Dr. Utam Maharaj
- Khalid Hassanali (from 21 December, 2012)
- Orville Moore (from 21 December, 2012)
- Mulchan Lewis (from 21 December, 2012)
- Rabindra Jaggernauth (until 22 May, 2012)
- Carlton Gibson (until 25 May, 2012)
- Cathal Healy-Singh (until 30 November, 2012)

The NGC Board held fifteen (15) meetings for the period 1 January to 31 December, 2012.

In addition, four (4) Board Sub-Committees continued to assist in formulating and guiding the business and policies of the Company.

a) The Audit Committee comprised:

- Haseena Ali (Chairperson)
- Dr. Utam Maharaj
- Kaisraj Seegobin (Representative from the Ministry of Finance and the Economy)
- Rabindra Jaggernauth (until 22 May, 2012)

The Committee held five (5) meetings for the period 1 January to 31 December, 2012.

b) The Finance and Tenders Committee comprised Messrs:

- Roop Chan Chadeesingh (Chairman until 11 October, 2012)
- Clyde Ramkhalawan (Chairman from 12 October, 2012)
- Premchand Beharry
- Dr. Utam Maharaj

The Committee held eleven (11) meetings for the period 1 January to 31 December, 2012.

c) The Human Resources Committee comprised:

- Cathal Healy-Singh – Chairman (until 30 November, 2012)
- Haseena Ali
- Premchand Beharry
- Rabindra Jaggernauth (until 22 May, 2012)
- Carlton Gibson (until 25 May, 2012)

The Committee held eleven (11) meetings for the period 1 January to 31 December, 2012.

Directors' Report (continued)

Year Ended 31 December 2012

4. DIRECTORS (continued)

d) The Operations Committee comprised Messrs:

- Premchand Beharry (Chairman)
- Clyde Ramkhalawan
- Dr. Utam Maharaj
- Indar Maharaj (from 2 April, 2012)
- Anand Ragbir (from 1 March, 2012)
- Curtis Mohammed (from 26 November, 2012)
- S. Andrew Mc Intosh (until 29 February, 2012)
- Carlton Gibson (until 25 May, 2012)
- Cathal Healy-Singh (until 30 November, 2012)

The Committee held eleven (11) meetings for period 1 January to 31 December, 2012.

4. SIGNIFICANT EVENTS

Included under assets under construction are costs relating to the Tobago Pipeline Project. A 12-inch diameter, 54km (33 mile) long subsea pipeline was constructed from the BHP Billiton Central Processing Platform in the Angostura Field to Cove Eco-Industrial and Business Park Estate, Tobago (CEIBP). The pipeline terminates at the NGC Natural Gas receiving station at the battery limits of the estate inclusive of custody transfer metering. The asset was commissioned in December 2012 and is awaiting its primary customer, T&TEC, to take delivery of gas. Cost incurred as at December 2012 is TT\$1.2 billion.

NGC is currently evaluating both upstream and downstream natural gas-related investment opportunities. These investments will present NGC with an attractive opportunity to diversify its asset base, and become a more prominent player in the natural gas value chain, thus enhancing NGC's brand as a global player in the gas industry.

The Company provided project management services for the development of the Liquid Fuels Pipeline and Terminal Loading Facility that is scheduled for completion in third quarter 2013. Engineering design for the new Beachfield Compression and Condensate Stabilization Facility commenced with a target completion fourth quarter 2015.

5. CORPORATE SOCIAL RESPONSIBILITY

In 2012, NGC upheld its focus on a key strategic pillar, namely Corporate Social Responsibility (CSR). NGC's CSR programme deepened its involvement in Community Economic Development (CED) and Community Engagement while still providing meaningful support in the areas of Youth Development, Arts and Culture, Education, Human and Social Development and Sport.

Through the facilities construction component of Community Economic Development, NGC refurbished a clubhouse for the Caldrac Sports Club in California, built a new pan theatre for the NGC Couva Joylanders Steel Orchestra and outfitted a gymnasium for the Youth Training Centre (YTC) in Arouca. Part of NGC's CSR portfolio involved the facilitation of improved socio-economic conditions through its support for new and expanded businesses and job creation activities in targeted communities. As such, NGC supported the agricultural project of the Bethel Empowerment and Skills Training (BEST) Centre whose main objectives were to promote entrepreneurship and self-sustenance among youth in Bethel, Tobago.

In the area of Community Engagement, NGC maintained its support of the communities in Tobago and Mayaro/Guayaguayare with training programmes relevant to their needs. In Tobago, training in boat engine repairs and building construction technology was offered, while in Trinidad, the programme entailed emergency medical technician training and Community Response Emergency Team (CERT) modules in Mayaro and Guayaguayare.



Year Ended 31 December 2012

5. CORPORATE SOCIAL RESPONSIBILITY (continued)

The Company recognized the importance of developing the youth. In 2012, NGC assumed sponsorship of two Police Youth Clubs in La Brea and Couva. The aim is to strengthen the capacity of the clubs to make them Trinidad and Tobago's leading youth development organizations through various programmes which span music literacy, dance and the establishment of homework centres. NGC sustained its support to the Couva Children's Home and Crisis Nursery, as well as to institutions in education, social welfare and human development, via Deeds of Covenant.

In Sport, NGC continued its partnership with the Trinidad and Tobago Cricket Board (TTCB) for the long-term development of cricket at various levels – from grassroots to professional. One bold step taken by the Company in the area of the Arts and Culture in 2012 was full sponsorship of two steel orchestras – NGC Couva Joylanders and NGC La Brea Nightingales. The Company sustained its involvement in its reforestation programme which had a survival rate of 90.2 per cent in 2012.

50th Anniversary

In the area of Arts and Culture, NGC was pleased to give a gift to the nation through sponsorship of Pan Trinbago's first Steelpan Festival of Trinidad and Tobago, SteelFesTT, as well as continue its title sponsorship of the NGC Bocas Lit Fest – both of which were included on the official list of events for the 50th Anniversary of our country's Independence. The Company also provided support to TT Village 2012, a project of the Trinidad and Tobago High Commission in London as part of its initiative to celebrate the country's milestone event in its history of Independence.

6. AUDITORS

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

Dated this 27th day of June, 2013.

By ORDER OF THE BOARD
Olave Maria Thorne
Company Secretary



Images from inaugural SteelFesTT 2012



THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED



CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Auditors

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

We have audited the accompanying Consolidated Financial Statements of The National Gas Company of Trinidad and Tobago Limited, which comprise the Consolidated Statement of Financial Position as at 31 December 2012, 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

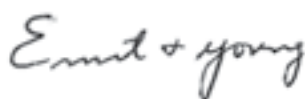
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain,
TRINIDAD:
30 April 2013

Consolidated Statement of Financial Position



As at 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

ASSETS	Notes	2012 \$'000	2011 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	10,489,098	10,555,773
Intangible assets	5	5,138	17,033
Investment properties	6	577,051	616,472
Interest in joint venture	7	1,049,184	1,092,241
Investments	8	1,852,109	1,982,296
Financial asset at fair value through profit and loss	9	141,988	59,606
Net investment in leased asset	10	560,430	569,088
Long-term loans receivable	11	1,708,955	1,978,036
Deferred tax asset	22	522,140	565,263
Deferred expenses	12	282,658	313,370
Debt reserve funds	13	82,422	168,839
		<u>17,271,173</u>	<u>17,918,017</u>
CURRENT ASSETS			
Cash and short-term investments	14	16,199,661	12,214,795
Current portion of long-term loan receivable	11	314,135	520,970
Current portion of net investment in leased assets	10	6,214	916
Accounts receivable	15	2,855,973	2,991,250
Sundry debtors and prepayments	16	930,270	1,036,800
Inventories	17	35,913	31,912
Dividends receivable		65,091	81,719
Deferred expenses	12	28,204	17,965
Income taxes receivable		381,867	283,218
Total current assets		<u>20,817,328</u>	<u>17,179,545</u>
Total assets		<u><u>38,088,501</u></u>	<u><u>35,097,562</u></u>

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

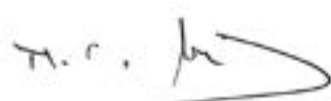
Consolidated Statement of Financial Position

As at 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

EQUITY AND LIABILITIES	Notes	2012 \$'000	2011 \$'000
EQUITY			
Stated capital	18	1,855,266	1,855,266
Reserve fund	19	438,192	438,192
Other reserves	20	2,477,919	2,731,419
Retained earnings		20,723,026	18,433,495
Equity attributable to equity holders of the parent		25,494,403	23,458,372
Minority interests		448,725	524,416
		<u>25,943,128</u>	<u>23,982,788</u>
NON-CURRENT LIABILITIES			
Long-term debt	21	2,774,578	2,888,039
Deferred tax liability	22	1,956,081	1,779,689
Provisions	23	794,713	777,689
Post-retirement medical and group life obligation	24	106,115	102,951
Pension obligation	25	290,207	255,386
Deferred income	26	435,572	409,960
Long-term creditors	27	95,472	110,504
Total non-current liabilities		<u>6,452,738</u>	<u>6,324,218</u>
CURRENT LIABILITIES			
Current portion of long-term debt	21	101,560	126,324
Trade payables	28	3,437,278	2,485,623
Sundry payables and accruals	29	1,084,361	1,220,651
Deferred income	26	106,283	44,252
Deferred capital grant		—	23,438
Provisions	23	6,652	7,721
Income taxes payable		131,501	317,547
Dividends payable		825,000	565,000
Total current liabilities		<u>5,692,635</u>	<u>4,790,556</u>
Total liabilities		<u>12,145,373</u>	<u>11,114,774</u>
Total equity and liabilities		<u>38,088,501</u>	<u>35,097,562</u>

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

The Consolidated Financial Statements of The National Gas Company of Trinidad and Tobago Limited were authorized for issue by The Board of Directors on 30 April 2013.



: Director



: Director

Consolidated Statement of Comprehensive Income



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes	2012 \$'000	2011 \$'000
Sales	30	18,354,479	18,994,360
Cost of sales	30	<u>(13,588,468)</u>	<u>(13,574,003)</u>
Gross profit		4,766,011	5,420,357
Other operating income	31	369,563	372,211
Interest and other investment income	32	861,468	712,479
Share of profit from joint venture	7	696,329	1,053,778
Administrative, maintenance and general expenses	33	(918,884)	(822,245)
Impairment expense	34	(35,792)	(22,540)
Finance costs	35	(249,433)	(277,715)
Other expenses		(25,988)	(6,861)
Loss on foreign exchange transactions		<u>(21,008)</u>	<u>(12,479)</u>
Profit before tax		5,442,266	6,416,985
Income tax expense	22	<u>(1,512,034)</u>	<u>(1,812,114)</u>
Profit for the year		<u>3,930,232</u>	<u>4,604,871</u>
Other Comprehensive Income			
Net (loss)/gain on available-for-sale financial assets		(98,993)	473,040
Foreign currency translation		<u>(117,476)</u>	<u>101,192</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(216,469)</u>	<u>574,232</u>
Total comprehensive income for the year		<u><u>3,713,763</u></u>	<u><u>5,179,103</u></u>
Attributable to:			
Equity holders of the parent		3,536,031	4,913,682
Minority interests		<u>177,732</u>	<u>265,421</u>
		<u><u>3,713,763</u></u>	<u><u>5,179,103</u></u>

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

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

	Stated capital \$'000	Reserve fund \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000	Minority interest \$'000	Total equity \$'000
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
Year ended 31 December 2012							
Balance as at 1 January 2012	1,855,266	438,192	2,731,419	18,433,495	23,458,372	524,416	23,982,788
Total comprehensive income for the year	-	-	(214,084)	3,750,115	3,536,031	177,732	3,713,763
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(39,416)	39,416	-	-	-
Dividends (note 46)	-	-	-	(1,500,000)	(1,500,000)	-	(1,500,000)
Dividends of subsidiaries	-	-	-	-	-	(253,423)	(253,423)
Balance as at 31 December 2012	1,855,266	438,192	2,477,919	20,723,026	25,494,403	448,725	25,943,128

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

Consolidated Statement of Cash Flows



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Cash generated from operations	36	5,739,796	4,473,867
Pension and other post-retirement contributions paid	24, 25	(49,833)	(18,800)
Income taxes paid		(1,578,603)	(1,200,996)
Interest paid		(202,848)	(231,323)
Interest received		370,818	322,330
Net cash generated from operating activities		<u>4,279,330</u>	<u>3,345,078</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	4, 5	(250,684)	(344,388)
Purchase of investment property	6	(7,236)	(58,394)
Proceeds on disposal of property, plant and equipment		818	25,259
Net change in short-term investments		1,111,507	931,046
Loan receivables, repayments net of advances		495,586	(112,742)
Dividends received		1,046,537	1,166,029
Decrease in debt reserve fund		85,986	–
Purchase of long-term investments (net)		<u>24,008</u>	<u>22,004</u>
Net cash generated from investing activities		<u>2,506,522</u>	<u>1,628,814</u>
Cash flows from financing activities			
Repayment of long-term debt		(128,757)	(497,225)
Dividends paid		<u>(1,493,423)</u>	<u>(731,159)</u>
Net cash used in financing activities		<u>(1,622,180)</u>	<u>(1,228,384)</u>
Net increase in cash and cash equivalents		5,163,672	3,745,508
Net foreign exchange difference		(49,973)	13,595
Cash and cash equivalents – beginning of year		<u>7,229,754</u>	<u>3,470,651</u>
– end of year	14 (d)	<u><u>12,343,453</u></u>	<u><u>7,229,754</u></u>

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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

1. Corporate information

The National Gas Company of Trinidad and Tobago Limited and subsidiaries ("the Group") is a diversified group primarily engaged in the purchase, transmission, distribution and sale 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) and is domiciled in Trinidad and Tobago. The Company's registered office is located at Orinoco Drive, Point Lisas Industrial Estate, Pt. 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 (PPGPL)*	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



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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 2012.

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

IAS 12 Income Taxes – Recovery of Underlying Assets (Amendment)

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 should always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.2 Changes in accounting policy and disclosures (continued)

IFRS 7 Transfers of Financial Assets – Disclosures (Amendment)

These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognized entirely in the financial statements, an entity has to disclose information that enables users of financial statement to understand the relationship between those assets which are not derecognized and their associated liabilities. If those assets are derecognized entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative required.

IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS Statement of Financial Position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

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 judgement apart from those involving estimations which have a significant effect on the amounts recognized in the financial statements.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

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 determination is made.

Pension and other post-employment benefits

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

Asset retirement obligation

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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

Take or pay

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

Revaluation

The Group revalues its offshore and onshore pipelines and related facilities every five to seven years. The key considerations in arriving at the fair value include location, historic and replacement cost, effective age, indicative life, gas reserve life, inherent risks and other information from management. The functional condition and economic obsolescence of the assets are also taken into account. Based on these factors, it has been estimated that the onshore and offshore pipelines will have a maximum useful life, 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 unit-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

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

2.4 Summary of significant accounting policies

(a) Cash and cash equivalents

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

For the purpose of the 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) 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(c) Taxes

Current tax

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

Deferred tax

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

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

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the Consolidated Statement of Comprehensive Income.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(d) 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	10.0%	–	20%
Offshore plant and equipment	12.5%	–	25%
Marine infrastructural assets	2.5%	–	20%
Other assets	6.6%	–	50%
Software	50.0%		

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 (5) to 60 years, not extending beyond 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.

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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Oil and gas assets

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

Under this method, all 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.

(e) 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.

(f) Intangible assets

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

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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(g) Foreign currencies

The presentation currency of the Group's financial statements is Trinidad & Tobago dollars (TT\$). However, the functional currency of the parent company and four (4) of its subsidiaries is the United States dollar (US\$) because it is the currency of the primary economic environment in which these entities operate. All Statement of Financial Position amounts have been translated using exchange rates in effect at the reporting 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.

(h) 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.

(i) Investments

Investment in joint venture

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

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

Investment in associated company

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



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(j) Financial assets

Initial recognition and measurement

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.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

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 them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance income in the income statement. Any losses arising from impairment are recognized in the income statement in finance costs.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

Summary of significant accounting policies (continued)

(j) Financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as Other Comprehensive Income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the income statement in finance costs.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. The Group has not reclassified any financial assets.

Derecognition

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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement'; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. 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.

(k) 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 has 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 is 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

Summary of significant accounting policies (continued)

(k) Impairment of financial assets (continued)

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.

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 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 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 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.

(l) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

Summary of significant accounting policies (continued)

(l) Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Comprehensive Income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

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 effective interest rate amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the Statement of Comprehensive Income.

Derecognition

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.

(m) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

Summary of significant accounting policies (continued)

(n) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(o) 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.

(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 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.

Leases for property, plant and equipment where the lessee 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.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

Summary of significant accounting policies (continued)

(q) Take or pay

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

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

(r) Revenue recognition

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

Revenues associated with the sale of gas, oil and condensate are recognized when title and the related rights pass to the customer.

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

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

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

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

Interest income is accounted for on the accruals basis.

(s) Government grants

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

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

(t) Capital grants

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



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

Summary of significant accounting policies (continued)

(t) Capital grants (continued)

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

(u) Non-refundable capital contribution

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

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

(v) Provisions

General

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

Asset retirement obligation

The Group has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment and its share of the Teak, Samaan and Poui (TSP) and SECC 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 cost of replacing forest cleared in the construction of its pipelines and development of estates were included in the related fixed asset and are to be depreciated as part of the capital cost of the assets.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

Summary of significant accounting policies (continued)

(w) 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 remeasured 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 new and revised IFRS's and IFRIC interpretations that have been issued as they are not yet effective or relevant to the Group's operations.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping 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 on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 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 rewording. The amendment will have no impact on the Group's financial position or performance effect to the Group.

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 has elected to prepare Separate and Consolidated 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 affects disclosure only and has no impact on the Group's financial position or performance.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with *IAS 32 Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

3. Standards issued but not yet effective (continued)

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 was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. 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. IFRS 10 is not expected to have a significant impact on the Group.

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 standard will have an impact the financial position of the Group. 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.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

4. Property, plant and equipment

Year Ended	Freehold land \$,000	Leasehold property \$,000	Development costs \$,000	Machinery and equipment \$,000	Pipeline & related facilities \$,000	Oil and gas assets \$,000	Offshore plant and equipment \$,000	Marine infrastructural assets \$,000	Other assets \$,000	Assets under construction \$,000	Total \$,000
31 December 2012											
Opening 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
Additions	4,179	344	–	6,461	–	49,534	5,599	10,175	11,717	162,190	250,199
Transfers	–	–	–	112	6,725	–	–	5,464	–	(12,301)	–
Disposals	–	–	–	(11)	–	–	–	(748)	(460)	–	(1,219)
Depreciation for year	–	(3,209)	(199)	(6,382)	(167,580)	(36,474)	–	(26,203)	(10,166)	–	(250,213)
Impairment	–	–	–	–	–	–	(5,599)	(10,681)	–	–	(16,280)
Foreign exchange difference	(68)	(659)	–	(54)	(34,106)	(19,206)	–	–	(83)	5,014	(49,162)
Closing net book value	17,246	158,414	899	16,672	7,794,563	304,375	–	380,934	24,672	1,791,323	10,489,098
At 31 December 2012											
Cost	17,246	220,951	2,062	130,233	8,113,717	686,511	477,689	784,678	94,148	1,791,323	12,318,558
Accumulated depreciation/impairment	–	62,537	1,163	113,561	319,154	382,136	477,689	403,744	69,476	–	1,829,460
Net book value	17,246	158,414	899	16,672	7,794,563	304,375	–	380,934	24,672	1,791,323	10,489,098



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

4. Property, plant and equipment

Year Ended	Freehold land \$,000	Leasehold property \$,000	Development costs \$,000	Machinery and equipment \$,000	Pipeline & related facilities \$,000	Oil and gas assets \$,000	Offshore plant and equipment \$,000	Marine infrastructural assets \$,000	Other assets \$,000	Assets under construction \$,000	Total \$,000
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/ impairment	-	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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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 (5) to seven (7) 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 (8) 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 2012.

The offshore plant and equipment was fully impaired in 2005.

ii. Pipelines

The Company revalues its pipelines every five (5) to seven (7) years. The Directors 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 \$1,513.79 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 Statement of Comprehensive Income. The 2010 revaluation surplus of \$1,576.63 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 \$5,676.90 million as at 31 December 2012 (2011: \$5,874.38 million).

(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 2012 the Group has recorded a provision of \$37.63 million (2011: \$37.79 million) for compensation payable to owners of land along Rights of Way of the Group's pipelines.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

4. Property, plant and equipment (continued)

(c) Assets under construction

Included under assets under construction are costs relating to the Tobago Pipeline Project. A 12-inch 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 first quarter 2013.

Cost incurred on this project as at 31 December 2012 is \$1,212.28 million.

5. Intangible assets

Year ended 31 December

At 1 January

Additions/transfers at cost

Depreciation

Foreign exchange difference

At 31 December

At 31 December

Cost

Accumulated depreciation

Net book amount

6. Investment properties

Year ended 31 December

At 1 January

Additions/transfers at cost

Depreciation

Impairment (Note 34)

At 31 December

At 31 December

Cost

Accumulated depreciation

Net book value

Amounts recognized in profit or loss

Rental income from investment properties

Direct operating expenses

	2012 \$'000	2011 \$'000
At 1 January	17,033	15,528
Additions/transfers at cost	485	16,003
Depreciation	(12,347)	(14,575)
Foreign exchange difference	(33)	77
At 31 December	<u>5,138</u>	<u>17,033</u>
At 31 December		
Cost	114,735	114,749
Accumulated depreciation	<u>(109,597)</u>	<u>(97,716)</u>
Net book amount	<u>5,138</u>	<u>17,033</u>
	2012 \$'000	2011 \$'000
At 1 January	616,472	625,053
Additions/transfers at cost	7,236	58,394
Depreciation	(21,546)	(20,471)
Impairment (Note 34)	<u>(25,111)</u>	<u>(46,504)</u>
At 31 December	<u>577,051</u>	<u>616,472</u>
At 31 December		
Cost	1,312,617	1,305,381
Accumulated depreciation	<u>(735,566)</u>	<u>(688,909)</u>
Net book value	<u>577,051</u>	<u>616,472</u>
Amounts recognized in profit or loss		
Rental income from investment properties	20,640	18,014
Direct operating expenses	3,253	3,387

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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

6. Investment properties (continued)

In 2008, the Company 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 2012, the costs incurred on the facility was \$571 million (2011: \$571 million) inclusive of capitalized interest of \$25.4 million.

An impairment review was performed on the UIE and the facility at 31 December 2012. 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 5.33 per cent. Projected revenues were based on cash flows from identified tenants/specific projects for the UIE and estimated cash flows for the facility.

An impairment charge of \$34.8 million (2011: \$34.7 million) has been recorded in the Statement of Comprehensive Income, representing a charge of \$4.3 million for the land at UIE and \$30.5 million for the facility.

An impairment review was also conducted on the LABIDCO operations based on a value-in-use calculation using cash flow projections from the 2013 financial budgets approved by management and the Board of Directors and extrapolated for a four-year period, at a discount rate of 4.22 per cent, and a terminal cap rate of 4.22 per cent. As a result, management has recognized an impairment reversal of \$9.72 million for investment property and an impairment charge of \$10.68 million for property, plant and equipment.

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

7. Interest in joint venture

The NGC NGL Company Limited's 51 per cent share of the assets, liabilities, and income and expenses of Phoenix Park Gas Processors Limited (PPGPL) as at 31 December 2012 and 31 December 2011 are as follows:

	2012 \$'000	2011 \$'000
Share of PPGPL's Statement of Financial Position:		
Current assets	859,033	1,047,823
Non-current assets	1,170,238	1,182,429
Current liabilities	(425,396)	(497,954)
Non-current liabilities	(554,691)	(640,057)
Net assets	<u>1,049,184</u>	<u>1,092,241</u>
Share of PPGPL's Statement of Comprehensive Income:		
Revenue	2,693,528	3,762,338
Cost of sales	(1,369,285)	(1,869,516)
Operating and other expenses	(258,913)	(267,363)
Finance costs	(483)	(614)
Profit before tax	<u>1,064,847</u>	<u>1,624,845</u>
Income tax expense	<u>(368,518)</u>	<u>(571,067)</u>
Profit for the year	<u>696,329</u>	<u>1,053,778</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

8. Investments

Investments comprise the following:

	2012 \$'000	2011 \$'000
Held-to-maturity investments (Note (a))	98,209	121,971
Investment in Atlantic 1 Holdings LLC, at cost	155,613	156,291
Investment in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited – 11.11% interest	178,663	179,442
Available-for-sale financial assets (Note (b))	1,417,048	1,522,646
Other	2,576	1,946
	<u>1,852,109</u>	<u>1,982,296</u>

(a) Held-to-maturity

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

	2012 \$'000	2011 \$'000
Petrotrin Bonds	46,613	52,013
Government of Trinidad and Tobago Bonds	19,688	19,599
Government of Barbados Bonds	31,908	50,359
	<u>98,209</u>	<u>121,971</u>

(b) Available-for-sale financial assets

Shares – listed	1,410,765	1,516,336
Shares – unlisted	6,283	6,310
	<u>1,417,048</u>	<u>1,522,646</u>

Listed

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

Unlisted

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

9. Financial asset at fair value through profit and loss

In 2006 the Company issued a US\$400 million bond to be repaid via a bullet payment in January 2036. To meet 50 per cent of the liability, in 2008 the Company invested US\$35.50 million in two (2) single tranche, credit linked notes. 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-year (10) 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.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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

The fair value of the credit linked investment as at 31 December 2012 was \$141.99 million (US\$22.25 million) (2011: \$59.61 million (US\$9.30 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

Finance lease – gross investment
Less: Unearned finance charges

Gross investment in leased assets has the following maturity profile:

Within 1 year
1 to 5 years
Over 5 years

Net investment in leased assets has the following maturity profile:

Within 1 year
1 to 5 years
Over 5 years

Current
Non current

2012 \$'000	2011 \$'000
1,838,657	2,041,490
(1,272,013)	(1,471,486)
<u>566,644</u>	<u>570,004</u>
198,293	194,848
844,115	827,087
796,249	1,019,555
<u>1,838,657</u>	<u>2,041,490</u>
6,214	916
149,622	90,153
410,808	478,935
<u>566,644</u>	<u>570,004</u>
6,214	916
560,430	569,088
<u>566,644</u>	<u>570,004</u>

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 (4) 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

11. Loans receivable	2012 \$'000	2011 \$'000
Trinidad and Tobago Electricity Commission (Note (a))	1,433,514	1,849,896
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited (Note (b))	416,883	475,665
Atlantic LNG Company of Trinidad and Tobago (Note (c))	<u>172,693</u>	<u>173,445</u>
	2,023,090	2,499,006
Less: current portion of loans	<u>(314,135)</u>	<u>(520,970)</u>
Long-term loans receivable	<u>1,708,955</u>	<u>1,978,036</u>

(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 is for a period of seven (7) years with interest payable at a fixed rate of three (3) per cent per annum with semi-annual instalments which commenced on 1 December 2011.

The impairment provision on the loan has decreased by \$31.81 million during 2012 to \$167.34 million (US\$26.22 million) at 31 December 2012. The impairment test was based on cash flows as per the terms of the medium-term loan, using the original effective interest rate of seven (7) per cent.

The fair value of the long-term loan receivable was \$1,433.51 million at 31 December 2012 (2011: \$1,849.89 million).

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

Pursuant to the Atlantic LLC Agreement the Members were 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 Members Loan is US\$1.2 billion of which the Group's proportion is 11.11 per cent (US\$133.32 million).

This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of LIBOR plus a margin which ranges from 1.125 per cent to 2.125 per cent per annum. The effective interest rate at the reporting date was 2.0614 per cent (2011: 2.0862 per cent). This loan is expected to mature on 15 December 2020.

Loan repayments of US\$8,888.8 million were made during 2012 (2011: US\$9.443 million) made as at 31 December 2012. The loan balance as at 31 December 2012 is US\$65.33 million (TT\$416.88 million).

(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 (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 60 months after the closing date of 30 August 2011 and ending on the seventh anniversary of the Closing Date in 2016. The loan bears 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 2012 was 1.3090 per cent (2011: 1.9896 per cent).

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

12. Deferred expenses	2012 \$'000	2011 \$'000
Take-or-pay (Note (a))	193,088	199,159
Capacity rights (Note (b))	110,884	128,500
Other	<u>6,890</u>	<u>3,676</u>
	<u>310,862</u>	<u>331,335</u>
Current	28,204	17,965
Non-current	<u>282,658</u>	<u>313,370</u>
	<u>310,862</u>	<u>331,335</u>

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-inch 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 security agreements the Group is required to maintain a debt reserve fund. These debt reserve funds are held in interest bearing accounts.

14. Cash and short-term deposits

	2012 \$'000	2011 \$'000
Cash at banks and on hand	12,336,453	7,181,128
Restricted cash (Note b)	9,956	9,956
Short-term deposits	<u>3,853,252</u>	<u>5,023,711</u>
	<u>16,199,661</u>	<u>12,214,795</u>

- (a) Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is \$16,199.66 million (2011: \$12,214.80 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 \$1,101.4 million as at 31 December 2012 which have matured and were not repaid.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

14. Cash and short-term deposits (continued)

(c) (continued)

CIB experienced financial and liquidity issues. On 31 January 2009, the Central Bank of Trinidad & Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates and the related accrued interest was fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December 2012.

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

	2012 \$'000	2011 \$'000
Cash at banks and on hand	12,336,453	7,181,128
Short-term deposits (with an original maturity date of less than three months)	<u>7,000</u>	<u>48,626</u>
	<u>12,343,453</u>	<u>7,229,754</u>
Trade receivable	<u>2,855,973</u>	<u>2,991,250</u>

15. Accounts receivable

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

As at 31 December 2012, trade receivables impaired and fully provided for totalled \$64.1 million (2011: \$47.9 million). Movements in the provision for impairment of receivables were as follows:

	Individually impaired \$'000	Collectively impaired \$'000	Total \$'000
At 1 January 2011	—	29,560	29,560
Charge for year	—	18,367	18,367
Reversal of prior year provision	—	(34)	(34)
Foreign currency translation adjustment	<u>—</u>	<u>31</u>	<u>31</u>
At 31 December 2011	<u>—</u>	<u>47,924</u>	<u>47,924</u>
At 1 January 2012	—	47,924	47,924
Net charge for year	3,269	13,019	16,288
Utilized	—	(373)	(373)
Foreign currency translation adjustment	<u>—</u>	<u>218</u>	<u>218</u>
At 31 December 2012	<u>3,269</u>	<u>60,788</u>	<u>64,057</u>

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

15. Accounts receivable (continued)

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

	Total \$'000	Neither past due nor impaired \$'000	Past due but not impaired				
			<30 days \$'000	30-60 days \$'000	60-90 days \$'000	90-120 days \$'000	>120 days \$'000
2012							
Accounts receivable	2,855,973	2,260,249	70,145	29,209	46,643	10,299	439,428
2011							
Accounts receivable	2,991,250	2,611,606	142,386	31,687	8,217	8,065	189,289

16. Sundry debtors and prepayments

Sundry debtors and prepayments comprise the following:

	2012 \$'000	2011 \$'000
Due from the Government of Trinidad & Tobago – billed	521,198	611,226
Due from the Government of Trinidad & Tobago – not yet billed	57,371	96,272
Related party balances (note (a))	10,770	35,493
Prepayments	61,204	7,399
Staff related balances	8,262	12,944
Value Added Tax	85,123	74,533
Interest receivable	56,716	60,855
Accrued income	47,892	53,956
Fraudulent wire transfers (Note (b))	3,669	23,510
Other	78,065	60,612
	<u>930,270</u>	<u>1,036,800</u>

Notes:

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

(b) During 2011 two wire transfers totaling \$31.89 million (US\$4.98 million) were fraudulently withdrawn from the Group's bank accounts. The Group has been successful in negotiating an interim settlement of \$3.669 million for one of the wire transfers. At 31 December 2012, in the absence of objective evidence of the return of the balance of the funds, the Group holds a provision of \$28.219 million.

17. Inventories

	2012 \$'000	2011 \$'000
Finished goods – LNG	373	–
Consumable spares	32,130	28,842
TSP spares	6,787	6,438
Other	288	312
Provision for slow-moving and obsolete stock	(3,665)	(3,680)
	<u>35,913</u>	<u>31,912</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	2012 \$'000	2011 \$'000
18. 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	<u>1,855,266</u>	<u>1,855,266</u>

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.

	2012 \$'000	2011 \$'000
20. Other reserves		
Other reserves comprise the following:		
Revaluation surplus for offshore plant and equipment and pipelines	1,283,029	1,322,445
Unrealized gain on available-for-sale financial assets	938,437	1,037,430
Foreign currency translation	<u>256,453</u>	<u>371,544</u>
	<u>2,477,919</u>	<u>2,731,419</u>

21. Long-term debt

(i) AKA Ausfuhrkredit GmbH	—	14,851
(ii) US\$400M 30-year bond	2,130,380	2,138,996
(iii) RBTT Trust Limited	17,204	24,055
(iv) CALYON	710,130	809,655
(v) First Citizens Bank Limited	<u>18,424</u>	<u>26,806</u>
	2,876,138	3,014,363
Less: current portion	<u>101,560</u>	<u>126,324</u>
	<u>2,774,578</u>	<u>2,888,039</u>

(i) This loan relates to a facility established with AKA Ausfuhrkredit-Gesellschaft mbH on 10 July 2003. The loan was secured by Export Credit Insurance provided by HERMES. The loan provided for 17 equal and consecutive semi-annual instalments commencing June 2004. Interest was payable semi-annually in arrears at the fixed rate of 4.18% per annum commencing June 2004. The loan was repaid in May 2012.

(ii) This loan 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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

21. Long-term debt (continued)

\$2,761.40 million (US\$432.72 million) at 31 December 2012 (2011: \$2,478.58 million (US\$385.08 million)). Total bond repurchases as at 31 December 2011 amounted to US\$60.31 million. No bonds were repurchased during 2012.

- (iii) This loan relates to a bond issued on 2 May 2005 for TT\$62 million to finance the construction of the fabrication yard and La Brea dock expansion. The Trustee is RBTT Trust Ltd.

The bond provides for two 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 \$17.336 million at December 2012 (2011: \$24.276 million).

The bond is guaranteed by The National Gas Company of Trinidad and Tobago Limited and The Petroleum Company of Trinidad and Tobago Limited.

- (iv) This loan 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 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 is \$784.20 million at 31 December 2012 (2011: \$824.88 million).

The collateral accounts include a debt service reserve account, assignment of the borrower's rights, title and interest in specified term sheets relating to transportation agreements, receivables and inventory, assignment of insurances policies and NGC Pipeline Company Limited's shares owned by the parent and restriction on dividend payments.

- (v) This loan 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.

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\$18.53 million) at 31 December 2012 (2011: \$27.011 million).

The loan is secured by the assignment of pier user contracts, chattel mortgage over two tugboats with carrying amounts totalling \$39.658 million and assignment of all risk marine and special perils insurance coverage over the tugboats.

Maturity profile of long-term debt

	2012 \$'000	2011 \$'000
In one year or less	101,560	126,324
In more than one year but not more than two years	96,162	101,534
In more than two years but not more than three years	84,356	96,484
In more than three years but not more than four years	84,236	84,709
In more than four years but not more than five years	87,937	84,603
In more than five years	<u>2,421,887</u>	<u>2,520,709</u>
	<u>2,876,138</u>	<u>3,014,363</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

22. Taxation

	2012 \$'000	2011 \$'000
Corporation tax	1,173,222	1,330,195
Petroleum profit tax	91,555	146,136
Business levy	6	404
Green fund levy	21,610	21,706
	<u>1,286,393</u>	<u>1,498,441</u>
Deferred tax charge	225,641	313,673
	<u>1,512,034</u>	<u>1,812,114</u>
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	<u>5,442,266</u>	<u>6,416,985</u>
Tax at the rate of 35%	1,904,793	2,245,945
Tax exempt income	(269,115)	(338,642)
Non-deductible (income)/expenses	(9,720)	(78,543)
Permanent differences	8,731	8,818
Other differences	(2,891)	4,840
Prior years' tax	(90,373)	38,682
Business levy	6	404
Green fund	21,610	21,706
Increase/(decrease) in valuation allowance	1,932	(635)
Tax effect of subsidiaries at different rate	(81,577)	(124,388)
Tax losses utilized	(267)	—
Effect of oil and gas assets taxed at a different rate	26,065	38,062
Foreign exchange translation	2,840	(4,135)
Income tax provision	<u>1,512,034</u>	<u>1,812,114</u>
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Asset retirement obligation	261,202	250,969
Post-retirement medical and group life and pension	138,713	125,418
Finance lease – Dolphin pipeline	65,076	129,649
Property, plant and equipment (net of valuation allowance)	628	—
Tax losses	—	181
Accrued interest expense	30,882	33,049
Other	25,639	25,997
	<u>522,140</u>	<u>565,263</u>
Deferred tax liability:		
Property, plant and equipment	<u>1,956,081</u>	<u>1,779,689</u>

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

22. Taxation (continued)

Net deferred tax liability

	2012 \$'000	2011 \$'000
Balance at 1 January	1,214,426	895,722
Charge recognized in profit and loss	225,641	313,673
Foreign exchange translation	(6,126)	5,031
	<u>1,433,941</u>	<u>1,214,426</u>
Balance as at 31 December		

23. Provisions

	Asset retirement obligation \$'000	Environmental obligation \$'000	Onerous contract \$'000	2012 Total \$'000	2011 Total \$'000
Year ended					
31 December					
Balance as at					
1 January 2012	638,250	12,841	134,319	785,410	793,172
Unwinding of discount	31,658	–	–	31,658	29,213
Decrease in provision	–	(4,086)	(8,421)	(12,507)	(40,953)
Foreign currency translation	(2,877)	236	(555)	(3,196)	3,978
Balance as at					
31 December, 2012	<u>667,031</u>	<u>8,991</u>	<u>125,343</u>	<u>801,365</u>	<u>785,410</u>
Current portion	–	6,652	–	6,652	7,721
Non-current portion	<u>667,031</u>	<u>2,339</u>	<u>125,343</u>	<u>794,713</u>	<u>777,689</u>
	<u>667,031</u>	<u>8,991</u>	<u>125,343</u>	<u>801,365</u>	<u>785,410</u>

(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 its share of the Teak, Samaan and Pouli platforms and SECC assets based on studies conducted.

A letter of credit was established for the Group's portion of the obligation for the Teak, Samaan and Pouli 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 reassessment of the operations of Group's offshore plant and equipment will be undertaken in 2013, 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 2013 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

23. Provisions (continued)

(c) Onerous contract (continued)

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

Movement on the liability recognized in the Statement of Financial Position:

	2012 \$'000	2011 \$'000
Value at 1 January	102,951	77,431
Foreign exchange translation	862	669
Net benefit cost	3,059	25,544
Premiums paid	(757)	(693)
Value at 31 December	<u>106,115</u>	<u>102,951</u>

Changes in the present value of the defined benefits obligation are as follows:

Defined benefits obligation 1 January	102,951	77,431
Service cost	5,667	6,071
Interest cost	5,686	4,910
Actuarial (gain)/loss	(8,294)	14,563
Foreign exchange translation	862	669
Company's premiums paid	(757)	(693)
Defined benefits obligation at 31 December	<u>106,115</u>	<u>102,951</u>

The amounts recognized in the Statement of Comprehensive Income are as follows:

Current service cost	5,667	6,071
Interest cost on benefits obligation	5,686	4,910
Net actuarial loss recognized in the year	(8,294)	14,563
Net benefits cost	<u>3,059</u>	<u>25,544</u>

The Group expects to contribute \$0.91 million to its post-retirement medical and group life plans in 2013.

The principal actuarial assumption used for accounting purpose were:

	2012	2011
Medical cost inflation	5.75%	5.75%
Discount rates	5.00%	5.50%
Average individual salary increases	6.00%	6.00%

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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

	Aggregate service and interest costs \$'000	Year end defined benefit obligation \$'000
Effects of one percentage point change in medical expense increase assumption		
Medical expense increase by 1% per annum	2,414	20,608
Medical expense decrease by 1% per annum	(1,919)	(15,772)

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

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Defined benefit obligation	106,115	102,951	77,431	73,071	63,932
Fair value of plan assets	—	—	—	—	—
Deficit	<u>106,115</u>	<u>102,951</u>	<u>77,431</u>	<u>73,071</u>	<u>63,932</u>
Experience adjustment on plan liabilities	4,217	46	7,381	4,638	6,207
Experience adjustment on plan assets	—	—	—	—	—

25. Pension obligation

Benefit liability

	2012 \$'000	2011 \$'000
Present value of obligation	822,317	689,134
Fair value of plan assets	(530,772)	(434,826)
Foreign exchange translation	<u>(1,338)</u>	<u>1,078</u>
Pension liability	<u>290,207</u>	<u>255,386</u>

Movement on the liability recognized in the Statement of Financial Position:

	2012 \$'000	2011 \$'000
Liability at 1 January	255,386	94,027
Net pension cost	86,313	178,984
Contributions paid	(49,076)	(18,107)
Foreign exchange translation	<u>(2,416)</u>	<u>482</u>
Liability value at 31 December	<u>290,207</u>	<u>255,386</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

25. Pension obligation (continued)

The amounts recognized in the Statement of Comprehensive Income are as follows:

	2012 \$'000	2011 \$'000
Current service cost	32,635	31,612
Interest cost on benefit obligation	37,468	30,565
Expected return on plan assets	(28,555)	(28,496)
Net actuarial gain recognized in the year	44,765	145,303
Net pension cost	86,313	178,984
Actual return on plan assets	49,500	20,047

Changes in the present value of the defined benefits obligation are as follows:

Defined benefit obligation at 1 January	689,134	494,504
Service cost	32,635	31,612
Interest cost	37,468	30,565
Members' contribution	14,235	7,463
Actuarial loss	65,710	136,854
Benefits paid	(16,044)	(11,080)
Expense allowance	(821)	(784)
Defined benefit obligation at 31 December	822,317	689,134

Changes in fair value of plan assets are as follows:

Plan assets at 1 January	434,826	401,073
Expected returns on plan assets	28,555	28,496
Actuarial gain/(loss)	20,945	(8,449)
Company contributions	49,076	18,107
Members' contributions	14,235	7,463
Benefits paid	(16,044)	(11,080)
Expense allowance	(821)	(784)
Plan assets at end of 31 December	530,772	434,826

The Group expects to contribute \$33.7 million to its defined benefit pension plan in 2013.

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

	2012	2011
Equity securities	28%	28%
Debt securities	57%	46%
Money market instruments/cash	14%	23%
Mutual funds	0%	1%
Other-purchased annuities	1%	2%
	100%	100%

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

25. Pension obligation (continued)

The principal actuarial assumptions used for accounting purposes were:

	2012	2011
Discount rate	5.00%	5.50%
Expected return on plan assets (other than purchased annuities)	5.75%	6.25%
Future salary increases	6.00%	6.00%

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

Experience history

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Defined benefit obligation	822,317	689,134	494,504	408,600	339,467
Fair value of plan assets	<u>(530,772)</u>	<u>(434,826)</u>	<u>(401,073)</u>	<u>(347,351)</u>	<u>(301,629)</u>
Deficit	<u>291,545</u>	<u>254,308</u>	<u>93,431</u>	<u>61,249</u>	<u>37,838</u>
Experience adjustment on plan liabilities	(6,160)	(65,895)	21,566	7,231	7,782
Experience adjustment on plan assets	20,692	(9,493)	6,392	6,443	(45,066)

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 2012, for the sole purpose of preparing these financial statements.

26. Deferred Income

	2012 \$'000	2011 \$'000
Gas sales (Note (a))	368,026	293,203
Non-refundable capital contribution (Note (b))	50,640	55,936
Capital grant (Note (c))	41,768	20,481
Transportation tariff (Note (d))	64,091	68,040
Pier user charge (Note (e))	16,413	15,821
Other	<u>917</u>	<u>731</u>
	<u>541,855</u>	<u>454,212</u>
Current	106,283	44,252
Non-current	<u>435,572</u>	<u>409,960</u>
	<u>541,855</u>	<u>454,212</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

26. Deferred Income (continued)

- (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

Trade payables

Trade payables are settled on 30-day terms

2012 \$'000	2011 \$'000
<u>3,437,278</u>	<u>2,485,623</u>

29. Sundry payables and accruals

Accrued interest – Board of Inland Revenue
Accrued interest – other
Accrued material/service amounts
Contract provisions
Employee-related accruals
Other

2012 \$'000	2011 \$'000
17,938	17,938
86,405	88,008
818,353	901,621
66,527	129,039
93,446	82,914
1,692	1,131
<u>1,084,361</u>	<u>1,220,651</u>

Terms and conditions of the above financial liabilities:

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

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

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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	2012 \$'000	2011 \$'000
30. Sales and cost of sales		
Sales include the following:		
Gas sales	16,208,565	16,678,300
LNG sales	921,614	858,668
Crude oil income	563,740	607,269
Transportation tariffs	222,747	325,278
Condensate sales	82,675	188,679
Compression charges	64,448	59,903
Rental income	20,640	18,014
Marine facilities and services	270,050	258,249
	<u>18,354,479</u>	<u>18,994,360</u>
Cost of sales include the following:		
Gas purchase	12,646,783	12,628,421
Depreciation	250,044	231,117
Impairment – offshore plant and equipment	5,599	6,577
Other operating cost	263,059	279,621
Production taxes including SPT	148,918	122,759
Maintenance cost	94,343	117,590
Staff cost (Note 33)	73,239	83,640
Royalties	68,388	68,434
Exploration and production cost	38,095	35,844
	<u>13,588,468</u>	<u>13,574,003</u>
31. Other operating income		
Interest income – Dolphin lease	193,750	193,094
Operating and maintenance fees – Dolphin pipeline	120,617	125,227
Lease income	18,883	18,450
Project management fees – GORTT	7,832	6,070
Amortization of non-refundable capital contribution	6,567	6,206
Gain on disposal of fixed assets	–	18,536
Other	21,914	4,628
	<u>369,563</u>	<u>372,211</u>
32. Interest and other investment income		
Interest income	81,924	97,397
Related party income	56,445	36,289
Related party income – prior year	–	(56,108)
Net gain on financial asset through profit and loss (Note 9)	82,923	19,998
Fair value gain on T&TEC and other receivables	36,955	81,486
	<u>258,247</u>	<u>179,062</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

32. Interest and other investment income (continued)

	2012 \$'000	2011 \$'000
Dividend income	295,017	242,211
LNG production payments	308,204	291,206
Other investment income	603,221	533,417
	<u>861,468</u>	<u>712,479</u>

33. Expenses

Administrative, maintenance and general expenses include the following:

Staff costs (see below)	339,155	443,354
Penalty interest – Board of Inland Revenue	4,206	(133,519)
Depreciation	34,062	52,046
Provision for irrecoverable receivables	22,177	7,125
Decrease in provision for onerous contract	(8,421)	(34,051)
Operation and maintenance – Dolphin pipeline	109,652	113,910
Materials, services and contract labour	107,821	164,046
Professional fees	82,985	37,518
Provision for fraudulent wire transfers (Note 16)	19,841	8,378
Loss on disposal of property, plant and equipment	401	–
Other	207,005	163,438
	<u>918,884</u>	<u>822,245</u>

Staff costs:

Wages and salaries	335,017	318,120
National insurance	6,799	5,728
Cost employment benefits	43,768	–
Pension and post-retirement medical and group life	26,810	203,146
	<u>412,394</u>	<u>526,994</u>

Staff costs included within:

Cost of sales	73,239	83,640
Administrative and general expenses	339,155	443,354
	<u>412,394</u>	<u>526,994</u>

34. Impairment expense

Investment properties (Note 6)	25,111	46,504
Property, plant and equipment (Note 4)	10,681	(23,964)
	<u>35,792</u>	<u>22,540</u>

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

35. Finance costs		2012 \$'000	2011 \$'000
Interest		204,106	225,512
Amortization of transaction costs		873	815
Decommissioning – unwinding of discount rate		31,658	29,213
Take or pay interest		11,874	10,933
Fair value loss on T&TEC and other receivables		922	11,242
		<u>249,433</u>	<u>277,715</u>
36. Cash generated from operations		2012 \$'000	2011 \$'000
	Notes		
Profit before tax		5,442,266	6,416,985
Adjustments to reconcile net profit with net cash from operating activities:			
Depreciation	4, 5, 6	284,106	283,163
Impairment	4, 6	41,391	29,117
Penalty interest	33	4,206	–
Loss/(gain) on disposal of property, plant and equipment		401	(18,536)
Finance income	32	(258,247)	(179,062)
Share of profit from joint venture	7	(696,329)	(1,053,778)
Increase in deferred income		66,245	33,058
Decrease in deferred expenses		19,132	15,048
Post-retirement costs	24, 25	89,372	204,528
Decrease in onerous contract provision		(8,421)	(34,045)
Decrease in environmental obligation		(3,808)	(6,663)
Dividend income	32	(295,017)	(242,211)
Finance costs	35	249,433	277,715
Interest income on finance lease	31	(193,750)	(193,094)
		<u>4,740,980</u>	<u>5,532,225</u>
Operating profit before working capital changes			
Decrease/(increase) in accounts receivable and sundry debtors		195,686	(774,816)
(Decrease)/increase in inventories		(4,150)	3,732
(Decrease)/increase in trade creditors, sundry creditors and accruals		<u>807,280</u>	<u>(287,274)</u>
		<u>5,739,796</u>	<u>4,473,867</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

37. Contingent liabilities

(a) Taxes

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

(c) Customs bonds

The Group has contingent liabilities in respect of customs bonds amounting to \$1.68 million (2011: \$1.53 million).

38. Guarantees

- (i) Bank guarantee for an amount of \$51.46 million in respect of a loan obtained by La Brea Industrial Development Company Limited (LABIDCO). The loan balance is \$17.2 million at 31 December 2012.
- (ii) 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.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

39. Capital commitments

Approved and contracted capital expenditure

2012 \$'000	2011 \$'000
256,672	531,903

40. Operating lease commitments

The Group has lease arrangements for motor vehicles, office equipment and helicopter services with duration ranging from one (1) to five (5) years.

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

Payable

Within 1 year
1 to 5 years

2012 \$'000	2011 \$'000
28,033	5,470
13,840	11,555
41,873	17,025

The Group has entered into commercial land leases on its investment properties portfolio, consisting of land and infrastructure. These leases have terms of between one year and 30 years.

Future minimum rentals receivable under operating leases as at 31 December 2012 are as follows:

Within 1 year
1 to 5 years
More than 5 years

2012 \$'000	2011 \$'000
20,538	16,189
43,158	42,028
174,561	177,984
238,257	236,201

41. Commitment contracts

Purchases

The Group purchases natural gas through US dollar denominated long-term 'take-or-pay' contracts from various upstream producers with terms varying from 15 to 23 years. Under these long-term take-or-pay contracts, the Group is obliged to take or, if not taken, pay for said natural gas up to the contracted take-or-pay volume at the current price. The prices on certain tranches of gas of these contracts are linked to the commodity prices of ammonia and methanol subject to a floor price that escalates annually.

In prior years, the Group committed to purchasing additional volumes of natural gas for several new projects that have not materialized as forecasted. For 2012, 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 \$60.6 million (US\$9.5 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 2012.

Management expects that there will be 'take-or-pay' during 2013.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

41. Commitment contracts (continued)

Sales

Under long-term 'take-or-pay' sales contracts, the Group's customers are obligated to take or, if not taken, pay for said natural gas at the current price, up to the contracted 'take-or-pay' volume. The price of natural gas sold to the producers of ammonia and methanol is 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.

42. Royalty gas

For the period November 2005 to December 2010, the Company received 'royalty' gas from an upstream supplier. The Company has no economic interest in the 'royalty' gas as it is only a transporter of the gas to T&TEC on behalf of the GORTT. As there is no 'royalty' gas agreement between GORTT and the upstream supplier, invoices were issued by the upstream supplier to the Company and invoices were issued by the Company to T&TEC for the royalty gas delivered. The expense and income relating to the royalty gas received and sold for the above period were not recognized in the financial statements as the Company did not obtain any economic benefit from this arrangement.

Effective October 2012, NGC has agreed to purchase the royalty gas from the Ministry of Energy and Energy Affairs. The terms and conditions of the purchase have not been finalized.

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 38. For the year ended 31 December 2012, the Group has not made any additional provision for doubtful debts relating to amounts owed by related parties. At 31 December 2012, the Group has a provision for doubtful debts relating to amounts owed by related parties of \$42.728 million (2011: \$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.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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 years 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	2012 2011	9,435 7,847	204,925 –	598,257 727,097	204,277 –
Fellow State Enterprises					
Trinidad and Tobago Electricity Commission (T&TEC)	2012 2011	969,042 963,456	– –	1,984,522 2,426,617	– –
FCB Group	2012 2011	11,584 21,893	1,521 15,462	1,019,463 397,620	18,424 26,806
Fellow State Enterprises					
Petroleum Company of Trinidad and Tobago Limited	2012 2011	210,089 284,120	– –	68,357 87,025	24,573 24,573
Trinidad Nitrogen Company Ltd	2012 2011	1,601,358 1,529,945	– –	– –	– –
Alutech Limited	2012 2011	– –	– –	20,309 20,309	– –
Alutrint Limited	2012 2011	– –	– –	23,844 21,922	– –
Associated Company					
National Helicopter Services Limited	2012 2011	923 504	16,692 15,787	303,561 261,492	– –
Joint Venture					
Phoenix Park Gas Processors Ltd. (PPGPL)	2012 2011	1,331,557 1,740,487	– –	149,208 234,795	– –

Compensation of key management personnel

Short-term employee benefits
Post-employment benefit

	2012 \$'000	2011 \$'000
Short-term employee benefits	35,722	36,309
Post-employment benefit	2,515	2,923
	<u>38,237</u>	<u>39,232</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Group and arises principally from credit exposures to customers relating to outstanding receivables.

The Group trades only with recognized credit-worthy third parties. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group does not hold collateral as security. The maximum exposure to credit risk is the carrying amount of the receivables balances. The parent's primary activity is the purchase, transmission and distribution of natural gas and there is no significant concentration of credit risk as they have numerous large and small customers across Trinidad and Tobago.

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.

As stated in note 11(a), a loan agreement was executed with T&TEC in 2012 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 that T&TEC continues to service the loan as well as its monthly gas purchases.

Liquidity risk

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

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

44. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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

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	–	77,216	226,988	1,093,624	5,341,106	6,738,934
Trade creditors	–	3,437,278	–	–	–	3,437,278
Other payables	–	828,918	69,432	–	–	898,350
Other financial liabilities	–	–	825,000	95,472	–	920,472
	–	<u>4,343,412</u>	<u>1,121,420</u>	<u>1,189,096</u>	<u>5,341,106</u>	<u>11,995,034</u>
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
	–	<u>3,349,853</u>	<u>958,454</u>	<u>1,422,435</u>	<u>5,450,143</u>	<u>11,180,885</u>

Interest rate risk

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

The Group's policy is to manage its interest cost using a mix of fixed and variable rates. The Group has used derivative financial instruments such as interest rate swaps to hedge its risk associated with interest rate fluctuations whereby the Group agrees to exchange at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon national principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2012 after taking into account the effect of interest rate swaps approximately \$2,522.03 million of the Group's borrowings are at a fixed rate of interest (2011: \$2,611.64 million).



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

44. Financial risk management objectives and policies (continued)

Interest rate risk table

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

	Increase/ (decrease) in basis points	Effect on profit before tax \$'000
Long-term debt		
2012	+50	1,786
	-50	(1,786)
2011	+50	2,035
	-50	(2,035)
Loan receivables		
2012	+50	2,958
	-50	(2,958)
2011	+50	3,347
	-50	(3,347)

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
2012	0.01	1,163
	(0.01)	(1,163)
2011	0.01	3,485
	(0.01)	(3,485)

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.

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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
2012	10% (10%)	141,256 (141,256)
2011	10% (10%)	151,085 (151,085)

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 2011.

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 2012 and 31 December 2011.

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.

	2012 \$'000	2011 \$'000
Net debt	2,876,138	3,014,363
Equity	25,494,403	23,458,372
Debt plus equity	28,370,541	26,472,735
Gearing ratio	0.10	0.11



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

45. Financial instruments

Fair values

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis. At 31 December 2012 all of the available-for-sale investments carried at fair values were based on quoted market prices and therefore included in the Level 1 hierarchy.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable. At 31 December 2012 the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy.

Level 3

Level 3 hierarchies relate to financial assets that are not quoted as there are no active markets to determine a price. Unlisted available-for-sale investments are included within the Level 3 category at year end.

The following 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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial assets				
Cash and short-term deposits	16,199,661	12,214,795	16,199,661	12,214,795
Available-for-sale investments	1,417,048	1,522,646	1,417,048	1,522,646
Held-to-maturity investments	98,209	121,971	98,209	121,971
Loans receivable	2,023,090	2,499,006	2,023,090	2,499,006
Net investment in leased asset	566,644	570,004	566,644	570,004
Accounts receivable	2,855,973	2,991,250	2,855,973	2,991,250
Financial liabilities				
Fixed rate borrowings	2,166,008	2,204,708	2,797,261	2,119,842
Floating rate borrowings	710,130	809,655	784,200	809,655
Other financial liabilities	5,326,881	4,388,215	5,326,881	4,388,215

Notes to The Consolidated Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

45. Financial instruments (continued)

Fair values (continued)

Short-term financial assets and liabilities

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

Long-term financial assets and liabilities

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

The fair value of investments that are actively traded in financial markets is determined by reference to quoted market prices at the close of business at the 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 remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

The Group has entered into an interest rate hedge with CALYON Bank Ltd effective 1 December 2005 for 15 years for US\$100 million, whereby it receives a fixed rate of interest of 4.98 per cent and pays a variable rate equal to LIBOR plus 1.625 per cent on the notional amount. The impact of this hedge in 2012 was a decrease in interest expense in the amount of \$18.03 million (2011: \$20.03 million).

46. Dividends

Dividends declared during the year:

Additional dividends for 2009

Dividends for 2010

Dividends for 2011

2012 \$'000	2011 \$'000
–	185,000
–	730,000
<u>1,500,000</u>	<u>–</u>
<u>1,500,000</u>	<u>915,000</u>

47. Events after the reporting period

The Group is currently evaluating both upstream and downstream gas related investment opportunities. These investments will present the Group with an attractive opportunity to diversify its asset base, and become a more prominent player in the natural gas value chain. In addition, the Group's brand as a global player in the gas industry will be enhanced.

All proposed investment opportunities are subject to approval by the Parent's Shareholder, the Government of the Republic of Trinidad & Tobago.



THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED



SEPARATE
FINANCIAL
STATEMENTS

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 2012, 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

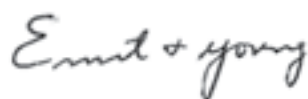
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Port of Spain,
TRINIDAD:
30 April 2013

Separate Statement of Financial Position



As at 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

	Notes	2012 \$'000	2011 \$'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	8,653,111	8,662,530
Intangible assets	5	4,454	13,600
Investments	6	2,683,165	2,814,714
Financial assets at fair value through profit and loss	7	141,988	59,606
Long-term loans receivable	9	2,406,140	2,673,549
Net investment in leased asset	14	560,430	569,088
Deferred tax asset	19	515,472	558,231
Deferred expenses	8	277,480	310,526
Debt reserve funds	10	—	86,066
		<u>15,242,240</u>	<u>15,747,910</u>
CURRENT ASSETS			
Cash and short-term deposits	11	13,527,350	9,611,395
Current portion of long-term loans receivable	9	314,135	542,333
Accounts receivable	12	2,698,010	2,793,360
Sundry debtors and prepayments	13	1,027,332	1,009,706
Inventories	15	35,300	31,666
Deferred expenses	8	32,300	22,951
Income tax receivable		359,916	252,691
Current portion of net investment in leased asset	14	<u>6,214</u>	<u>916</u>
		<u>18,000,557</u>	<u>14,265,018</u>
Total assets		<u>33,242,797</u>	<u>30,012,928</u>

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

Separate Statement of Financial Position

As at 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	Notes	2012 \$'000	2011 \$'000
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	16	1,855,266	1,855,266
Reserve fund	17	438,192	438,192
Other reserves	18	2,326,492	2,567,440
Retained earnings		<u>18,191,993</u>	<u>15,745,087</u>
		<u>22,811,943</u>	<u>20,605,985</u>
NON-CURRENT LIABILITIES			
Long-term debt	19	2,130,380	2,138,996
Deferred tax liability	20	1,510,610	1,344,432
Deferred income	21	351,562	343,326
Provisions	22	794,713	775,630
Post-retirement medical and group life obligation	23	106,115	102,951
Pension obligation	24	290,207	255,386
Long-term creditors	25	<u>95,472</u>	<u>110,504</u>
		<u>5,279,059</u>	<u>5,071,225</u>
CURRENT LIABILITIES			
Current portion of long-term debt	19	–	14,851
Trade payables	26	3,335,540	2,450,337
Sundry payables and accruals	27	829,774	987,725
Deferred income	21	67,104	5,813
Provisions	22	2,338	5,051
Dividend payable		825,000	565,000
Income tax payable		<u>92,039</u>	<u>306,941</u>
		<u>5,151,795</u>	<u>4,335,718</u>
Total liabilities		<u>10,430,854</u>	<u>9,406,943</u>
Total equity and liabilities		<u>33,242,797</u>	<u>30,012,928</u>

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

The financial statements of The National Gas Company of Trinidad and Tobago Limited were authorized for issue by The Board of Directors on 30 April 2013.

 : Director

 : Director

Separate Statement of Comprehensive Income



For the Year Ended 31 December 2012
(Expressed In Trinidad and Tobago Dollars)

	Notes	2012 \$'000	2011 \$'000
Sales	28	16,926,197	17,646,341
Cost of sales	28	<u>(12,947,934)</u>	<u>(12,802,311)</u>
Gross profit		3,978,263	4,844,030
Other operating income	29	394,650	384,268
Interest and other investment income	30	1,895,326	1,216,311
Administrative and general expenses	31	(800,108)	(710,520)
Other expenses		(25,444)	(5,650)
Finance costs	32	(205,571)	(228,764)
Gain/(loss) on foreign exchange transactions		<u>(20,738)</u>	<u>(7,920)</u>
Profit before tax		5,216,378	5,491,755
Income tax expense	20	<u>(1,306,290)</u>	<u>(1,671,558)</u>
Profit for the year		<u>3,910,088</u>	<u>3,820,197</u>
Other Comprehensive Income			
Net (loss)/gain on available-for-sale financial assets		(98,993)	473,040
Foreign currency translation		<u>(105,137)</u>	<u>87,025</u>
Other comprehensive income for the year, net of tax		<u>(204,130)</u>	<u>560,065</u>
Total comprehensive income for the year		<u>3,705,958</u>	<u>4,380,262</u>

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

Separate Statement of Changes in Equity

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	Stated capital \$'000	Reserve fund \$'000	Other reserves \$'000	Retained earnings \$'000	Total \$'000
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	<u>1,855,266</u>	<u>438,192</u>	<u>2,567,440</u>	<u>15,745,087</u>	<u>20,605,985</u>
Year ended 31 December 2012					
Balance as at 1 January 2012	1,855,266	438,192	2,567,440	15,745,087	20,605,985
Total comprehensive income for the year	-	-	(204,130)	3,910,088	3,705,958
Transfer of depreciation for offshore plant and equipment and pipelines	-	-	(36,818)	36,818	-
Dividends (note 41)	-	-	-	(1,500,000)	(1,500,000)
Balance as at 31 December 2012	<u>1,855,266</u>	<u>438,192</u>	<u>2,326,492</u>	<u>18,191,993</u>	<u>22,811,943</u>

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

Separate Statement of Cash Flows



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	Notes	2012 \$'000	2011 \$'000
Cash flows from operating activities			
Cash generated from operations	33	4,886,537	3,988,878
Pension and other post-retirement contributions paid	23, 24	(42,836)	(14,537)
Income taxes paid		(1,418,300)	(1,104,760)
Interest received		412,718	347,634
Interest paid		(160,357)	(177,298)
Net cash generated from operating activities		<u>3,677,762</u>	<u>3,039,917</u>
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	4, 5	(233,269)	(336,883)
Proceeds on disposal of property, plant and equipment		846	–
Decrease in long-term investments		22,554	22,004
Net decrease in short-term deposits		1,177,959	924,497
Investment and advances to subsidiaries		(131,132)	(74,925)
Issue of loan receivables		–	(209,932)
Proceeds from repayment of loan receivable		516,927	39,104
Dividends received		1,285,178	709,394
Decrease in debt reserve funds		85,986	–
Net cash generated from investing activities		<u>2,725,049</u>	<u>1,073,259</u>
Cash flows from financing activities			
Repayment of long-term debt		(14,838)	(391,035)
Dividends paid		(1,240,000)	(550,000)
Net cash used in financing activities		<u>(1,254,838)</u>	<u>(941,035)</u>
Net increase in cash and cash equivalents		5,147,973	3,172,141
Net foreign exchange difference		(37,602)	(56)
Cash and cash equivalents			
– beginning of year		<u>4,892,550</u>	<u>1,720,465</u>
– end of year	11 (c)	<u>10,002,921</u>	<u>4,892,550</u>

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

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

1. Corporate information

The National Gas Company of Trinidad and Tobago Limited (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, distribution and sale of natural gas to industrial users.

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

The Company is owned by the Government of the Republic of Trinidad and Tobago (GORTT) and is domiciled in 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 2012.

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

IAS 12 Income Taxes – Recovery of Underlying Assets (Amendment)

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 should always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

IFRS 7 Transfers of Financial Assets – Disclosures (Amendment)

These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognized entirely in the financial statements, an entity has to disclose information that enables users of financial statement to understand the relationship between those assets which are not derecognized and their associated liabilities. If those assets are derecognized entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. Effective implementation date is for annual periods beginning on or after 1 July 2011 with no comparative required.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.2 Changes in accounting policy and disclosures (continued)

IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendment)

When an entity's date of transition to IFRS is on or after the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date, at fair value on the date of transition to IFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening IFRS Statement of Financial Position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. Effective implementation date is for annual periods beginning on or after 1 July 2011 with early adoption permitted.

2.3 Significant accounting judgements, estimates and assumptions

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

Judgements

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

Estimates and assumptions

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

Impairment of non-financial assets

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

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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Pension and other post-employment benefits

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

Asset retirement obligation

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

Take or pay

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

Revaluation

The Company revalues its offshore and onshore pipelines and related facilities every five (5) to seven (7) 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 units-of-production rate of amortization could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

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



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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 (3) months or less.

(b) Inventories

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

(c) Taxes

Current tax

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

Deferred tax

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

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

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Comprehensive Income.

(d) Property, plant and equipment

i) Non-oil and gas assets

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

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

i) Non-oil and gas assets (continued)

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%		
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 five to 60 years, but 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 will upon completion be transferred to their relevant fixed asset categories upon completion and are 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

ii) Oil and gas assets (continued)

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.

(e) 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 Statement of Comprehensive Income in the expense category, consistent with the function of the intangible asset.

(f) Foreign currencies

The presentation currency of the Company's financial statements is Trinidad & Tobago dollars (TT\$). The functional currency of the Company is the United States dollar (US\$) because the US\$ is the currency of the primary economic environment in which the Company operates. All Statement of Financial Position amounts have been translated using exchange rates in effect at the reporting 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.

(g) 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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(h) Investments

Investment in subsidiary companies

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

Investment in associated company

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

(i) Financial assets

Initial recognition and measurement

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.

All financial assets are recognized initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(i) 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 them to maturity. After initial measurement, 'held-to-maturity' investments are measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance income in the income statement. Any losses arising from impairment are recognized in the income statement in finance costs.

Available-for-sale financial investments

Available-for-sale financial investments include equity investments. Equity investments classified as available for sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as Other Comprehensive Income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the income statement in finance costs.

The Company evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets. The Company has not reclassified any financial assets.

Derecognition

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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement'; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 or has entered into a 'pass-through arrangement', it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. 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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(j) 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 has 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 is 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.

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-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 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(k) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the Statement of Comprehensive Income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

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 effective interest rate amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included as finance costs in the Statement of Comprehensive Income.

Derecognition

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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(l) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

(m) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(n) 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.

(o) Leases

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

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



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(o) Leases (continued)

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

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

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

(p) Revenue recognition

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

(q) Take or pay

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

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

(r) Provisions

General

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

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2.4 Summary of significant accounting policies (continued)

(r) Provisions (continued)

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 share of the Teak, Samaan and Poui (TSP) and SECC 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.

(s) 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.

(t) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. Within note 31, administrative and general expenses in Note 31 to the financial statements, an amount of \$113.81 million was reclassified from 'other' to 'operation and maintenance – Dolphin pipeline'. This reclassification has no effect on the profit and loss for the current and previous year.

3. Standards issued but not yet effective

The Company has not adopted early the following new and revised IFRS and IFRIC interpretations that have been issued but are not yet effective or not relevant to the Company's operations.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the classification 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 there has been no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

3. Standards issued but not yet effective (continued)

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 rewording. The amendment will have no impact on the Company's financial position or performance effect to the Company.

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 Company has elected to prepare separate and Consolidated 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 it 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 affects disclosure only and has no impact on the Company's financial position or performance.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with *IAS 32 Financial Instruments: Presentation*. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

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 was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 mandatory effective date of IFRS 9 and transition disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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 not impact the financial position of the Company, since equity accounting is already being used. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in 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 Company 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

4. Property, plant and equipment

Year ended 31 December 2012	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
Opening net book value	12,601	153,364	13,558	6,509,658	310,521	-	20,671	1,642,157	8,662,530
Additions	3,980	344	4,901	-	49,534	5,599	9,867	158,559	232,784
Disposals	-	-	(11)	-	-	-	(438)	-	(449)
Depreciation charge for year	-	(2,820)	(5,691)	(139,684)	(36,474)	-	(8,649)	-	(193,318)
Impairment	-	-	-	-	-	(5,599)	-	-	(5,599)
Transfer	-	-	-	6,725	-	-	-	(6,725)	-
Foreign exchange difference	(68)	(656)	(54)	(27,783)	(19,206)	-	(83)	5,013	(42,837)
Closing net book value	16,513	150,232	12,703	6,348,916	304,375	-	21,368	1,799,004	8,653,111
At 31 December 2012									
Cost	16,513	210,106	120,577	6,611,879	686,464	478,009	83,216	1,799,004	10,005,768
Accumulated depreciation	-	(59,874)	(107,874)	(262,963)	(382,089)	(478,009)	(61,848)	-	(1,352,657)
Net book value	16,513	150,232	12,703	6,348,916	304,375	-	21,368	1,799,004	8,653,111

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

4. Property, plant and equipment

Year ended 31 December 2011	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
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 year	–	(2,806)	(5,843)	(122,481)	(52,679)	–	(9,999)	–	(193,808)
Impairment	–	–	–	–	–	(6,577)	–	–	(6,577)
Transfers	–	–	–	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



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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 (5) to seven (7) 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 (8) 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 2012.

The offshore plant and equipment was fully impaired in 2005.

ii. Pipelines

The Company revalues its pipelines every five (5) to seven (7) years. The Directors 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 \$4,402.68 million as at 31 December 2012 (2011: \$4,545.32 million).

(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 2012 the Company has recorded a provision of \$37.63 million (2011: \$37.79 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. A 12-inch 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 first quarter 2013.

Cost incurred on this project as at 31 December 2012 is \$1,212.28 million.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

5. Intangible assets

Year ended 31 December

At 1 January – net book value	13,600	15,528
Additions at cost	485	10,510
Depreciation charge for year	(9,603)	(12,515)
Foreign exchange difference	(28)	77
	<u>4,454</u>	<u>13,600</u>
At 31 December		

At 31 December

Cost	109,266	109,256
Accumulated depreciation	<u>(104,812)</u>	<u>(95,656)</u>
Net book amount	<u>4,454</u>	<u>13,600</u>

6. Investments

Investments comprise the following:

a) Investments in and advances to subsidiaries	1,165,332	1,168,151
b) Held-to-maturity investments	98,209	121,971
c) Available-for-sale financial assets	1,417,048	1,522,646
d) Other	<u>2,576</u>	<u>1,946</u>
	<u>2,683,165</u>	<u>2,814,714</u>

(a) Subsidiaries

La Brea Industrial Development Company Limited (LABIDCO)

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

During 2007, the Board of Directors of LABIDCO considered the options available for the winding up of the company. After evaluating the various options the Board agreed that the preferred option was for the shareholders to relinquish their shareholdings voluntarily and that all the assets and liabilities of LABIDCO be transferred to NGC's wholly owned subsidiary, National Energy Corporation of Trinidad & Tobago 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

6. Investments (continued)

(b) Held-to-maturity

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

	2012 \$'000	2011 \$'000
Petrotrin Bonds	46,613	52,013
Government of Trinidad and Tobago Bonds	19,688	19,599
Government of Barbados Bonds	31,908	50,359
	<u>98,209</u>	<u>121,971</u>
(c) Available-for-sale financial assets		
Shares – listed	1,410,765	1,516,336
Shares – unlisted	6,283	6,310
	<u>1,417,048</u>	<u>1,522,646</u>

Listed

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

Unlisted

For investments where there is no active market, the fair value estimates cannot be reasonably assessed and as such 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 (2) single-tranche credit-linked notes at a cost of \$112.84 million (US\$17.75 million). 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 2012 was \$141.99 million (US\$22.25 million) (2011: \$59.61 million (US\$9.30 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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

8. Deferred expenses

	2012 \$'000	2011 \$'000
Take-or-pay (Note a)	193,088	199,159
Capacity rights (Note b)	110,884	128,500
Other (Note c)	5,808	5,818
	<u>309,780</u>	<u>333,477</u>
Current	32,300	22,951
Non-current	<u>277,480</u>	<u>310,526</u>
	<u>309,780</u>	<u>333,477</u>

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-inch 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

	2012 \$'000	2011 \$'000
Trinidad and Tobago Electricity Commission (Note (a))	1,433,514	1,849,896
NEC – Union Industrial Estate (Note (b))	277,158	273,657
NEC – Warehousing facility (Note (c))	420,027	421,857
Trinidad and Tobago LNG Limited (Note (d))	416,883	497,027
Atlantic LNG Company of Trinidad and Tobago (Note (e))	<u>172,693</u>	<u>173,445</u>
	2,720,275	3,215,882
Less: current portion of loan	<u>(314,135)</u>	<u>(542,333)</u>
Long-term loans receivable	<u>2,406,140</u>	<u>2,673,549</u>

(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 is for a period of seven (7) years with interest payable at a fixed rate of three (3) per cent per annum with semi-annual instalments which commenced on 1 December 2011.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

9. Loans receivable

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

The impairment provision on the loan has decreased by \$31.81 million during 2012 to \$167.34 million (US\$26.22 million) at 31 December 2012. 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 loan receivable was \$1,433.51 million at 31 December 2012 (2011: \$1,849.89 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 of Trinidad and Tobago Limited (NEC) for the sum of US\$58.52 million. This amount has been set up as a loan with tenure of 25 years, with interest payable at three (3) per cent per annum. The principal is to be repaid in equal semi-annual instalments originally scheduled to commence 1 July 2009. Loan repayments have now been rescheduled to commence from 1 January 2015. Interest for 2010 and 2011 was capitalized with the loan.

In December 2008 the investment in subsidiary was increased by \$97.223 million when the loan was recorded at fair value. Further fair value adjustments of \$4.256 million and \$18.03 million were recorded as additional investments in 2010 and 2011 when the loan was rescheduled.

(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. The loan agreement which was executed on 23 June 2010 provides for NEC to repay the principal over a period of not more than 15 years in equal semi-annual instalments at a rate of seven (7) per cent. The first principal instalment is due within two (2) years of the date of execution of the loan agreement. In 2011 the loan repayments were rescheduled to commence in June 2014.

(d) Trinidad and Tobago LNG Limited

This amount represents advances from July 2002 to December 2006. Repayment terms have not been finalized. Principal repayments of US\$12.222 million have been made during 2012.

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 2.0614 per cent (2011: 2.0862 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 10 per cent of the total loan facility.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

9. Loans receivable (continued)

(e) Atlantic LNG Company of Trinidad and Tobago (continued)

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 date which is sixty (60) months after the closing date of 30 August 2011 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 2012 was 1.309 per cent (2011: 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 In- versteringsbank (NA) N.V., and Kredietbank N.V. Dublin Branch collectively and The Bank of Nova Scotia L/C Agent, the Company maintained certain debt reserve funds which were funded from appropriations from two gas sales contracts. The debt reserve funds are held in interest bearing accounts.

In August 2012 the Letter of Credit which was held in support a loan facility, was released, and the funds were transferred to the Company's bank account. The lien on the two gas sales contracts from which the debt reserve fund was funded was also released.

11. Cash and short-term deposits

	2012 \$'000	2011 \$'000
Cash at banks and on hand	10,002,921	4,892,550
Short-term deposits	3,524,429	4,718,845
	<u>13,527,350</u>	<u>9,611,395</u>

(a) Cash at bank earns interest at floating rates based on daily deposit rates. Short-term deposits are made for varying periods of between one day and 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 \$13,527.35 million (2011: \$9,611.40 million).

(b) The Company holds investment note certificates with Clico Investment Bank Limited (CIB) in the amount of TT\$1,082.34 million (US\$169.61 million) as at 31 December 2012 which have matured and were not repaid.

CIB experienced financial and liquidity issues. On 31 January 2009 the Central Bank of Trinidad & Tobago (CBTT) under Section 44D of the Central Bank Act Chap. 79:02 assumed control of CIB. The Central Bank of Trinidad & Tobago indicated that the investment note certificates were not covered under the guarantee provided by the Government of Trinidad and Tobago. The investment note certificates and the related accrued interest were fully impaired as at 31 December 2008 as there is no basis to determine the timing and quantum, if any, of recovery. The amounts remain fully provided for as at 31 December 2012.

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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

11. Cash and short-term deposits (continued)

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

	2012 \$'000	2011 \$'000
Cash at banks and on hand	<u>10,002,921</u>	<u>4,892,550</u>

12. Accounts receivable

	2012 \$'000	2011 \$'000
Due from third parties	1,773,967	1,803,582
Due from related parties	<u>924,043</u>	<u>989,778</u>
	<u>2,698,010</u>	<u>2,793,360</u>

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

As at 31 December 2012, trade receivables impaired and fully provided for totalled \$13.9 million. Movements in the provision for impairment of receivables were as follows:

	Individually impaired \$'000	Collectively impaired \$'000	Total \$'000
At 1 January 2011	–	1,258	1,258
Charge for year	<u>–</u>	<u>15,581</u>	<u>15,581</u>
At 31 December 2011	–	16,839	16,839
Net reversal for year	3,269	(5,789)	(2,520)
Utilized	<u>–</u>	<u>(373)</u>	<u>(373)</u>
At 31 December 2012	<u>3,269</u>	<u>10,677</u>	<u>13,946</u>

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

	Total \$'000	Neither past due nor impaired \$'000	Past due but not impaired				
			< 30 days \$'000	30-60 days \$'000	60-90 days \$'000	90-120 days \$'000	>120 days \$'000
As at 31 December 2012							
Accounts receivable	<u>2,698,010</u>	<u>2,127,666</u>	<u>70,080</u>	<u>22,557</u>	<u>36,336</u>	<u>9,355</u>	<u>432,016</u>
As at 31 December 2011							
Accounts receivable	<u>2,793,360</u>	<u>2,435,338</u>	<u>128,026</u>	<u>27,826</u>	<u>6,932</u>	<u>7,547</u>	<u>187,691</u>

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

13. Sundry debtors and prepayments	2012 \$'000	2011 \$'000
Sundry debtors and prepayments comprise the following:		
Due from Government of Trinidad and Tobago – billed	447,400	547,362
Due from Government of Trinidad and Tobago – unbilled	47,152	96,272
Related party balances	255,929	154,491
Value Added Tax	40,380	50,115
Interest receivable	55,434	59,549
Accrued income	47,892	53,956
Prepayments – other	48,737	4,564
Staff related balances	8,458	7,233
Other	75,950	36,164
	<u>1,027,332</u>	<u>1,009,706</u>

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

14. Net investment in leased assets	2012 \$'000	2011 \$'000
Finance lease – gross investment	1,838,657	2,041,490
Less: Unearned finance charges	<u>(1,272,013)</u>	<u>(1,471,486)</u>
	<u>566,644</u>	<u>570,004</u>
Gross investment in leased assets has the following maturity profile:		
Within 1 year	198,293	194,848
1 to 5 years	844,115	827,087
Over 5 years	<u>796,249</u>	<u>1,019,555</u>
	<u>1,838,657</u>	<u>2,041,490</u>
Net investment in leased assets has the following maturity profile:		
Within 1 year	6,214	916
1 to 5 years	149,622	90,153
Over 5 years	<u>410,808</u>	<u>478,935</u>
	<u>566,644</u>	<u>570,004</u>
Current	6,214	916
Non-current	<u>560,430</u>	<u>569,088</u>
	<u>566,644</u>	<u>570,004</u>

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 (4) 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.

Notes to The Separate Financial Statements



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	2012 \$'000	2011 \$'000
15. Inventories		
Consumable spares	31,890	28,596
TSP spares	6,787	6,438
Other	288	312
Provision for slow-moving and obsolete stock	(3,665)	(3,680)
	<u>35,300</u>	<u>31,666</u>
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	<u>1,855,266</u>	<u>1,855,266</u>

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.

	2012 \$'000	2011 \$'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	1,148,159	1,184,977
Unrealized gain on available-for-sale financial assets	938,437	1,037,430
Foreign currency translation	239,896	345,033
	<u>2,326,492</u>	<u>2,567,440</u>

	Current portion \$'000	Long-term portion \$'000	2012 Total \$'000	2011 Total \$'000
19. Long-term debt				
i) AKA Ausfuhrkredit GmbH	–	–	–	14,851
ii) US\$400M 30-year bond	–	2,130,380	2,130,380	2,138,996
	<u>–</u>	<u>2,130,380</u>	<u>2,130,380</u>	<u>2,153,847</u>

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

19. Long-term debt (continued)

- (i) This loan relates to a facility established with AKA Ausfuhrkredit-Gesellschaft GmbH on 10 July 2003. The loan was secured by Export Credit Insurance provided by HERMES.

The loan provided for 17 equal and consecutive semi-annual instalments commencing June 2004. Interest was payable semi-annually in arrears at the fixed rate of 4.18 per cent per annum commencing June 2004. This loan was repaid in May 2012.

- (ii) This loan relates to a US\$400 million bond issued by the Company and arranged by Lehman Brothers/Citigroup on 20 January 2006 to finance the construction/acquisition of two new offshore pipelines and for advances to Trinidad & Tobago LNG Limited to fund its 11.11 per cent of its shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.

The bond will be redeemed via a bullet payment on 15 January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05 per cent commencing in July 2006. The fair value of the gross bond was \$2,761.40 million (US\$432.72 million) at 31 December 2012 (2011: \$2,478.58 million) (US\$385.08 million).

Total bond repurchases as at 31 December 2012 amounted to US\$60.31 million. No bonds were repurchased during 2012.

Maturity profile of long-term debt

	2012 \$'000	2011 \$'000
In 1 year or less	–	14,851
In more than one year but not more than two years	–	–
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	2,130,380	2,138,996
	<u>2,130,380</u>	<u>2,153,847</u>

20. Taxes

Corporation tax	982,541	1,261,757
Petroleum profit tax	91,555	146,136
Green fund	19,122	19,125
	<u>1,093,218</u>	<u>1,427,018</u>
Deferred tax	213,072	244,540
	<u>1,306,290</u>	<u>1,671,558</u>
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate.		
Accounting profit	<u>5,216,378</u>	<u>5,491,755</u>
Tax at the rate of 35%	1,825,732	1,922,114
Tax exempt income	(452,797)	(251,419)
Non deductible expense/(income)	(17,478)	(86,768)
Other differences	119	4,196
Prior years' tax	(96,617)	34,041
Green fund	19,122	19,125
Effect of oil and gas assets taxed at a higher rate	26,065	38,062
Foreign exchange translation	2,144	(7,793)
Current year taxation expense	<u>1,306,290</u>	<u>1,671,558</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

20. Taxes (continued)

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

Deferred tax asset:

Accrued interest expense	29,145	29,313
Asset retirement obligation	261,202	250,969
Post-retirement medical, group life and pension	138,713	125,418
Finance lease – Dolphin pipeline	65,076	129,649
Other	21,336	22,882
	<u>515,472</u>	<u>558,231</u>

Deferred tax liability:

Property, plant and equipment	<u>1,510,610</u>	<u>1,344,432</u>
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Net deferred tax liability

Balance at 1 January	786,201	538,529
Charge recognized in profit and loss	213,072	244,540
Foreign exchange translation	<u>(4,135)</u>	<u>3,132</u>
Balance as at 31 December	<u>995,138</u>	<u>786,201</u>

21. Deferred income

Gas sales (Note a)	368,026	293,203
Non-refundable capital contribution (Note b)	<u>50,640</u>	<u>55,936</u>
	<u>418,666</u>	<u>349,139</u>
Non-current	351,562	343,326
Current	<u>67,104</u>	<u>5,813</u>
	<u>418,666</u>	<u>349,139</u>

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 (s).

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

22. Provisions

	Asset retirement obligation \$'000	Environmental obligation \$'000	Onerous contract \$'000	Total \$'000
Year ended 31 December 2012				
Balance as at 1 January 2012	638,250	8,112	134,319	780,681
Unwinding of discount	31,658	–	–	31,658
Decrease in provision	–	(3,435)	(8,421)	(11,856)
Foreign currency translation	(2,877)	–	(555)	(3,432)
Balance as at 31 December 2012	<u>667,031</u>	<u>4,677</u>	<u>125,343</u>	<u>797,051</u>
Current portion	–	2,338	–	2,338
Non-current portion	<u>667,031</u>	<u>2,339</u>	<u>125,343</u>	<u>794,713</u>
Balance as at 31 December 2012	<u>667,031</u>	<u>4,677</u>	<u>125,343</u>	<u>797,051</u>
Year ended 31 December 2011				
Balance as at 1 January 2011	605,886	14,775	167,562	788,223
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	<u>638,250</u>	<u>8,112</u>	<u>134,319</u>	<u>780,681</u>
Current portion	–	5,051	–	5,051
Non-current portion	<u>638,250</u>	<u>3,061</u>	<u>134,319</u>	<u>775,630</u>
	<u>638,250</u>	<u>8,112</u>	<u>134,319</u>	<u>780,681</u>

(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 its share of the Teak, Samaan and Poui (TSP) platforms and SECC assets based on studies conducted.

A letter of credit was established for the Company's portion of the obligation for the TSP 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 2013, 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 2013 to 2015.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

22. Provisions (continued)

(c) Onerous contract

The Company has an onerous 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

Movement on the liability recognized in the Statement of Financial Position:

	2012 \$'000	2011 \$'000
Value at 1 January	102,951	77,431
Foreign exchange translation	862	669
Net benefit cost	3,059	25,544
Premiums paid	(757)	(693)
Value at 31 December	<u>106,115</u>	<u>102,951</u>

Changes in the present value of the defined benefits obligation are as follows:

Defined benefits obligation at 1 January	102,951	77,431
Service cost	5,667	6,071
Interest cost	5,686	4,910
Actuarial (gain)/loss	(8,294)	14,563
Foreign exchange translation	862	669
Company's premiums paid	(757)	(693)
Defined benefits obligation at 31 December	<u>106,115</u>	<u>102,951</u>

The amounts recognized in the Statement of Comprehensive Income are as follows:

Current service cost	5,667	6,071
Interest cost on benefits obligation	5,686	4,910
Net actuarial (gain)/loss recognized in the year	(8,294)	14,563
Net benefits cost	<u>3,059</u>	<u>25,544</u>

The Company expects to contribute \$0.91 million to its post-retirement medical and group life plans in 2013.

The principal actuarial assumption used for accounting purpose were:

	2012	2011
Medical cost inflation	5.75%	5.75%
Discount rates	5.00%	5.50%
Average individual salary increases	6.00%	6.00%

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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

	Aggregate service and interest costs \$'000	Year end defined benefit obligation \$'000
Effects of one percentage point change in medical expense increase assumption.		
Medical expense increase by 1% per annum	2,414	20,608
Medical expense decrease by 1% per annum	(1,919)	(15,772)

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.

	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Experience history					
Defined benefit obligation	106,115	102,951	77,431	73,071	63,932
Fair value of plan assets	—	—	—	—	—
Deficit	<u>106,115</u>	<u>102,951</u>	<u>77,431</u>	<u>73,071</u>	<u>63,932</u>
Experience adjustment on plan liabilities	4,217	46	7,381	4,638	6,207
Experience adjustment on plan assets	—	—	—	—	—

24. Pension obligation

Benefit liability

	2012 \$'000	2011 \$'000
Present value of obligation	822,317	689,134
Fair value of plan assets	(530,772)	(434,826)
Foreign exchange translation	<u>(1,338)</u>	<u>1,078</u>
Pension liability	<u>290,207</u>	<u>255,386</u>

Movement on the liability recognized in the Statement of Financial Position:

	2012 \$'000	2011 \$'000
Liability at 1 January	255,386	94,027
Net pension cost	86,313	178,984
Contributions paid	(49,076)	(18,107)
Foreign exchange translation	<u>(2,416)</u>	<u>482</u>
Liability value at 31 December	<u>290,207</u>	<u>255,386</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

24. Pension obligation (continued)

The amounts recognized in the Statement of Comprehensive Income are as follows:

	2012 \$'000	2011 \$'000
Current service cost	32,635	31,612
Interest cost on benefit obligation	37,468	30,565
Expected return on plan assets	(28,555)	(28,496)
Net actuarial loss recognized in the year	<u>44,765</u>	<u>145,303</u>
Net pension cost	<u>86,313</u>	<u>178,984</u>
Net pension cost:		
National Gas Company of Trinidad and Tobago	80,077	174,721
Subsidiaries	<u>6,236</u>	<u>4,263</u>
	<u>86,313</u>	<u>178,984</u>
Actual return on plan assets	<u>49,500</u>	<u>20,047</u>

Changes in the present value of the defined benefits obligation are as follows:

Defined benefit obligation at 1 January	689,134	494,504
Service cost	32,635	31,612
Interest cost	37,468	30,565
Members' contribution	14,235	7,463
Actuarial loss	65,710	136,854
Benefits paid	(16,044)	(11,080)
Expense allowance	<u>(821)</u>	<u>(784)</u>
Defined benefit obligation at 31 December	<u>822,317</u>	<u>689,134</u>

Changes in fair value of plan assets are as follows:

Plan assets at 1 January	434,826	401,073
Expected returns on plan assets	28,555	28,496
Actuarial gain/(loss)	20,945	(8,449)
Company contributions	49,076	18,107
Members' contributions	14,235	7,463
Benefits paid	(16,044)	(11,080)
Expense allowance	<u>(821)</u>	<u>(784)</u>
Plan assets at 31 December	<u>530,772</u>	<u>434,826</u>

The Company expects to contribute \$33.7 million to the defined benefit pension plan in 2013.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

24. Pension obligation (continued)

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

	2012	2011
Equity securities	28%	28%
Debt securities	57%	46%
Money market instruments/cash	14%	23%
Mutual funds	0%	1%
Other-purchased annuities	1%	2%
	<u>100%</u>	<u>100%</u>

The principal actuarial assumptions used for accounting purposes were:

Discount rate	5.00%	5.50%
Expected return on plan assets (other than purchased annuities)	5.75%	6.25%
Future salary increases	6.00%	6.00%

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

Experience history	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
Defined benefit obligation	822,317	689,134	494,504	408,600	339,467
Fair value of plan assets	<u>(530,772)</u>	<u>(434,826)</u>	<u>(401,073)</u>	<u>(347,351)</u>	<u>(301,629)</u>
Deficit	<u>291,545</u>	<u>254,308</u>	<u>93,431</u>	<u>61,249</u>	<u>37,838</u>
Experience adjustment on plan liabilities	(6,160)	(65,895)	21,566	7,231	7,782
Experience adjustment on plan assets	20,692	(9,493)	6,392	6,443	(45,066)

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 2012, 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.

Notes to The Separate Financial Statements



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	2012 \$'000	2011 \$'000
26. Trade payables		
Trade payables		
Trade payables are settled on 30-day terms	<u>3,335,540</u>	<u>2,450,337</u>
27. Sundry payables and accruals		
Accrued interest – Board of Inland Revenue	17,938	17,938
– other	83,272	83,748
Accrued material/service amounts	598,982	698,920
Contract provisions	57,242	120,639
Employee related accruals	<u>72,340</u>	<u>66,480</u>
	<u>829,774</u>	<u>987,725</u>

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

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

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

	2012 \$'000	2011 \$'000
28. Sales and cost of sales		
Sales include the following:		
Gas sales	16,208,565	16,678,300
Crude oil	563,740	607,269
Condensate sales	82,675	188,679
Transportation tariffs	6,769	112,190
Compression charges	<u>64,448</u>	<u>59,903</u>
	<u>16,926,197</u>	<u>17,646,341</u>
Cost of sales include the following:		
Gas purchase	12,319,903	12,148,249
Depreciation	176,158	175,160
Impairment – offshore plant and equipment	5,599	6,577
Exploration and production costs	(6,760)	35,844
Production taxes including SPT	148,918	122,759
Maintenance and other costs	126,627	176,579
Royalties	38,094	68,434
Staff costs	<u>64,245</u>	<u>68,709</u>
	<u>12,947,934</u>	<u>12,802,311</u>

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

	2012 \$'000	2011 \$'000
29. Other operating income		
Interest income – Dolphin lease	193,750	193,094
Operation and maintenance fees – Dolphin pipeline	120,617	125,227
Operation and maintenance fees – other	29,529	29,760
Lease income	18,883	19,684
Management fees	4,666	4,003
Project management fees – Government of Trinidad & Tobago	1,958	2,842
Amortization of non-refundable capital contribution	6,567	6,206
Gain/(loss) on disposal of assets	397	(305)
Other	18,283	3,757
	<u>394,650</u>	<u>384,268</u>
30. Interest and other investment income		
Investment income	66,846	82,498
Interest income – related parties	110,515	31,728
Notional interest income – related parties	4,705	–
Net gain on financial asset at fair value	82,923	19,998
Fair value gain on T&TEC loan and accounts receivable	36,955	79,817
Fair value gain on other receivable	–	1,669
	<u>301,944</u>	<u>215,710</u>
Finance income		
	<u>301,944</u>	<u>215,710</u>
Dividend income	1,285,178	709,394
LNG production payments	308,204	291,207
	<u>1,593,382</u>	<u>1,000,601</u>
Other income		
	<u>1,895,326</u>	<u>1,216,311</u>
31. Expenses		
Administrative and general expenses include the following:		
Staff costs	301,944	410,844
Penalty interest – Board of Inland Revenue	–	(133,519)
Materials, services and contract labour	107,821	164,046
Depreciation	26,763	31,163
Professional fees	80,064	32,081
Operation and maintenance – Dolphin pipeline	109,652	113,910
Rates and taxes	18,722	18,760
Provision for impairment of receivable	3,369	4,308
Decrease in provision for investment in a subsidiary – LABIDCO	(803)	(19,653)
Decrease in provision for onerous contract (Note 22 (c))	(8,421)	(34,051)
Other	160,997	122,631
	<u>800,108</u>	<u>710,520</u>
Total staff costs:		
Amount included in cost of sales	64,244	68,709
Amount included in administrative and general expenses	301,944	410,844
	<u>366,188</u>	<u>479,553</u>

Notes to The Separate Financial Statements



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

31. Expenses (continued)

	2012 \$'000	2011 \$'000
Staff costs:		
Wages and salaries	279,503	275,544
National insurance	5,912	5,126
Pension and post-retirement medical and group life	80,773	198,883
	<u>366,188</u>	<u>479,553</u>

32. Finance costs

Interest	160,244	176,561
Amortization of transaction cost	873	815
Decommissioning – unwinding of discount rate	31,658	29,213
Take-or-pay interest	11,874	10,933
Fair value loss on T&TEC receivable	–	11,242
Fair value loss on other receivable	922	–
	<u>205,571</u>	<u>228,764</u>

33. Cash generated from operations

Notes

		2012 \$'000	2011 \$'000
Profit before tax		5,216,378	5,491,755
Adjustments to reconcile net profit with net cash from operating activities:			
Depreciation		202,921	206,323
Impairment on property, plant and equipment	4, 5	5,599	6,577
Decrease in provision for investment in subsidiary		(803)	(19,653)
(Gain)/loss on disposal of property, plant and equipment		(397)	175
Finance costs	35	205,571	228,764
Dividend income	32	(1,285,178)	(709,394)
Finance income	32	(301,944)	(215,710)
Interest income on finance lease		(193,750)	(193,094)
Increase in deferred income		71,284	40,361
Decrease in deferred expenses		22,325	17,916
Post-retirement costs		83,136	200,265
Decrease in onerous contract provision		(8,421)	(34,045)
Decrease in environmental obligation		(3,412)	(6,663)
		<u>4,013,309</u>	<u>5,013,577</u>
Operating profit before working capital changes			
Decrease/increase in accounts receivable and sundry debtors		160,377	(809,256)
Increase in inventories		(3,782)	(2,582)
Increase/(decrease) in trade creditors, sundry creditors and accruals		<u>716,633</u>	<u>(212,861)</u>
		<u>4,886,537</u>	<u>3,988,878</u>

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

34. 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.

(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 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.

(c) Customs bonds

The Company has contingent liabilities in respect of customs bonds amounting to \$1.68 million (2011 \$1.53 million).

35. Capital commitments

Approved and contracted capital expenditure

2012 \$'000	2011 \$'000
<u>112,665</u>	<u>193,107</u>

36. Guarantees

The Company has provided the following guarantees as at 31 December 2012:

- 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 \$17.2 million at 31 December 2012.
- 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 also restricts the ability of the subsidiary to declare dividends. The loan balance is \$712.05 million (US\$111.58 million) at 31 December 2012.

37. Operating lease commitments

The Company has lease arrangements for motor vehicles, office equipment and helicopter services with duration ranging from one to five years.

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

Payable

Within 1 year
1 to 5 years

2012 \$'000	2011 \$'000
28,033	5,470
13,840	11,555



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

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 2012 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 \$60.6 million (US\$9.5 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 2012.

Management expects that there will be 'take-or-pay' during 2013.

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 is 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.

39. Royalty gas

For the period November 2005 to December 2010, the Company received 'royalty' gas from an upstream supplier. The Company has no economic interest in the 'royalty' gas as it is only a transporter of the gas to T&TEC on behalf of the GORTT. As there is no 'royalty' gas agreement between GORTT and the upstream supplier, invoices were issued by the upstream supplier to the Company and invoices were issued by the Company to T&TEC for the 'royalty' gas delivered. The expense and income relating to the 'royalty' gas received and sold for the above period were not recognized in the financial statements as the Company did not obtain any economic benefit from this arrangement.

Effective October 2012, NGC has agreed to purchase the 'royalty' gas from the Ministry of Energy and Energy Affairs. The terms and conditions of the purchase have not been finalized.

40. Related party transactions

The Company is wholly owned by the GORTT. 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 2012, 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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

40. Related party transactions (continued)

Significant subsidiaries interests at 31 December 2012 are as follows:

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

Significant associate interests at 31 December 2012 are as follows:

Name of Company	Country of incorporation	Proportion of issued equity capital held
<i>Associated Company</i>		
Trinidad and Tobago Marine Petroleum Company Limited (TRINTOMAR)	Trinidad and Tobago	20%

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 2012 and 2011.

		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	2012	3,561	204,925	514,240	204,227
	2011	4,619	–	663,233	–
Fellow State Enterprises:					
Trinidad and Tobago Electricity Commission (T&TEC)	2012	966,902	–	1,982,484	–
	2011	963,456	–	2,426,617	–
First Citizens Group	2012	11,584	–	1,019,463	–
	2011	20,274	13,432	1,131,685	–
Petroleum Company of Trinidad and Tobago Limited	2012	209,290	–	68,320	–
	2011	283,267	–	87,025	–
Trinidad Nitrogen Company Limited	2012	1,601,358	–	303,561	–
	2011	1,529,945	–	261,492	–
Joint Venture:					
Phoenix Park Gas Processors Ltd. (PPGPL)	2012	661,715	–	84,117	–
Gas Sales	2011	897,151	–	153,076	–



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

40. Related party transactions (continued)

		Income from related parties \$'000	Purchases from related parties \$'000	Amounts due from related parties \$'000	Amounts due to related parties \$'000
Associates:					
National Helicopter Services Limited	2012	923	16,692	–	–
	2011	504	15,787	–	–
National Enterprises Limited	2012	90,055	–	–	–
	2011	56,986	–	–	–
Subsidiaries:					
Trinidad and Tobago LNG Limited	2012	312,336	–	484,567	–
	2011	127,632	–	509,609	–
NGC Pipeline Company Limited	2012	31,090	76,075	53,219	812
	2011	31,334	75,392	21,093	803
NGC Trinidad and Tobago LNG Limited	2012	86,140	–	122	15
	2011	131,272	–	12	270
NGC NGL Company Limited	2012	807,799	–	195	–
	2011	405,659	–	50	–
La Brea Industrial Development Company Limited (LABIDCO)	2012	–	–	–	5,396
	2011	–	–	–	5,407
National Energy Corporation of Trinidad and Tobago Limited (NEC)	2012	49,469	–	821,358	3,771
	2011	42,175	–	784,695	3,135

Compensation of key management personnel

Short-term employee benefits
Post-employment benefit

	2012 \$'000	2011 \$'000
Short-term employee benefits	24,825	27,409
Post-employment benefit	<u>2,515</u>	<u>2,923</u>
	<u>27,340</u>	<u>30,332</u>

41. Financial risk management objectives and policies

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

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

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

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

41. Financial risk management objectives and policies

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company and arises principally from credit exposures to customers relating to outstanding receivables.

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

The Company does not hold collateral as security. The maximum exposure to credit risk is the carrying amount of the receivables balances. The Company's primary activity is the purchase, transmission and distribution of natural gas and there is no significant concentration of credit risk as the Company has numerous large and small customers across Trinidad and Tobago.

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 2012 for the capitalization of 2005 to 2009 outstanding trade balances. The Company is working with T&TEC and the Government of Trinidad and Tobago (GORTT) to formulate the terms and conditions for the sale of gas and to put measures in place to ensure that T&TEC continues to service the loan as well as its monthly gas purchases.

Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2011 based on contractual undiscounted payments (i.e. principal and interest).

At 31 December 2012	On demand \$'000	<3 mths \$'000	3-12 mths \$'000	1-5 yrs \$'000	>5 yrs \$'000	Total \$'000
Long-term debt	–	77,216	77,216	617,729	5,022,802	5,794,963
Trade creditors	–	3,335,540	–	–	–	3,335,540
Sundry payables	–	650,585	55,853	–	–	706,438
Other financial liabilities	–	–	825,000	95,472	–	920,472
	<u>–</u>	<u>4,063,341</u>	<u>958,069</u>	<u>713,201</u>	<u>5,022,802</u>	<u>10,757,413</u>



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

41. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

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
Other 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

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.

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.

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 2012.

	Increase/ (decrease) in basis points	Effect on profit before tax \$'000
Loan receivables		
2012	+50	2,958
	-50	(2,958)
2011	+50	3,347
	-50	(3,347)

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.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

41. 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
2012	0.01 (0.01)	556 (556)
2011	0.01 (0.01)	1,914 (1,914)

Commodity price risk

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

Other price risk

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

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

	Increase/ (decrease) in equity price	Effect on equity \$'000
2012	10% (10%)	141,256 (141,256)
2011	10% (10%)	151,085 (151,085)



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

41. Financial risk management objectives and policies (continued)

Capital management

The primary objective of the Company's Capital Management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize 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 2011.

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 2012 and 31 December 2011.

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.

	2012 \$'000	2011 \$'000
Net debt	2,130,380	2,153,847
Equity	22,811,943	20,605,985
Debt plus equity	24,942,323	22,759,832
Gearing ratio	0.09	0.10

Fair values

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transaction on an arm's length basis. At 31 December 2012 the fair values of listed available-for-sale investments were based on quoted market prices and therefore included in the Level 1 hierarchy.

Level 2

Included in the Level 2 category are financial assets that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable. At 31 December 2012 the financial asset at fair value through profit and loss is based on prices provided by the swap counterparty and is therefore included in the Level 2 hierarchy.

Level 3

Level 3 hierarchies relate to financial assets that are not quoted as there are no active markets to determine a price. Unlisted available-for-sale investments are included within the Level 3 category at year end.

Notes to The Separate Financial Statements

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

41. Financial risk management objectives and policies (continued)

Capital management (continued)

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	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial assets				
Cash and short-term deposits	13,527,350	9,611,395	13,527,350	9,611,395
Available-for-sale investments	1,417,048	1,522,646	1,417,048	1,522,646
Accounts receivable	2,698,010	2,793,360	2,698,010	2,793,360
Other receivables	699,131	842,399	699,131	842,399
Held-to-maturity investments	98,209	121,971	98,209	121,971
Loans receivable	2,720,275	3,215,882	2,720,275	3,215,882
Net investment in leased assets	566,644	570,004	566,644	570,004
Debt reserve fund	–	86,066	–	86,066
Financial liabilities				
Fixed rate borrowings	2,130,380	2,153,847	1,916,938	2,068,706
Other financial liabilities	5,033,231	4,075,816	5,033,231	4,075,816

Short-term financial assets and liabilities

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

Long-term financial assets and liabilities

The fair value of the Company's floating rate long-term loan receivable 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.



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

41. Financial risk management objectives and policies (continued)

Capital management (continued)

Derivative financial instruments and hedging

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

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

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

42. Dividends

Dividends declared during the year:
Additional dividends for 2009
Dividends for 2010
Dividends for 2011

2012 \$'000	2011 \$'000
–	185,000
–	730,000
<u>1,500,000</u>	<u>–</u>
<u>1,500,000</u>	<u>915,000</u>

43. Events after the reporting period

NGC is currently evaluating both upstream and downstream gas related investment opportunities. These investments will present NGC with an attractive opportunity to diversify its asset base, and become a more prominent player in the natural gas value chain. In addition, NGC's brand as a global player in the gas industry will be enhanced.

All proposed investment opportunities are subject to approval by the Parent's Shareholder, the Government of the Republic of Trinidad and Tobago.

Five-Year Financial Review

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars)

2008-2012

	At 31/12/2012	At 31/12/2011	At 31/12/2010	At 31/12/2009	At 31/12/2008
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	12,346,409	7,191,084	3,457,396	2,390,243	1,121,597
Short-term investments	3,853,252	5,023,711	5,900,713	7,164,226	9,905,535
Accounts receivable	2,855,973	2,991,250	2,177,894	1,617,764	1,094,366
Current portion of loans receivable	314,135	520,970	151,470	289,662	28,314
Short-term loan receivable	–	–	–	–	–
Current Portion of net investment in leased assets	6,214	916	–	–	–
Inventories	35,913	31,912	35,644	33,755	21,268
Sundry debtors and prepayments	995,361	1,118,519	1,446,055	1,970,921	1,807,675
Income Tax receivable	381,867	283,218	148,534	16,391	71,333
Deferred Expenses	28,204	17,965	18,005	–	3,646
Total current assets	20,817,328	17,179,545	13,335,711	13,482,962	14,053,734
NON-CURRENT ASSETS					
Property, plant and equipment	11,071,287	11,189,278	11,051,163	7,748,855	6,116,887
Pension assets	–	–	–	–	–
Interest in joint venture	1,049,184	1,092,241	956,995	849,233	708,458
Investments	1,852,109	1,982,296	1,522,123	1,325,482	960,657
Net investment in leased asset	560,430	569,088	563,311	–	–
Derivative assets	141,988	59,606	39,376	111,255	39,206
Deferred taxation	522,140	565,263	605,115	656,524	588,451
Deferred expenses	282,658	313,370	326,641	194,620	184,104
Long-term loans receivable	1,708,955	1,978,036	2,199,044	2,189,196	1,982,586
Debt reserve funds	82,422	168,839	167,961	167,442	164,882
Total non-current assets	17,271,173	17,918,017	17,431,729	13,242,607	10,745,231
TOTAL ASSETS	38,088,501	35,097,562	30,767,440	26,725,569	24,798,965
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Current portion of long-term debt	101,560	126,324	493,125	163,729	144,846
Trade creditors	3,437,278	2,485,623	2,141,969	1,598,929	907,770
Sundry creditors and accruals	1,084,361	1,220,651	1,778,962	1,687,761	1,468,319
Dividends payable	825,000	565,000	200,000	150,000	350,000
Income taxes payable	131,501	317,547	242,497	278,748	587,726
Deferred income	106,283	67,690	83,700	58,939	59,313
Environmental obligation	6,652	7,721	5,600	267	264
Total current liabilities	5,692,635	4,790,556	4,945,853	3,938,373	3,518,238

Five-Year Financial Review (continued)



For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2008-2012

	At 31/12/2012	At 31/12/2011	At 31/12/2010	At 31/12/2009	At 31/12/2008
NON – CURRENT LIABILITIES					
Deferred tax liability	1,956,081	1,779,689	1,500,837	922,266	824,721
Long-term debt	2,774,578	2,888,039	2,998,824	3,573,522	3,825,517
Pension obligation	290,207	255,386	94,027	61,660	37,838
Asset retirement obligation	667,031	638,250	605,886	571,080	534,998
Post retirement medical and group life obligation	106,115	102,951	77,431	73,434	63,896
Deferred income	435,572	409,960	353,111	339,342	186,438
Long-term creditors	95,472	110,504	109,941	109,608	103,120
Environmental obligation	2,339	5,120	14,124	21,450	21,372
Onerous contract	125,343	134,319	167,562	86,124	110,221
Total long-term liabilities	6,452,738	6,324,218	5,921,743	5,758,486	5,708,121
Total liabilities	12,145,373	11,114,774	10,867,596	9,696,859	9,226,359
SHAREHOLDERS' EQUITY					
Share capital	1,855,266	1,855,266	1,855,266	1,855,266	1,752,848
Reserve fund	438,192	438,192	438,192	438,192	438,192
Other reserves	2,477,919	2,731,419	2,199,489	942,812	536,459
Retained earnings	20,723,026	18,433,495	14,966,743	13,458,830	12,529,611
Equity attributable to equity holders of the parent	25,494,403	23,458,372	19,459,690	16,695,100	15,257,110
MINORITY INTEREST	448,725	524,416	440,154	333,610	315,496
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	38,088,501	35,097,562	30,767,440	26,725,569	24,798,965

Five-Year Financial Review (continued)

For the Year Ended 31 December 2012
(Expressed in Trinidad and Tobago Dollars) (continued)

2008-2012

INCOME STATEMENT TT\$ ('000)

	2012	2011	2010	2009	Restated 2008
Sales	18,354,479	18,994,360	14,166,966	9,125,401	17,744,608
Cost Of Sales	(13,588,468)	(13,574,003)	(10,563,970)	(7,443,264)	(11,374,789)
Gross Profit	4,766,011	5,420,357	3,602,996	1,682,137	6,369,819
Net Operating Costs	(1,001,672)	(864,125)	(1,530,436)	(729,873)	(2,070,023)
Operating Profit/(Loss)	3,764,339	4,556,232	2,072,560	952,264	4,299,796
Interest and Investment Income	1,557,797	1,766,257	1,497,167	1,542,940	2,136,003
Finance Costs	(249,433)	(277,715)	(381,741)	(291,772)	(509,898)
Other Income	369,563	372,211	112,403	112,432	144,521
Profit Before Tax	5,442,266	6,416,985	3,300,389	2,315,864	6,070,422
Taxation	(1,512,034)	(1,812,114)	(1,206,941)	(603,432)	(2,410,291)
Net Profit for The Year	3,930,232	4,604,871	2,093,448	1,712,432	3,660,131
Minority Interest	(177,732)	(265,421)	(212,792)	(162,258)	(260,860)
Net Profit Attributable to Equity Holders of Parent	3,752,500	4,339,450	1,880,656	1,550,174	3,399,271

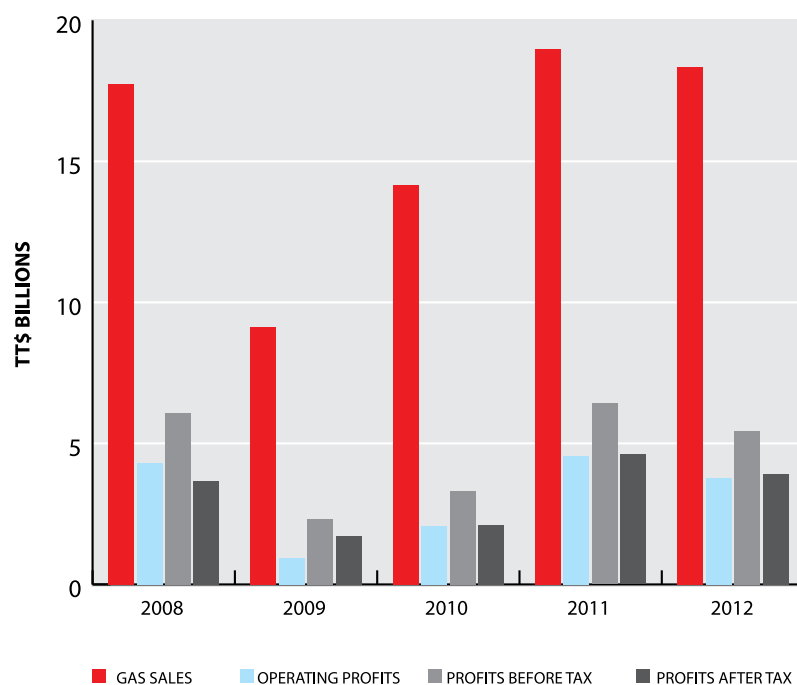
BALANCE SHEET TT\$ ('000)

	2012	2011	2010	2009	Restated 2008
Net Current Assets (Current Assets-Liabilities)	15,124,693	12,388,989	8,389,858	9,544,589	10,535,496
Loan Receivable	1,708,955	1,978,036	2,199,044	2,189,196	1,982,586
Investments	2,901,293	3,074,537	2,479,118	2,174,715	1,669,115
Net Investment in Leased Asset	560,430	569,088	563,311	—	—
Property, Plant and Equipment	11,071,287	11,189,278	11,051,163	7,748,855	6,081,263
Pension Assets	—	—	—	—	—
Derivative Asset	141,988	59,606	39,376	111,255	39,206
Deferred Items	804,798	878,633	931,756	851,144	776,201
Debt Reserve Funds	82,422	168,839	167,961	167,442	164,882
	32,395,866	30,307,006	25,821,587	22,787,196	21,245,103
Financed By:					
Long-Term Debt and Accruals	4,061,085	4,134,569	4,067,795	4,521,779	4,696,962
Deferred Items	2,391,653	2,189,649	1,853,948	1,236,707	975,535
Minority Interest	448,725	524,416	440,154	333,610	315,496
Shareholders' Equity:					
Share Capital	1,855,266	1,855,266	1,855,266	1,855,266	1,752,848
Capital Reserves	2,916,111	3,169,611	2,637,681	1,381,004	974,651
Retained Earnings	20,723,026	18,433,495	14,966,743	13,458,830	12,529,611
	32,395,866	30,307,006	25,821,587	22,787,196	21,245,103

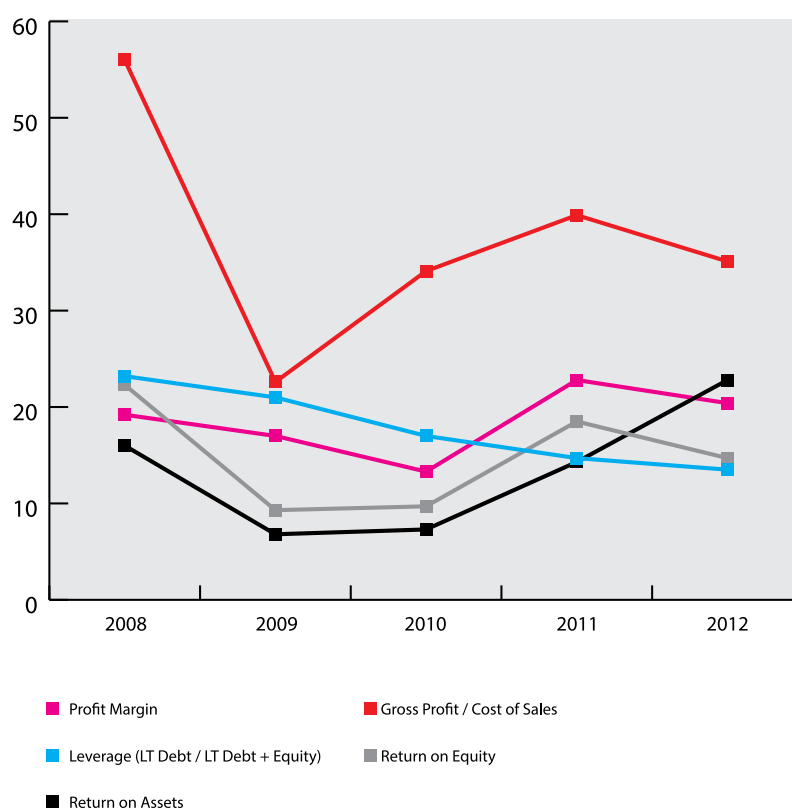


2008-2012

SALES TO PROFITABILITY (TT\$ BILLION)

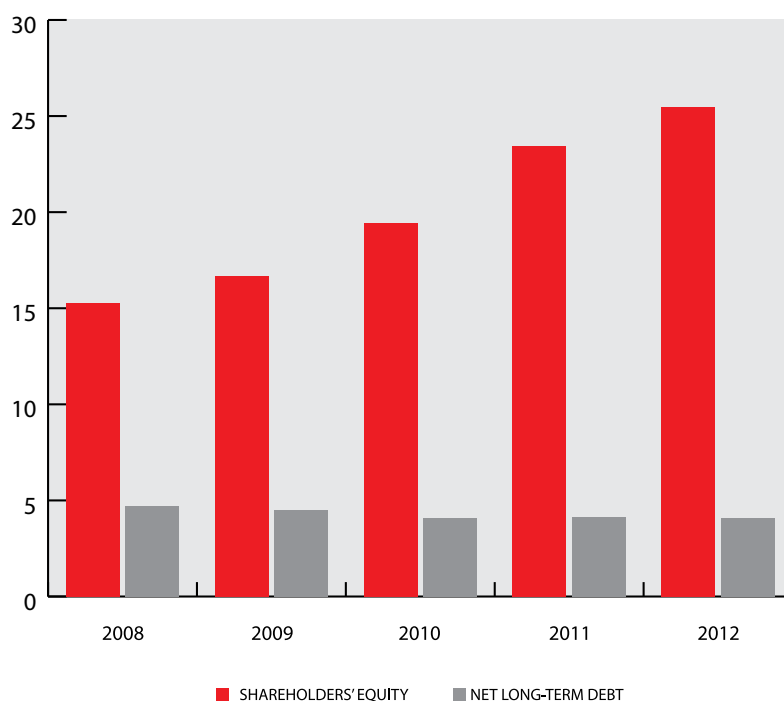


CORPORATE PERFORMANCE INDICATORS

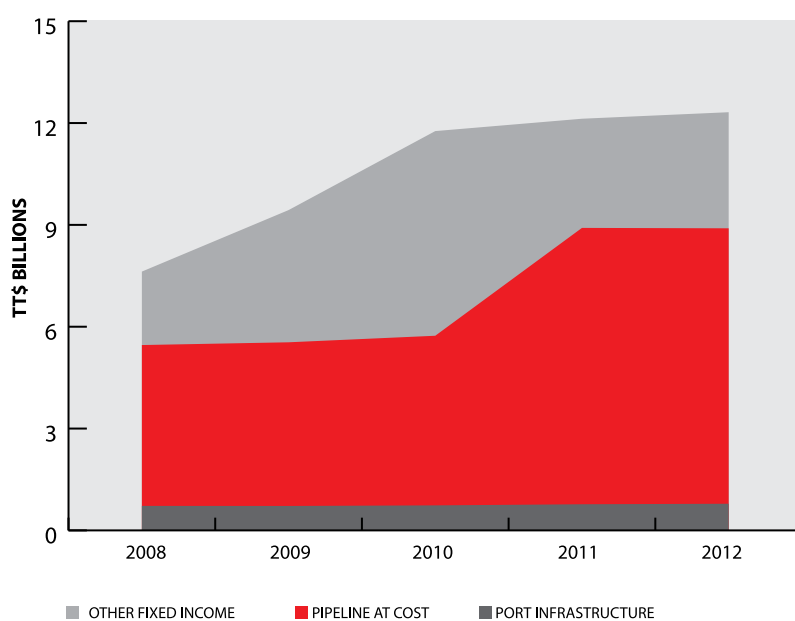


2008-2012

CAPITAL EMPLOYED (TT\$ BILLIONS)



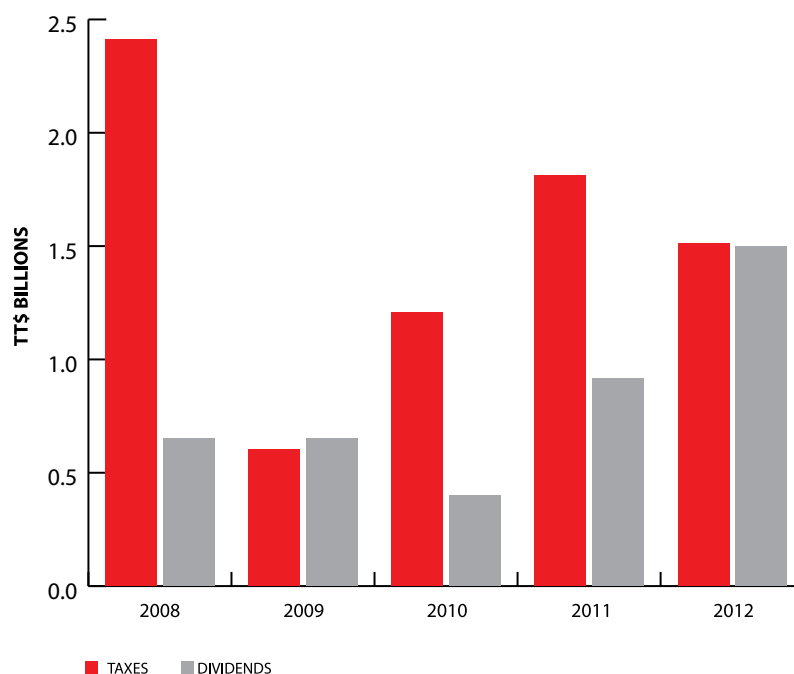
GROWTH IN FIXED ASSETS



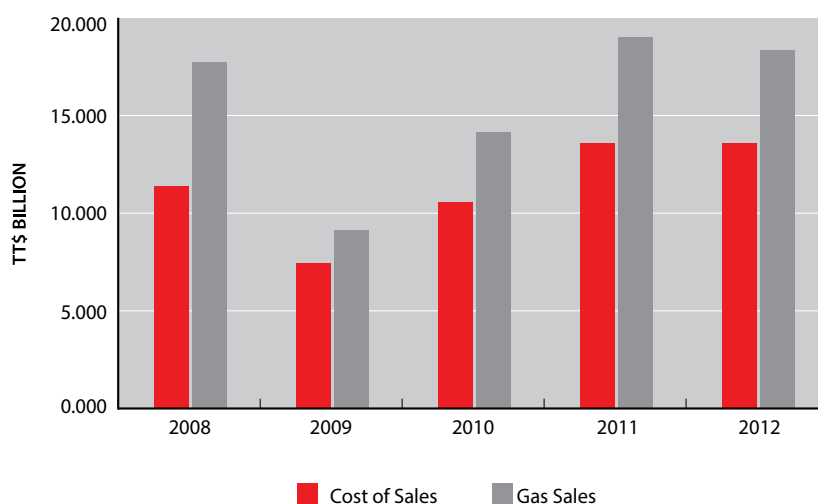


2008-2012

TAXES & DIVIDENDS CONTRIBUTED TO THE TREASURY



SALE TO COST OF SALES



PRINCIPAL OFFICERS

Indar Maharaj
President

Olave Maria Thorne
Vice President, Legal and Corporate Services

Wade Hamilton
Vice President, Technical Services

Rebecca Ramdhanie
Vice President, Finance and Information
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