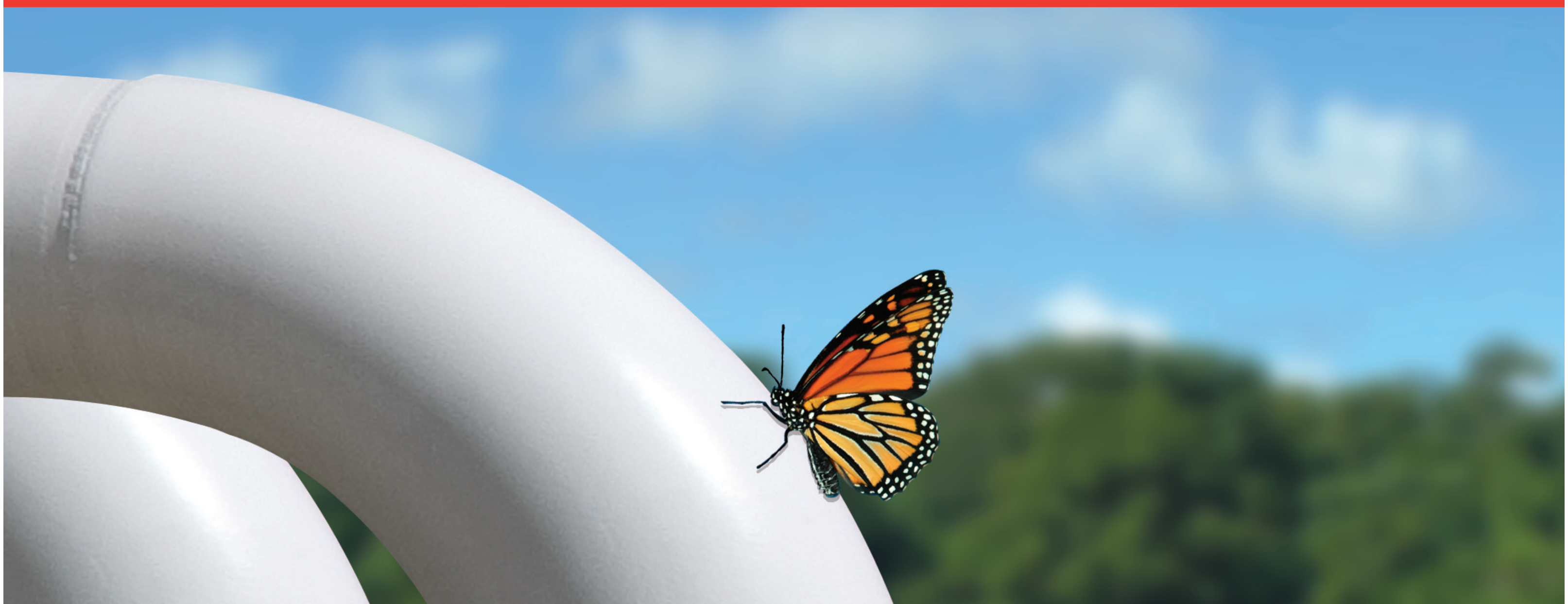
THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED



Seeing the Bigger Picture

ANNUAL REPORT 2006

Vision

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

Mission

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

Corporate Profile

Established in 1975 by the Government of Trinidad and Tobago, The National Gas Company of Trinidad and Tobago Limited (NGC) plays a key role in the development of the local natural gas-based energy sector. Its early mandate to be the sole supplier of natural gas also included the responsibility to develop, construct and operate a transmission and distribution gas pipeline network for gas-based industrialization proposed at the Point Lisas Industrial Estate.

NGC's success at these early activities led to the expansion of its mandate in 1981 to include the Flare Gas Conservation Project, which involved the procurement, installation and management of two offshore compression facilities in the Teak and Poui Fields to capture natural gas that would otherwise be flared during offshore oil recovery operations. In 1992, NGC was given another mandate which comprised the promotion and facilitation of gas-based investment, as well as the construction of industrial sites and marine infrastructure to meet the needs of investors desirous of locating their operations in the country.

As a diversified group, NGC's operations span the entire gas value chain from natural gas

Expansion of the Point Lisas Network – an 8km 36-inch-diameter 'loop' line to increase capacity and improve quality of gas supply in the Point Lisas area.

compression, transmission, sale and distribution to strategic investments in industrial sites, port and marine infrastructure, as well as upstream gas and oil production in the Teak, Samaan and Poui (TSP) offshore fields, NGLs and LNG production.

The core role of the NGC parent is the purchase, transmission, sale and distribution of natural gas. In this role, NGC owns and operates the country's 795km/4.4 Bcf/d transmission and distribution pipeline network that comprises both offshore and onshore segments.

In 2006, after 31 years in the business, NGC's asset base was over TT$18 billion. NGC's major customer segments comprise the power generation, chemicals and metals sub-sectors, including the 23 world-class, gas-based petrochemical and steel plants located at the Point Lisas Industrial Estate, and the light industrial and commercial users located in proximity to NGC's distribution pipeline network.

Contents

Pipeline Laydown Yard located at Rivulet Road, Couva. NGC personnel oversee movement of pipe destined for use in 36-inch-diameter 'loop' line project.

Chiang Keith Awong

Chairman's Report

The year 2006 was momentous in that the company surpassed previous financial benchmarks of the past 31 years that The National Gas Company of Trinidad and Tobago Limited has been in business. During the year, the company recorded phenomenal growth and record levels of revenue, profitability and assets. This was indeed a stellar year as far as our performance was concerned. I am pleased to report favourable results for 2006. In addition, the financial results showed evidence of the success of our strategy of diversification, through investments which contributed some 20% of total group revenues. Notwithstanding, gas sales and related activities remain the group's principal business activity.

I am happy to report also that along with our impressive operational results, we made tremendous strides in institutionalizing NGC's Corporate Social Responsibility as one of the distinguishing features of our corporate strategy. Our nationally focused initiatives in this area in 2006 contributed in no small measure to bringing NGC closer to the national community at all levels.

We are humbled however by the recognition that the outturn for 2006 represents a continuation of buoyant economic conditions characterized by high prices in the energy and energy-related markets and favourable economic conditions in the major consuming countries. It is incumbent upon us therefore at this juncture to prepare for the cyclical conditions, which are characteristic in this industry. Good corporate governance demands nothing less.

As a consequence, key elements of our corporate strategy pursued in 2006 included:

- Diversification of our supply sources and customer base;

- Improvements to the integrity and reliability of our major revenue earning asset, the transmission pipeline system;
- Development of our human resource capability and
- Installing new IT-based technology for operating and managing all facets of our business.

In 2007, we will continue the implementation of initiatives aimed at the transformation of NGC into a more diversified player in the energy value chain. In addition we will maintain our thrust towards greater efficiency and global competitiveness as we build NGC into a resilient company that will be able to sustain itself in changed economic circumstances.

Our immediate goal is to expand the gas transmission pipeline capacity and provide the necessary system integrity to cater for the increased demand for natural gas for industrial purposes in the medium to long term. At the same time we will develop our human resource to cope with the operating challenges of an integrated natural gas company.

In closing I congratulate NGC's management and staff whose dedication, hard work and loyalty contributed to the Group's outstanding performance. I also wish to express my gratitude to our shareholder and my fellow members of the Board of Directors for their commitment and support.

Chiang Keith Awong
Chairman

Board of Directors

Chiang Keith Awong
Chairman

Frank Look Kin
President

Errol Mc Leod

Carol Pilgrim-Bristol

Lisle Ramyad

Dr. Cheryl A. Bennett

Wilson Lalla

David Small

Clarence L. Mitchell

Maria Thorne
Company Secretary

Directors' Report

Year Ended 31 December, 2006

The Directors are pleased to submit their Report to the Members together with the Financial Statements for the year ended 31 December, 2006.

BUSINESS ACTIVITIES

During 2006 The National Gas Company of Trinidad and Tobago Limited (NGC) actively pursued its core business of the acquisition, transportation, distribution and sale of natural gas to industrial and commercial users. The year 2006 was the first full year of operations for two wholly-owned subsidiaries, viz: Trinidad and Tobago LNG Limited (formerly called NGC LNG (Train 4) Limited, which holds an 11.11% equity stake in the Atlantic LNG Train 4 facilities) and NGC Pipeline Company Limited which owns the 56-inch-diameter Cross-Island Pipeline (CIP). Operations in the Teak, Samaan and Poui (TSP) oil and gas fields, a joint venture owned by Repsol YPF (70%), Petrotrin (15%) and NGC (15%) also recorded its first full year of operations.

FINANCIAL RESULTS

The parent company, NGC, recorded Gross Sales of TT$10.341 billion, an increase of approximately 32.2% above the previous year's figure of TT$7.822 billion, due mainly to higher natural gas prices to customers in the petrochemical sector and income earned from the TSP joint venture.

The Company recorded a Net After Tax Profit of TT$2.240 billion, representing an increase of TT$512 million or 30% above the previous year's figure of TT$1.728 billion. This profit position represents the highest ever recorded by the Company in its history and is the fourth consecutive year in which Profits after Tax exceeded TT$1 billion.

Dividends paid during the year 2006 were TT$300 million compared to the figure of TT$475 million paid in 2005. Retained Earnings at the end of the year amounted to TT$5.610 billion on Issued Share Capital of TT$1,752.8 million. Bonus shares amounting to TT$832.082 million were issued to the Shareholder in 2006 through the capitalization of Retained Earnings in accordance with the Company's policy.

	2006 TT$	2005 TT$
Sales	**10,340,838**	7,821,560
Cost of sales	**(7,397,646)**	(5,694,885)
Gross profit	**2,943,192**	2,126,675
Other operating income	**113,596**	48,672
Interest and other investment income	**1,197,798**	868,823
Administrative, maintenance & gen. exp.	**(539,674)**	(325,284)
Depreciation	**(43,332)**	(26,285)
Other expense	**(25,153)**	(16,679)
Finance cost	**(232,945)**	(131,550)
Loss on foreign exchange transaction	**(10,071)**	–
Profit before tax	**3,403,411**	2,544,372
Income tax expense	**(1,163,305)**	(816,644)
Profit for the year	**2,240,106**	1,727,728
Retained earnings - At beginning of year	**4,769,716**	3,684,411
Transfer of depreciation for offshore plant and equipment and pipelines	**24,104**	32,577
Profit for the year	**2,240,106**	1,727,728
Total income/expense for the year	**2,264,210**	1,760,305
Dividends paid/proposed	**(300,000)**	(675,000)
Increase in reserve funds	**(291,524)**	–
Increase in share capital	**(832,082)**	–
Retained earnings - at end of year	**5,610,320**	4,769,716

Directors' Report continued

PROPOSED DIVIDENDS

In accordance with the Company's Dividends Policy and based on its audited financial statements for the year ended 31 December, 2006 the Board proposes that the amount of $300 million be declared as dividends for the financial year 2006.

DIRECTORS

During the year, the membership of the Board comprised Mr. Chiang Keith Awong (Chairman), Dr. Cheryl A. Bennett, Mrs. Carol Pilgrim-Bristol, Messrs. Wilson Lalla, Errol Mc Leod, Clarence L. Mitchell, Lisle Ramyad and David Small.

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

(a) **The Audit Committee** was chaired by Mr. David Small, and included Messrs. Chiang Keith Awong and Wilson Lalla and Mrs. Carol Pilgrim-Bristol. The Committee held three meetings for the year.

(b) **The Finance Committee** was chaired by Mr. David Small, and included Messrs. Chiang Keith Awong, Wilson Lalla and Mrs. Carol Pilgrim-Bristol. The Committee held three meetings for the year.

(c) **The Human Resources Committee** was chaired by Dr. Cheryl A. Bennett, and included Messrs. Chiang Keith Awong, Errol Mc Leod and Clarence L. Mitchell. The Committee held seven meetings for the year.

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

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

SIGNIFICANT EVENTS

The significant events which occurred during 2006 include the following:

1. The Company issued a US$400 million 30-year Bond at a fixed interest rate of 6.05% per annum in the International Capital Market. This was a landmark achievement for the Company.

2. The Company's Credit Ratings were reconfirmed as investment grade by three International Rating Agencies: Standard & Poor's: BBB+; Moody's: A-3 and CariCRIS: Cari AAA.

3. The Company purchased the 24-inch-diameter Dolphin to Beachfield pipeline which was constructed by BG Trinidad and Tobago Limited.

4. The Company continued construction on the Beachfield Upstream Development Project (BUD) – a 36-inch-diameter pipeline from the bp Cassia 'B' offshore platform to the Beachfield Pipeline and associated Beachfield Onshore Receiving Facilities.

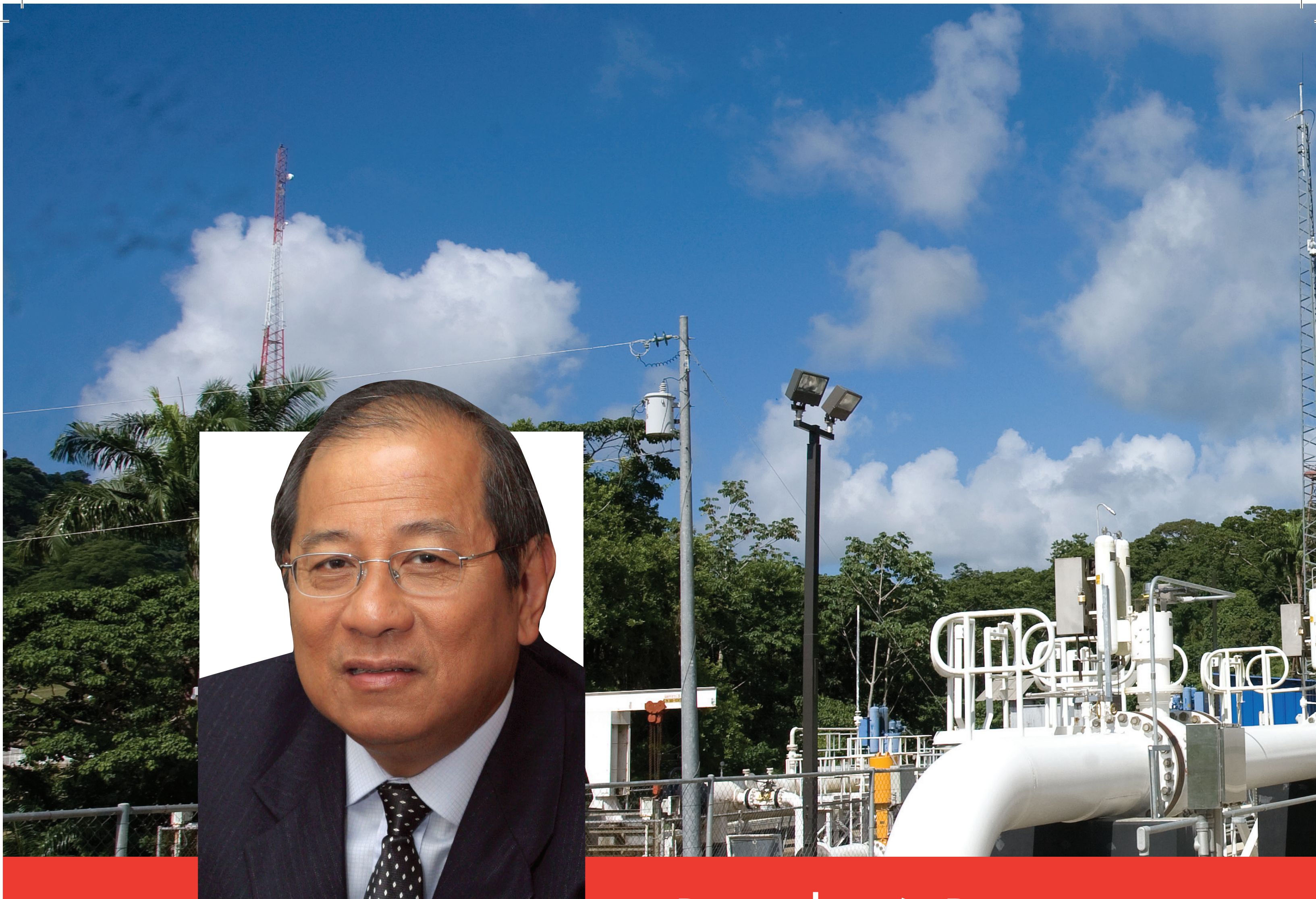
AUDITORS

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

Dated this 9th day of July, 2007
By ORDER OF THE BOARD

Maria Thorne
Company Secretary

NGC Geospatial Information Services (GIS) personnel at work.



Frank Look Kin

President's Report

Overview

The year 2006 was a demanding and eventful one for The National Gas Company of Trinidad and Tobago Limited (NGC). The Company established itself as a first-time bond holder on the international financial markets. Average daily gas sales crossed 1.5 Bcf/d and annual sales revenue of the parent company exceeded TT$10 billion. The Company accomplished its first tariff-based gas transportation service of 686 MMscf/d, was a first-time exporter of LNG in the order of 17 Bcf and acquired new gas supplies of 550 MMscf/d. Overall, Group after-tax profit crossed the TT$2 billion threshold.

Financial Performance

NGC's key financial indicators continued their impressive upward trends in 2006. This was a year during which we surpassed our past financial performance thresholds. In 2006, our consolidated financial statements showed record after-tax Group profits of TT$2.867 billion. This was 51% greater than in 2005 and was the first year in which we broke the TT$2 billion profit barrier.

Both the parent and subsidiary companies contributed to this outstanding level of group profitability. The parent accounted for TT$2.240 billion or 78%. The subsidiaries and investments accounted for TT$627 million or 22%.

Our sales performance was equally impressive as sales revenue of the parent company topped the TT$10 billion threshold. Noteworthy, is that consistent with our deliberate strategy of diversification of our sources of revenue, we witnessed a change in the composition of that revenue. As a result, of the total Group income of TT$11.4 billion in 2006, 84% was generated from gas sales.

We also achieved significant capital growth with our asset base increasing by 33% over the level in 2005. The Company provided for dividend payment of TT$300 million to its shareholder based on its after-tax profit and taking into account a prudent reserve provision for the capital expenditure programme for major system expansion in 2006 and 2007.

This year's financial performance served to reconfirm our high international credit ratings from Standard and Poor's, Moody's and CariCRIS. The ratings achieved in 2005 were maintained in 2006. Further evidence of the high level of the confidence that the international financial markets placed in NGC was the successful completion of a US$400 million bond issue in January. The proceeds of this bond are to finance the construction of BUD and the acquisition of the Dolphin-Beachfield pipeline and investments in the Atlantic LNG Train 4 plant. This issue, which was hugely oversubscribed, was undertaken without Government guarantee, with a 30-year maturation period and 6.05% fixed interest rate. This represented a significant achievement for a State-owned company in Trinidad and Tobago as a first-time issuer from the energy sector in a global emerging market sector classification.

Operations

- **Gas Sales**
  In 2006, daily average gas sales reached 1,505 MMscf/d. This represented an increase of 8.9% over 2005. Further, the highest monthly gas sales of 1,592 MMscf/d were recorded in December 2006. Gas sales revenue grew by 21% compared to 2005. This resulted partially from increased gas sales and continued buoyant product-related gas prices for sales to methanol producers.

In December 2006, Nu-Iron started up its direct reduction iron plant. It is expected that full gas consumption of 50 MMscf/d will be achieved in 2007. This was the only new industrial gas sales for 2006.

- **Product prices**
  In 2006, the average ammonia prices remained high at US$283 per tonne, one per cent less than 2005, while methanol prices averaged US$332 per tonne, an increase of 41% over 2005.

- **Gas Compression**
  In 2006, NGC completed its first full year of gas compression services to provide gas lift gas to Repsol YPF in the operations of

Teak, Samaan and Poui oilfields. Despite our best efforts, the continued decline of compressed gas continued in 2006. The volume compressed was 87 MMscf/d, 4.5% lower than in 2005. The primary factor impacting on this was the difficulty in sourcing spares to keep the 25-year-old compressor equipment fully functional.

- **Pipeline Operations**
  Through the aggressive and pro-active operations of the Transmission and Distribution Group, a 100% pipeline system mechanical availability was achieved in 2006.

  In addition, NGC Pipeline Company Limited completed its first year of operations with tariff-based gas transportation services in the 56-inch-diameter Cross-Island Pipeline (CIP) to bpTT LLC, BG, Repsol YPF, BP Trinidad Pipeline and T&T LNG. The average daily volume transported was 686.6 MMscf/d, which represented 28.6% pipeline capacity utilization.

- **LNG Sales**
  In 2006, with the start-up of Atlantic LNG Train 4, T&T LNG, a subsidiary of NGC, purchased 20.9 Bcf of natural gas from EOG Resources Trinidad Ltd and bpTT for processing into 17.6 Bcf of LNG. This Train experienced a longer than expected start-up period with a 65% on-stream factor for the year. In addition, fuel and losses accounted for 16.8% instead of the expected 9.5%. By year-end, the date of first commercial production had not been achieved.

Gas Transmission Network Development

- **Expansion – Beachfield Upstream Development (BUD)**
  This project continued to be plagued by unforeseen challenges due to unseasonable wave heights and current speeds. These conditions delayed construction activity in the offshore environment. During the year the operations were also adversely affected by two pipeline buckles due to failure of equipment on the pipe-lay vessel. The costs associated with the repairs to these failures were partially recovered by Builders All Risk construction insurance to the extent of 92.0% and 68.3% respectively.

  The onshore portion of this project has been completed and will be commissioned in the 1st quarter of 2007. This included the new 3 Bcf/d Slug Catcher facility and the associated rerouting of gas flows from the one new and two existing pipelines. This facility will enhance the system capability to handle liquids entrained in the gas stream which come ashore from the offshore platforms.

  At year-end the project had a 98% completion status. There are nine spools to join the end of the pipeline to the bp Cassia 'B' platform. This work is expected to take at least two months of construction time. The timing of project completion is linked to weather, availability of dive support vessels and the cooperation of bpTT on whose platform this pipeline will be connected. The earliest completion date is 3rd Quarter 2007.

- **Other Pipelines under consideration**
  With the projected growth in gas demand in Union Estate and Point Lisas, NGC is conducting pre-construction activities with regard to further developments in the pipeline system. These relate specifically to a gas transmission pipeline to Union Estate and a new offshore pipeline to bring gas from North East Offshore Trinidad from new fields being developed by BHPB and EOG. In addition,

initial conceptual work has commenced for the construction of a 61-km 8-inch pipeline to Cove Eco-Industrial and Business Park in south-west Tobago.

- **System Improvement – Point Lisas**
  Pre-construction work started on the 6.2 km, 36-inch-diameter gas distribution loop line to existing ring main project to cater for increased gas demand of 1.2 Bcf/d to 2.0 Bcf/d within the Point Lisas area. This pipeline will commence from Phoenix Park intermediate station to the 24-inch-diameter ring main off Atlantic Avenue and 20-inch-diameter spur line off Pacific Avenue. The pre-lay survey was completed in October 2006 and public consultations for residents of Couva were hosted in July. Construction is expected to commence in 3rd Quarter 2007.

  To increase the capacity and reliability of the gas transmission network, the company is designing and constructing a new 3 Bcf/d and 4000 bbl slug catcher to be located at the Phoenix Park Valve Station. This facility is projected to cost TT$195 million with a completion date of 2nd Quarter 2008.

- **External**
  With the objective of developing a regional natural gas transportation network and boosting the regional gas market, NGC acquired a 10% participating interest in the Eastern Caribbean Gas Pipeline Company. This company proposes to transport natural gas from Trinidad and Tobago to the Eastern Caribbean islands in the future.

Market Development

- **New Gas Supply Sources**
  In December 2006, NGC finalized negotiations with three natural gas producers for the incremental volume of 550 MMscf/d of natural gas supply. With the execution of these term sheets, NGC increased its gas purchase commitment by 34% to 2.2 Bcf/d by 2010. These arrangements will be converted into long-term gas supply contracts between NGC and the respective suppliers EOG Resources Trinidad Block 4(a), BHP Billiton (Trinidad 2c) (BHPB) on behalf of the consortium of BHPB, Talisman and Total and BG Trinidad and Tobago Limited/ Chevron Texaco Trinidad and Tobago Resources SRL.

  These supply sources are from new fields or from field extensions in the East Coast offshore area. These term sheets represent a major step forward in meeting the gas supply requirements for the new gas-based plants scheduled to come on stream in the same time frame. A significant factor of these new gas field developments is the rising cost of offshore development following general increases in the price of steel and other drilling and construction equipment.

- **Industrial Gas Consumers**
  Negotiations were completed for the supply of gas in 2009 to MHTL's four plants AUM complex for 87 MMscf/d to be used in the manufacture of Ammonia, Urea and Melamine. There are continuing negotiations for two other major gas-consuming projects – UAN Trinidad Ltd – 75MMcfd for the manufacture of Ammonia, Urea and UAN; and Essar Steel Caribbean Ltd – 140 MMscf/d for the manufacture of iron ore pellets, Direct Reduced Iron and hot rolled steel. These plants are scheduled for completion by 2010. A fourth industrial customer will be Alutrint, a 125,000 tp/y Aluminium smelter in the Union Industrial Estate. This plant will utilize electricity from a new IPP electricity project to be located in the La Brea/Union Estate.

In addition, gas supply agreements reflecting the extension of the term to 2014 with a small increase in supply volumes were signed between NGC and Tringen and Yara Trinidad Ltd. These agreements provide for a continuation of supplies of natural gas as feedstock to the Ammonia manufacturing facility, which is the second largest user of natural gas among Point Lisas companies and includes NGC's first industrial customer, Tringen-1 in 1978.

- **Light Industrial Customers (LIC)**
  The strategy of making natural gas more affordable to domestic light industrial consumers continued to reap benefits for all stakeholders. During 2006, four new customers were added to the network, bringing the total to 114, including CNG customers. Sales to this category of customers averaged 12.5 MMscf/d. This represented a 14.3% growth in gas demand over 2005 and generated annual revenues of TT$46.1 million.

Manpower Development and Training

A wide range of interventions were pursued throughout the year to facilitate the continued development and provide job opportunities for our employees. There were 274 interventions for mandatory training with 22 participants in the programme for retooling permanent offshore employees as facilities technicians and supervisors in a number of operational areas. In addition there were 28 participants in our trainee apprenticeship scheme and 14 in our leadership development programmes.

Processes and Procedures

During 2006, NGC completed the implementation of its data management systems, including Enterprise Resource Planning (ERP) through SAP and the Electronic Data Records Management System (EDRMS) for document management through TRIM. In the management of our pipeline system, we embarked upon the use of Geospatial Information Services (GIS), the rollout of which occurred in June 2006.

Health and Safety

While we acknowledge our safety record as a key performance indicator, the results indicate that we underachieved in 2006. There was a reduction of loss time accident from 13 in 2005 to seven in 2006. Over the period, however, there was increase in the accident frequency and accident severity rates due to the reduction in the man-hours worked and an increase in the days lost due to the accident respectively.

In an effort to bring our safety performance in line with best practice, the company proposes to introduce Du Pont's Safety Training Observation Programme (STOP) as a key mechanism for instilling a zero tolerance safety culture throughout the organization in 2007.

Corporate Social Responsibility

NGC takes great pride in the discharge of its corporate social responsibility. In this area we operate at two levels – specific one-off projects and through our structured community relations programme.

In March, as a collaborative effort with the Ministries of Energy and Energy Industries and Education, we launched the Energy Map of the Caribbean. This is a teaching and promotional tool that targets secondary school children between the ages of 12 and 18.

Through our community relations programme, which is both local and national in scope, our areas of focus in 2006 included:

- Public information and dialogue with stakeholders
- Establishing community facilities
- Youth development
- Environmental care, in particular our Reforestation Programme
- Philanthropy.

Appreciation

I take this opportunity to pay special tribute to three outstanding employees: Messrs. Hasely Crawford T.C., Clarence Harnanan and Daniel Sankar.

Hasely Crawford

It was 30 years ago in 1976 that Hasely did our tiny nation proud by scorching the Montreal track in the 100 metres final to win the first Olympic Gold medal for Trinidad and Tobago. The NGC family joined with Hasely in celebrating the 30th anniversary of his outstanding achievement.

Clarence Harnanan

Clarence is a former Vice President, Technical Operations who retired in 2005, after having served the Company for 18 years. Thereafter his invaluable services were sought and he willingly agreed to serve as Project Director for two of NGC's most challenging and costly construction projects – the 56-inch-diameter Cross-Island Project (CIP) and the Beachfield Upstream Development (BUD).

Daniel Sankar

Daniel, our Vice President, Finance and Information Management, retires in early 2007 and will have served the Company for 25 years. Over this time he oversaw the profitability of the Company and, importantly, managed the successful closing of over US$600 million financing for major pipelines and investments in Atlantic LNG.

It is with a sense of pride, satisfaction and gratitude, therefore, that I look back on another year's results, another year's successes. The outstanding performance of 2006 is the collaborative effort of a number of partners, internal, as well as external. Among these I recognize our shareholder the Government of Trinidad and Tobago, the Board of Directors of the parent, as well as the subsidiaries and affiliated companies, employees and their families, customers, suppliers, service providers and members of the communities in which we carry out our operations. A special thanks to all for their contribution to our performance.

Frank Look Kin

Frank Look Kin
President

Pipeline configuration within NGC's Beachfield Facilities, Mayaro.

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

ANNUAL REPORT 2006

Non-Consolidated
Financial Statements

Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

We have audited the accompanying non-consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited which comprise the balance sheet as at 31 December, 2006 and the statement of Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of Significant Accounting Policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Port of Spain,
TRINIDAD:
23 May, 2007

Non-Consolidated Balance Sheet

As at 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	2006 TT$	2005 TT$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**4,213,642**	2,780,111
Intangible assets	5	**36,036**	1,368
Pension asset	6	**38,791**	84,765
Investments and advances	7	**1,783,176**	2,139,866
Deferred tax asset	17	**215,989**	202,623
Deferred expenses	8	**281,337**	396,203
Long-term loans receivable	9	**864,346**	969,464
Debt reserve funds	10	**79,391**	76,011
Total non-current assets		**7,512,708**	6,650,411
CURRENT ASSETS			
Cash and cash equivalents		**1,666,469**	1,154,918
Short-term investments		**3,079,181**	739,626
Accounts receivable	11	**2,238,147**	1,552,343
Deferred expenses	8	**206,610**	—
Current portion of long-term loans receivable	9	**126,638**	117,762
Short-term loan receivable	9	**66,847**	—
Inventories	12	**16,045**	13,847
Sundry debtors and prepayments	13	**704,126**	394,347
Total current assets		**8,104,063**	3,972,843
Total assets		**15,616,771**	10,623,254

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

Non-Consolidated Balance Sheet

As at 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	2006 TT$	2005 TT$
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	14	**1,752,848**	920,766
Reserve fund	15	**438,192**	146,668
Other reserves	16	**764,482**	1,172,804
Retained earnings		**5,610,320**	4,769,716
Total equity		**8,565,842**	7,009,954
NON-CURRENT LIABILITIES			
Deferred tax liability	17	**522,299**	463,116
Long-term debt	18	**2,979,046**	505,043
Asset retirement obligation	19	**431,519**	408,432
Post-retirement medical and group life obligation	20	**66,996**	34,282
Deferred income	21	**18,551**	5,549
Long-term creditors		**156,707**	247,252
Environmental obligation	22	**13,892**	15,968
Total non-current liabilities		**4,189,010**	1,679,642
CURRENT LIABILITIES			
Current portion of long-term debt	18	**79,151**	90,073
Trade creditors		**1,828,813**	1,162,240
Sundry creditors and accruals	24	**583,047**	330,671
Dividend payable		**200,000**	200,000
Income tax payable		**168,832**	149,568
Environmental obligation	22	**2,076**	1,106
Total current liabilities		**2,861,919**	1,933,658
Total liabilities		**7,050,929**	3,613,300
Total equity and liabilities		**15,616,771**	10,623,254

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

On April 25th, 2007, the Board of Directors of The National Gas Company of Trinidad and Tobago Limited authorized these financial statements for issue.

Director

Director David Small

Non-Consolidated Statement of Income

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	Note	2006 TT$	2005 TT$
Sales	25	**10,340,838**	7,821,560
Cost of sales	25	**(7,397,646)**	(5,694,885)
Gross profit		**2,943,192**	2,126,675
Other operating income	26	**113,596**	48,672
Interest and other investment income	27	**1,197,798**	868,823
Administrative, maintenance & general expenses	28	**(539,674)**	(325,284)
Depreciation		**(43,332)**	(26,285)
Other expense		**(25,153)**	(16,679)
Finance costs	29	**(243,016)**	(131,550)
Profit before tax		**3,403,411**	2,544,372
Income tax expense	17	**(1,163,305)**	(816,644)
Profit for the year		**2,240,106**	1,727,728

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

Non-Consolidated Statement of Changes in Equity

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	Stated capital TT$	Reserve fund TT$	Other reserves TT$	Retained earnings TT$	Total TT$
Balance as at 1 January, 2005	920,766	146,668	1,172,949	3,684,411	5,924,794
Transfer of depreciation for offshore plant and equipment and pipelines	—	—	(32,577)	32,577	—
Net gains on available-for-sale financial assets	—	—	103,653	—	103,653
Reversal of revaluation of offshore plant and equipment	—	—	(81,887)	—	(81,887)
Foreign currency translation	—	—	10,666	—	10,666
Total income and expense for the year recognized in equity	—	—	(145)	32,577	32,432
Profit for the year	—	—	—	1,727,728	1,727,728
Total income/expense for the year	—	—	(145)	1,760,305	1,760,160
Dividends	—	—	—	(675,000)	(675,000)
Balance as at 31 December, 2005	920,766	146,668	1,172,804	4,769,716	7,009,954
Balance as at 1 January, 2006	**920,766**	**146,668**	**1,172,804**	**4,769,716**	**7,009,954**
Transfer of depreciation for offshore pipelines	—	—	(24,104)	24,104	—
Net loss on available-for-sale financial assets	—	—	(373,509)	—	(373,509)
Foreign currency translation	—	—	(10,709)	—	(10,709)
Total income and expense for the year recognized in equity	—	—	(408,322)	24,104	(384,218)
Profit for the year	—	—	—	2,240,106	2,240,106
Total income/expense for the year	—	—	(408,322)	2,264,210	1,855,888
Increase in share capital	832,082	—	—	(832,082)	—
Increase in reserve fund	—	291,524	—	(291,524)	—
Dividends	—	—	—	(300,000)	(300,000)
Balance as at 31 December, 2006	**1,752,848**	**438,192**	**764,482**	**5,610,320**	**8,565,842**

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

Non-Consolidated Statement of Cash Flows

(Expressed in Thousands of Trinidad and Tobago Dollars)

	2006 TT$	2005 TT$
Cash flows from operating activities		
Cash generated from operations (note 23)	**3,108,647**	1,944,890
Pension and other post-retirement contributions paid	**(11,638)**	(10,379)
Income taxes paid	**(1,091,121)**	(804,321)
Interest received	**210,722**	107,855
Interest paid	**(218,473)**	(21,711)
Net cash generated from operating activities	**1,998,137**	1,216,334
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,558,443)**	(735,298)
Proceeds on disposal of property, plant and equipment	**518**	925
Net change in short-term investments	**(2,364,350)**	(553,121)
Investment and advances to subsidiary and associated companies	**(338,915)**	234,470
Proceeds from repayment of loans	**124,145**	96,090
Purchase of other held-to-maturity investments	**(9,830)**	(168,806)
Proceeds from disposal of long-term investments	**24,795**	86,195
Increase in debt reserve fund	**(3,380)**	(1,839)
Dividends received	**482,640**	471,385
Net cash used in investing activities	**(3,642,820)**	(569,999)
Cash flows from financing activities		
Proceeds from long-term debt	**2,590,406**	167,892
Repayment of long-term debt	**(87,028)**	(97,440)
Payment of borrowing costs	**(36,121)**	(2,570)
Dividends paid	**(300,000)**	(475,000)
Net cash generated from/(used in) financing activities	**2,167,257**	(407,118)
Net increase in cash and cash equivalents	**522,574**	239,217
Net foreign exchange differences	**(11,023)**	3,648
Cash and cash equivalents		
— beginning of year	**1,154,918**	912,053
— end of year	**1,666,469**	1,154,918

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

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

1. Incorporation and business activities

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

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

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

Significant subsidiaries and associate interests at 31 December, 2006 are as follows:

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

2. Significant accounting policies and judgements

(a) Basis of preparation

These financial statements have been prepared under the historical cost basis, except for the revaluation of the Company's offshore plant and equipment and pipelines and available-for-sale investments, which have been measured at fair value. The financial statements have been prepared in accordance with International Financial Reporting Statements. Separate consolidated financial statements have been prepared.

2. Significant accounting policies and judgements (continued)

(b) Judgements

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

(i) 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.

(ii) Asset retirement obligation

The company has recorded a provision for the estimated cost of decommissioning its offshore plant and equipment. Each year the present value of these cost are calculated using a discount rate that is the higher of the treasury rate or the company's internal cost of capital.

(c) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Accounts and other receivables

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

(e) Inventories

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

2. Significant accounting policies and judgements (continued)

(f) Cash and cash equivalents

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

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of change in value.

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

(g) Taxes

Current Tax

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

Deferred Tax

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

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

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

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

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

2. Significant accounting policies and judgements (continued)

(h) Property, plant and equipment

(i) Non-oil and gas assets

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

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

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

Leasehold property is amortized as follows:

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

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

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

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

2. Significant accounting policies and judgements (continued)

(h) Property, plant and equipment (continued)

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

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 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.

(i) Intangible assets

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

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

2. Significant accounting policies and judgements (continued)

(i) Intangible assets (continued)

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

(j) Long-term debt

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

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

(k) Foreign currencies

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

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

(l) Borrowing costs

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

(m) Trade and other payables

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

Payables to related parties are carried at cost.

2. Significant accounting policies and judgements (continued)

(n) Investments

(i) Investment in subsidiary companies

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

(ii) 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.

(iii) Available-for-sale financial assets

All investments in which the Company has less than 20% of the shareholding are initially recognized at cost, inclusive of transaction costs on acquisition. After initial recognition, the investments which are classified as available-for-sale, are measured at fair value, with unrealized gains or losses being recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the balance sheet date.

(iv) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. These investments are stated at cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

2. Significant accounting policies (continued)

(o) Employee benefits — Defined benefit plan

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

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service 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 income.

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

(p) Impairment of assets

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

2. Significant accounting policies (continued)

(p) Impairment of assets (continued)

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

(q) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease payments are recognized as an expense in the income statement over the lease term.

(r) 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.

(s) Asset retirement obligation

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

2. Significant accounting policies (continued)

(t) Recent pronouncements

The Company has adopted the following new and amended IFRSs and IFRIC Interpretations, which became effective during 2006.

- IAS 19 – Amendment: Employee Benefits
- IAS 21 – Amendment: The effects of changes in Foreign Exchange Rates
- IAS 39 – Amendment: Financial Instruments: Recognition and Measurement
- IFRS 6 – Exploration for and Evaluation of Minerals Rights
- IFRIC 4 – Determining whether an arrangement contains a Lease
- IFRIC 5 – Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 – Liabilities arising from participating in a specific market – Waste Electrical and Electronic Equipment.

The Company has chosen not to early adopt the following standards and interpretation that were issued but not yet effective for accounting periods beginning on 1 January 2007.

- IAS 1 – Presentation of Financial Statements (Capital Disclosures)
- IFRS 7 – Financial Instruments Disclosures
- IFRS 8 – Operating Segment
- IFRIC 7 – Applying the Restated Approach under IAS 29
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of Embedded Derivities
- IFRIC 10 – Interim Financial Reporting and Impairment
- IFRIC 11 – IFRIC 2 Group Treasury Share Transaction
- IFRIC 12 – Service Concession Arrangements

Management does not expect any material impact to arise from the adoption of these standards.

(u) Comparative — Reclassification Adjustments

Where necessary comparative figures have been adjusted to conform with changes in the presentation in the current year. The major reclassifications include:

(i) Reclassification of depreciation on pipelines to cost of sales of TT$84,973.

(ii) Reclassification of royalties and working interest from administrative maintenance and general expenses to cost of sales of TT$13,566.

(iii) Reclassification of computer software from property plant and equipment to intangible assets of TT$1,368.

(iv) Reclassification of environmental obligation from sundry creditors and accruals of TT$17,074.

2. Significant accounting policies (continued)

(v) Derivative financial instruments and hedging

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

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

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

3. Financial instruments

Fair value

(i) Short-term financial assets and liabilities

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

(ii) Long-term financial assets and liabilities

The fair value of the Company's floating rate long-term debt payable and receivable approximate its carrying amount given the floating rate nature of the loans at prevailing market rates. The fair value of the Company's long-term fixed rate loans are disclosed in notes 9 and 18.

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

Credit risk

Financial instruments that potentially subject the Company to credit risk include trade debtors and employee-related balances. Provisions have been set up against the receivable balances for potential credit losses.

Interest rate risk

The changes in market interest rates on the Company's loans cause exposure to interest rate risk. Included in notes 9 and 18 is information on the maturity dates, as well as the applicable interest rates.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

4. Property, plant and equipment

2006	Freehold land TT$	Leasehold property TT$	Machinery and equipment TT$	Pipeline & related Facilities TT$	Oil and gas assets TT$	Offshore plant and equipment TT$	Marine infrastructural assets TT$	Other assets TT$	Assets under construction TT$	Total TT$
Cost/valuation										
At beginning of year	3,109	98,320	86,409	1,695,348	276,846	439,739	93,363	50,424	1,207,987	3,951,545
Additions at cost	—	1,040	2,033	1,193,409	27,343	201	—	6,823	307,731	1,538,580
Disposal/transfer of assets	—	18,051	3,324	185,589	—	—	—	(9,018)	(239,922)	(41,976)
Foreign exchange difference	198	(121)	(41)	(3,821)	(117)	(1,615)	(60)	1,988	(623)	(4,212)
	3,307	**117,290**	**91,725**	**3,070,525**	**304,072**	**438,325**	**93,303**	**50,217**	**1,275,173**	**5,443,937**
Accumulated depreciation										
At the beginning of year	—	43,012	56,491	558,435	7,960	439,739	33,210	32,587	—	1,171,434
Charges for year	—	2,278	15,659	102,865	41,435	201	1,954	8,247	—	172,639
Prior year charges	—	—	—	(97,198)	—	—	—	—	—	(97,198)
Disposal/transfer of assets	—	—	—	—	—	(201)	—	(8,515)	—	(8,716)
Foreign exchange difference	—	(20)	(51)	(6,209)	79	(1,414)	(17)	(232)	—	(7,864)
	—	45,270	72,099	557,893	49,474	438,325	35,147	32,087	—	1,230,295
Net book value	**3,307**	**72,020**	**19,626**	**2,512,632**	**254,598**	**—**	**58,156**	**18,130**	**1,275,173**	**4,213,642**

Interest capitalized for the year ended 31 December, 2006 is $26,961 (2005: $ 8,975).

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

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

2005	Freehold land TT$	Leasehold property TT$	Machinery and equipment TT$	Pipeline & related Facilities TT$	Oil and gas assets TT$	Offshore plant and equipment TT$	Marine infra-structural assets TT$	Other assets TT$	Assets under construction TT$	Total TT$
Cost/valuation										
At beginning of year	3,107	96,330	84,608	1,685,127	—	430,103	93,217	51,498	714,686	3,158,676
Additions at cost	—	2,006	1,035	6,266	276,846	3,615	—	8,341	492,190	790,299
Disposal/transfer of assets	—	—	(38)	—	—	—	—	(2,846)	—	(2,884)
Foreign exchange difference	2	(16)	804	3,955	—	6,021	146	(6,569)	1,111	5,454
	3,109	98,320	86,409	1,695,348	276,846	439,739	93,363	50,424	1,207,987	3,951,545
Accumulated depreciation										
At the beginning of year	—	40,713	45,996	472,283	—	78,086	30,915	29,636	—	697,629
Charges for year	—	6,530	10,316	84,973	7,914	34,416	2,236	4,972	—	151,357
Impairment on platform	—	—	—	—	—	326,095	—	—	—	326,095
Disposal/transfer of assets	—	—	(38)	—	—	—	—	(2,025)	—	(2,063)
Foreign exchange difference	—	(4,231)	217	1,179	46	1,142	59	4	—	(1,584)
	—	43,012	56,491	558,435	7,960	439,739	33,210	32,587	—	1,171,434
Net book value	3,109	55,308	29,918	1,136,913	268,886	—	60,153	17,837	1,207,987	2,780,111

Interest capitalized for the year ended December 31, 2005 is $8,975 (2004: $nil).

4. Property, plant and equipment (continued)

(a) Revaluation of offshore plant and equipment and pipelines

(i) Offshore plant and equipment

The Company revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Company revalued its offshore plant and equipment at an amount of TT$139,000, to be depreciated over the assets remaining useful life of eight years. A corresponding amount of TT$90,300 (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, 2006.

(ii) Pipelines

The Company revalues its pipelines every five to seven years. In January 2000, an independent accredited valuer revalued the Company's pipelines at an amount of TT$927,099. If these pipelines were measured using the cost model, the net carrying amount would have been TT$162,169 and TT$180,909 respectively, as at 31 December, 2006 and 2005. In accordance with the Company's revaluation policy, pipelines will be revalued respectively during 2007.

(b) Pipelines and related facilities

Included in "Pipelines and related facilities" is the Trinidad and Tobago Electricity Commission (T&TEC) pipeline system which was acquired by the Company from T&TEC with effect from 1 January, 1977. However, the Company has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired by the Company. Refer also to note 32(i).

(c) Impairment of offshore plant and equipment

Due to the sale by an upstream producer of the Teak, Samaan and Poui offshore oil assets in the second quarter of 2005, the Company had to negotiate a gas compression agreement. The compression fee that the Company will receive will not cover the cost of compression based on current operations. Accordingly, in September 2005, the Company revalued its offshore plant and equipment and determined that its fair value should be reduced to nil. This reduction has been recorded by charging TT$81,900 against the revaluation reserve (net of deferred tax) and TT$188,000 as additional cost of sales in the statement of income for that year. In addition, associated capital spares with a book value of TT$7,000 was also impaired. The fair value of the offshore platform was determined based on an income approach using cash flow projections that were approved by management covering an eight-year period.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

4. Property, plant and equipment (continued)

(d) Assets under construction

Included in assets under construction is the amount of TT$316,613, which represents the costs of Site Development Works for the Union Industrial Estate on land owned by related parties. These works are being financed through borrowed funds (Note18) and cash from contributions by NGC. The ownership structure of this estate is yet to be finalized.

5. Intangible assets

	2006 TT$	2005 TT$
Cost		
At the beginning of year	**21,505**	20,041
Additions at cost	**16,374**	1,464
Disposal/transfer of assets	**32,958**	—
Foreign exchange difference	**410**	—
	71,247	21,505
Accumulated depreciation		
At the beginning of year	**20,136**	19,298
Charges for the year	**14,993**	839
Foreign exchange difference	**82**	—
	35,211	20,137
Net book value	**36,036**	1,368

6. Pensions

	2006 TT$	2005 TT$
Benefit asset/(liability)		
Present value of obligation	**(233,070)**	(187,207)
Fair value of plan assets	**271,861**	271,972
	38,791	84,765
Unrecognized actuarial gains	**—**	—
Pension asset	**38,791**	84,765

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

6. Pensions (continued)

	2006 TT$	2005 TT$
Movement on the asset recognized in the balance sheet:		
Asset value at beginning of the year	**84,765**	82,177
Net pension cost	**(56,632)**	(8,529)
Contributions paid	**10,658**	11,117
Asset value at end of the year	**38,791**	84,765
The amounts recognized in the statement of income are as follows:		
Current service cost	**(11,371)**	(9,783)
Interest cost on benefit obligation	**(14,415)**	(10,226)
Expected return on plan assets	**24,204**	19,588
Net actuarial loss recognized in the year	**(19,543)**	(8,108)
Past service cost	**(35,507)**	–
Net pension cost	**(56,632)**	(8,529)
Actual return on plan assets	**11,691**	18,855
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefit obligation at start of the year	**187,207**	158,398
Service cost	**11,371**	9,783
Interest cost	**14,415**	10,226
Members' contribution	**3,806**	3,970
Benefit improvement	**35,507**	–
Actuarial (gain)/loss	**(16,352)**	7,375
Benefits paid	**(2,469)**	(2,175)
Expense allowance	**(415)**	(370)
Defined benefit obligation at end of the year	**233,070**	187,207
Changes in fair value of plan assets are as follows:		
Plan assets at start of year	**271,972**	240,575
Expected returns on plan assets	**24,204**	19,588
Actuarial loss	**(35,895)**	(733)
Company contributions	**10,658**	11,117
Members' contributions	**3,806**	3,970
Benefits paid	**(2,469)**	(2,175)
Expense allowance	**(415)**	(370)
Plan assets at end of year	**271,861**	271,972

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

6. Pensions (continued)

The Company expects to contribute TT$13,386 to its defined benefit pension plan in 2007.

The major categories of plan assets as a percentage of total plan assets are as follows:	**2006**	**2005**
Equity securities	**63%**	44%
Debt securities	**3%**	2%
Property	**0%**	0%
Money market instruments/cash	**28%**	38%
Other-deposits administrative contract	**6%**	16%
	100%	100%
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**8.75%**	7.75%
Expected return on plan assets	**9.75%**	8.75%
Future salary increases	**8.25%**	7.25%
Pension increases	**0%**	0%

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

7. Investments and advances

Investments and advances comprise the following:	**2006 TT$**	**2005 TT$**
(a) Investments in subsidiaries	**1,016,915**	997,930
(b) Held-to-maturity investments	**868**	905
(c) Available-for-sale financial assets	**763,089**	1,141,031
(d) Advances to Eastern Caribbean Gas Pipeline Company Limited (ECGPC)	**2,304**	—
	1,783,176	2,139,866

a) Subsidiaries

(i) National Energy Corporation of Trinidad & Tobago Limited (NEC)

The Company acquired 100% of the ordinary issued shares of NEC. The consideration for the acquisition was the issue of the Company's shares of equivalent value to the Government of the Republic of Trinidad and Tobago.

7. Investments and advances (continued)

a) Subsidiaries (continued)

(ii) NGC Trinidad and Tobago LNG Company Limited (NGC T&T LNG)

The Company invested in 100% of the issued share capital originally through cash advances, which were converted to equity.

NGC T&T LNG's net investment of 10% of the issued share capital of Atlantic 1 Holding LLC, was US$24,385 (TT$149,728) at 31 December, 2006.

In December 2003, 37.84% of the issued shares were sold to the National Enterprises Limited in exchange for shares in that Company of equivalent value. This resulted in a gain on disposal of TT$191,634.

(iii) NGC NGL Company Limited (NGC NGL)

In 2000, the Company acquired 100% of the issued shares of NGC NGL Company Limited which holds a 51% investment in Phoenix Park Gas Processors Limited (PPGPL). In December 2001, 20% of the issued shares were sold to the National Enterprises Limited in exchange for shares in that Company of equivalent value.

In June 1991, the Company invested US$10,633 (TT$45,586) in 49% of the shareholding of Phoenix Park Gas Processors Limited (PPGPL), and this was increased to 51% on 31st December, 1998. The main activity of the investee, which is located on the Point Lisas Industrial Estate, is the extraction of propane, butanes and natural gasoline from the natural gas stream.

This investment includes the Company's share of PPGPL's post-acquisition retained profits, net of dividends received. In December 2001, the Company transferred its investment in PPGPL to the subsidiary NGC NGL Company Limited, for shares of equivalent value in that Company.

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

The Company has incurred TT$149,727 in infrastructural development costs for work on the industrial estate at La Brea. TT$120,148 of the expenditure has been converted to equity in LABIDCO, with the excess, being recoverable from LABIDCO at terms and conditions yet to be agreed.

(v) NGC Iron Company Limited

NGC Iron holds 100% of the issued share capital of Trinidad Iron Company Inc.

(vi) NGC Pipeline Company Limited

The Company invested in 100% of the issued share capital originally by advancing the Company, the pipe for the construction of its 56-inch-diameter pipeline. The value of the pipe was converted to equity.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

7. Investments and advances (continued)

(a) Subsidiaries (continued)

(vii) Trinidad and Tobago LNG Limited

The Company has contributed US$27,997 as equity. The Company has 100% ownership. Trinidad and Tobago LNG Limited has an 11.11% interest in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited.

(b) Held-to-maturity

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

(c) Available-for-sale financial assets

	2006 TT$	2005 TT$
Shares – listed	**756,892**	1,134,830
Shares – unlisted	**6,197**	6,201
	763,089	1,141,031

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

(d) Advances

The Company advanced US$366 (TT$2,304) to the Eastern Caribbean Gas Pipeline Company Limited (ECGPC).

8. Deferred expenses

	2006 TT$	2005 TT$
Take-or-pay (note i)	**484,785**	396,203
Other (note ii)	**3,162**	—
	487,947	396,203
Less: current portion	**(206,610)**	—
	281,337	396,203

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

8. Deferred expenses (continued)

(i) 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. The Company expects to take the underlying volumes of gas prior to the expiration of the contractual term.

(ii) Other

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

9. Loans receivable

	2006 TT$	2005 TT$
a) Long-term loans receivable		
Trinidad and Tobago Electricity Commission (T&TEC)	**250,056**	363,908
National Energy Corporation of Trinidad and Tobago Limited	**36,019**	48,094
Trinidad and Tobago LNG Limited	**704,909**	675,224
	990,984	1,087,226
Less: current portion of loans	**(126,638)**	(117,762)
Long-term loans receivable	**864,346**	969,464

Trinidad and Tobago Electricity Commission (T&TEC)

Effective 1 May, 2003, the Company and T&TEC agreed to convert the outstanding accounts receivable balance that T&TEC owed the Company to a 6-year term loan. Interest is payable at the rate of 8.75% per annum with a moratorium on principal and interest payment for the first two years of the loan. During this period, interest was capitalized and amalgamated with the loan receivable, which is payable in equal monthly instalments over the 4 remaining years with an option for prepayment. The loan agreement was finalized on 6 April, 2005.

For the years ended 31 December, 2006 and 2005, the Company capitalized interest of NIL and TT$11,232 respectively. The fair value of the loan was TT$247,693 at December 2006.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

9. Loans receivable (continued)

(a) Long-term loans receivable (continued)

National Energy Corporation

Effective 1 January, 2000, the Company disposed of Savonetta Pier No. IV to its subsidiary, National Energy Corporation (NEC) for the sum of TT$157,168. This amount has been set up as a loan and comprises two (2) amounts: TT$38,630 own funds used in the construction of the Pier and TT$118,538 borrowed from Caribbean Development Bank (CDB). The amount of TT$38,630 was repaid in 2001. Interest is payable based on the interest incurred on the CDB loan. The fair value of this loan approximates its carrying value.

Trinidad and Tobago LNG Limited

The amount represents advances of US$111,988 (2005:US$107,204) to Trinidad and Tobago LNG Limited from July 2002 to December 2006. Repayment terms have not been finalized.

This loan is unsecured and interest is payable based on the interest charged on the Trinidad and Tobago LNG Limited's member's loan to Atlantic LNG 4 Company of Trinidad and Tobago Unlimited at a rate of Libor plus a margin, which ranges from 1.125% to 2.125% per annum. The effective interest rate at the balance sheet date was 7.356% (2005: 5.92%). The fair value of this loan approximates its carrying value.

(b) Short-term loan receivable

	2006 TT$	2005 TT$
Trinidad and Tobago LNG Limited	66,847	—

The short-term loan of US$10,619 was required by Trinidad and Tobago LNG Limited to fund their portion if the pre-commercial expresses of Atlantic Train 4. These funds are loaned as required.

This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of Libor plus an applicable margin. The effective interest rate at the balance sheet date was 7.21%.

10. Debt reserve funds

In accordance with the Letter of Credit and Reimbursement Agreement ("L/C Agreement") dated as of October 15, 1997 among the Company, The Bank of Nova Scotia Trinidad and Tobago Limited, Citibank N.A., De Nationale Inversteringsbank (NA) N.V., and Kredietbank N.V. Dublin Branch collectively and The Bank of Nova Scotia L/C Agent, the Company maintains certain debt reserve funds, which are funded from appropriations from two gas sales contracts. As at 31 December, 2006 and 2005, these funds totalling TT$79,391 and TT$76,011, respectively were held in interest bearing accounts.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

11. Accounts receivable

Included in this balance is the amount of US$108,283, which represents amounts due from the Trinidad and Tobago Electricity Commission (T&TEC), which is the local company that distributes the utility, electric power to customers in Trinidad and Tobago. The amount represents gas sold to T&TEC for the period July 2005 to December 2006. T&TEC is wholly owned by the Government of Trinidad and Tobago and discussion are being held to liquidate this outstanding recoverable.

12. Inventories

	2006 TT$	2005 TT$
Consumable spares	**12,823**	10,725
TSP spares	**2,989**	2,637
Other	**233**	485
	16,045	13,847

13. Sundry debtors and prepayments

Sundry debtors and prepayments comprise the following:

	2006 TT$	2005 TT$
Prepayments	**31,219**	11,292
Staff-related balances	**5,856**	3,446
Related party balances	**444,379**	140,136
Value Added Tax	**22,574**	39,999
Interest receivable	**64,969**	15,588
Accrued income	**60,737**	167,790
Other	**74,392**	16,096
	704,126	394,347

14. Stated capital

Authorized

An unlimited number of ordinary shares of no par value

Issued and fully paid

	2006 TT$	2005 TT$
1,752,848,000 (2005: 920,766,000) ordinary shares of no par value	**1,752,848**	920,766

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

15. 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 that may result from accidents on its self-insured assets.

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

16. Other reserves

	2006 TT$	2005 TT$
Other reserves comprise the following as at 31 December:		
Revaluation surplus for offshore plant and equipment and pipelines	**433,882**	457,986
Unrealized gain on available-for-sale financial assets	**287,624**	661,134
Foreign currency translation	**42,976**	53,684
	764,482	1,172,804

17. Taxes

	2006 TT$	2005 TT$
Current — Corporation Tax	**1,020,960**	926,796
— Petroleum Profit Tax	**84,757**	
— Green Fund	**11,705**	8,779
	1,117,422	935,575
Deferred	**45,883**	(118,931)
	1,163,305	816,644
Deferred income tax related to items (charged) or credited directly to equity:		
Revaluation surplus for offshore plant and equipment	**—**	(48,061)

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

17. Taxes (continued)

	2006 TT$	2005 TT$
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	**3,403,411**	2,544,372
Tax at the rate of 35%	**1,191,194**	890,530
Tax-exempt income	**(176,672)**	(170,951)
Non-allowable expenses	**71,804**	55,893
Additional tax allowances	—	(1,220)
Other differences	**6,360**	(4,581)
Prior years' corporation tax	**27,229**	27,640
Green fund	**11,705**	8,779
Effect of oil and gas assets taxed at a higher rate	**31,685**	11,828
Tax loss for which benefit was not recognized	—	(1,274)
Current year provision	**1,163,305**	816,644
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Accrued interest expense	**25,071**	32,514
Asset retirement obligation	**164,771**	156,152
Post-retirement medical and group life	**23,447**	11,999
Other	**2,700**	1,958
	215,989	202,623
Deferred tax liability:		
Property, plant and equipment	**508,721**	394,597
Accrued interest income	—	38,851
Pension asset	**13,578**	29,668
	522,299	463,116

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

18. Long-term debt

	Current portion $	Long-term portion $	2006 Total $	2005 Total $
i.) Republic Finance and Merchant Bank (Fincor)	—	—	**—**	11,985
ii.) Caribbean Development Bank	12,084	24,131	**36,215**	45,279
iii.) European Investment Bank (EIB)	37,895	39,057	**76,952**	113,823
iv.) AKA Ausfuhrkredit GMBH	29,172	131,271	**160,443**	189,733
v.) First Citizens Bank	—	306,584	**306,584**	234,296
vi.) US$400M 30-year bond	—	2,478,003	**2,478,003**	—
	79,151	2,979,046	**3,058,197**	595,116

Description	Terms and Conditions	Security
Item (i) represents the proceeds on a US$17,125 (TT$107,828) bond issue in favour of the Company by Fincor on 28 August, 1996 to finance infrastructure development works.	Interest is payable semi-annually in arrears and floats with US prime. The bonds was redeemed over four-and-a-half (4.5) years between 28 February, 2002 to 28 February, 2006. The applicable rate for 2006 and 2005 ranged between 6.5%-7.0% and 5.5%-6.0%, respectively. This loan was repaid during 2006.	Sinking Fund supported by continuing security in a specific Gas Sales Contract.
Item (ii) relates to a facility established on 23 January, 1997 whereby the Company committed to borrow US$21,520 (TT$135,500) to finance the construction of marine facilities at Savonetta, Point Lisas. The loan was fully drawn down in 2000.	The loan provides for 40 equal quarterly instalments, and the first repayment of principal commenced in the year 2000. Interest is payable quarterly in arrears and determined annually. The applicable rate for 2006 ranged between 6%-6.25% (2005 - 5.5%). The Fair Value of this loan approximates its carrying value.	Letter of Credit secured by specific Gas Sales Contracts.
Item (iii) relates to a facility established on 11 February, 1996 whereby the Company committed to borrow ECU45,000 approximately US$49,715 (TT$313,202), to finance the construction of new pipelines. The loan was fully drawn down in 1999.	The loan provides for 18 equal semi-annual instalments and commenced 10th June, 2000. Interest is payable semi-annually in arrears at the higher rate of 3% per annum and EIB's lending rate on disbursement date, less a subsidy applicable to all tranches.	Letter of Credit secured by specific Gas Sales Contracts.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

18. Long-term debt (continued)

Description	Terms and Conditions	Security
Item (iv) relates to a facility established with AKA Ausfuhrkredit-Gesellschaft mbH on 10 July, 2003 as follows: Tranche 1 US$38,173,551 Tranche 2 EUR 1,135,175 — Insurance Premium	The loan provides for 17 equal and consecutive semi-annual instalments commencing June 2004. Interest is payable semi-annually in arrears at the fixed rate of 4.18% per annum commencing June 2004. The fair value of the loan was US$24,582 at December 2006.	Export Credit Insurance provided by HERMES.
Item (v) relates to a loan facility of US$44,400 established with FCB Ltd on 17 December, 2004 for site development works on Union Industrial Estate.	The loan provides five years' moratorium on principal and interest and for 20 equal and consecutive semi-annual instalments commencing December 2009. Interest is payable semi-annually in arrears at FCB's USD Prime lending rate less 2.60% The effective interest rate at 31 December, 2006 was 7.4% (2005:6.4%). The fair value of this loan approximates its carrying value.	No collateral/ Security required except for the condition that Union Estate's operating account be opened at FCB Ltd.
Item (vi) relates to a US$400M 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 TT LNG to fund its 11.11% of its offshore shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.	The bond will be redeemed by a bullet payment on January 15, 2036. Interest is payable semi-annually in arrears at a fixed ate of 6.05% commencing in July 2006. The fair value of the bond was US$391,372 at December 2006.	None.

Maturity profile of long-term debt	**2006** **TT$**	**2005** **TT$**
In one year or less	**79,151**	90,073
In more than one year but not more than two years	**79,627**	79,185
In more than two years but not more than three years	**66,983**	80,345
In more than three years but not more than four years	**81,149**	38,240
In more than four years but not more than five years	**81,111**	55,948
In more than five years	**2,670,176**	251,325
	3,058,197	595,116

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

19. Asset retirement obligation

	2006 TT$	2005 TT$
Balance as at 1 January	**408,432**	323,001
Unwinding of discount	**23,347**	18,925
New provision arising during the year	—	66,000
Foreign currency translation adjustment	**(260)**	506
Balance as at 31 December	**431,519**	408,432

(i) Offshore plant and equipment

The Company has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment based on a study conducted by an independent expert. The future estimated payment of the cost is currently anticipated to be 2012. However the ultimate amount and timing of the cost may vary from the original estimate.

(ii) Teak, Samaan and Poui platforms

The Company has recorded a provision for the net present value of the estimated cost of decommissioning the Teak, Samaan and Poui (TSP) platforms based on information received from a study conducted by the previous operator in 2005. A letter of credit was established for the Company's portion of the obligation. The future estimated payment date of the cost is currently estimated to be 2025. However the ultimate amount and timing of the cost may vary from the original estimate.

20. Post-retirement medical and group life

	2006 TT$	2005 TT$
Post-retirement medical and group life	**66,996**	34,282
Movement on the liability recognized in the balance sheet:		
Value at beginning of the year	**34,282**	—
Net benefit cost	**33,103**	34,657
Premiums paid	**(389)**	(375)
Value at end of year	**66,996**	34,282

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

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

	2006 TT$	2005 TT$
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation at start	**34,282**	27,201
Service cost	**4,928**	4,082
Interest cost	**2,642**	1,756
Benefit improvement	**26,641**	—
Actuarial (gain)/loss	**(1,108)**	1,618
Company's premiums paid	**(389)**	(375)
Expense allowance	**—**	—
Defined benefits obligation at end	**66,996**	34,282

The Company expects to contribute TT$421 to its post-retirement medical and group life plans in 2007.

Movement on the liability recognized in the balance sheet:

	2006 TT$	2005 TT$
The amounts recognized in the statement of income are as follows:		
Prior year obligation	**—**	27,201
Current service cost	**4,928**	4,082
Interest cost on benefits obligation	**2,642**	1,756
Net actuarial loss recognized in the year	**(1,108)**	1,618
Past service cost	**26,641**	—
Net benefits cost	**33,103**	34,657
The principal actuarial assumption used for accounting purpose was:		
Medical cost inflation	**8.25%**	7.25%
Discount rates	**8.75%**	7.75%
Average individual salary increases	**8.25%**	7.25%

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

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

Effects of one percentage point charge in medical expense increase assumption

	Aggregate service and interest costs	Year end deferred benefit obligation
Medical expenses increase by 1% P.A.	8,359	71,496
Medical expense decrease by 1% P.A.	5,563	49,318

Assets allocation as at 31 December

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

Experience history	**2006 TT$**	**2005 TT$**
Defined benefit obligation	**66,996**	34,282
Fair value of plan assets	**—**	—
(Surplus)/deficit	**66,996**	34,282
Experience adjustment on plan liabilities	**(1,108)**	1,618
Experience adjustment on plan assets	**—**	—

21. Deferred income

	2006	2005
Pre-transfer payment (note i)	**18,551**	—
Take-or-pay (note ii)	**—**	5,549
	18,551	5,549

(i) The pre-transfer payment represents an advance part payment for the transportation of gas, in the 24-inch-diameter pipeline from Dolphin Platform to Beachfield between the transporter and the shipper, which is billed monthly in advance.

(ii) Take-or-Pay deferred income comprises revenue, which is deferred for gas volumes contractually committed to be taken but not yet taken by customers. Revenue is recognized on the earlier of when gas volumes are actually taken or at expiration of the deficiency recovery period.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

22. Environmental obligation

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

	2006 TT$	2005 TT$
Environmental obligation at start	**17,074**	—
New provision arising during year	**—**	17,074
Amounts utilized during year	**(1,106)**	—
	15,968	17,074
Less: Current portion	**(2,076)**	(1,106)
	13,892	15,968

23. Statement of cash flow

Cash generated from operations

	2006 TT$	2005 TT$
Profit before tax	**3,403,411**	2,544,372
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	**90,233**	152,196
Impairment on property, plant and equipment	**201**	195,069
Provision for irrecoverable receivable	**3,769**	17,513
Finance costs	**232,945**	131,550
Gain on disposal of property, plant & equipment	**(19)**	(103)
Dividends received	**(482,644)**	(471,385)
Decrease in deferred income	**13,002**	5,549
Increase in deferred expenses	**(91,744)**	(76,536)
Net pension costs	**56,632**	7,791
Interest income	**(312,717)**	(138,315)
Increase in post retirement obligation	**33,103**	34,282
Operating profit before working capital changes	**2,946,172**	2,401,983
Increase in accounts receivable	**(685,804)**	(487,466)
Decrease/(increase) in sundry debtors	**36,211**	(154,864)
(Increase)/decrease in inventories	**(2,198)**	3,663
Increase in trade creditors, sundry creditors and accruals, and long-term creditors	**814,266**	181,574
	3,108,647	1,944,890

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

24. Sundry creditors and accruals

	2006 TT$	2005 TT$
Accrued interest	**84,069**	92,892
Accrued material/service amounts	**441,924**	181,215
Contract provisions	**27,219**	30,953
Employee-related accruals	**29,835**	25,611
	583,047	330,671

25. Sales and cost of sales

Sales include the following:

	2006 TT$	2005 TT$
Gas sales	**9,550,491**	7,613,942
Condensate sales	**106,511**	76,024
Transport tariffs	**144,800**	16,879
Compression charges	**41,157**	6,811
Crude oil	**497,879**	107,904
	10,340,838	7,821,560

Cost of sales include the following:

	2006 TT$	2005 TT$
Gas purchase	**6,869,051**	5,196,664
Depreciation – current year	**144,099**	125,911
– prior year	**(97,198)**	—
Impairment	**201**	195,069
Oil and gas operating cost – SECC	**133,358**	32,378
Production taxes	**162,650**	37,426
Maintenance cost	**139,957**	71,776
Staff costs	**45,528**	35,661
	7,397,646	5,694,885

26. Other operating income

	2006 TT$	2005 TT$
Lease income	**22,147**	17,109
Operation & maintenance fees	**23,761**	2,013
Management fees	**5,425**	4,427
Other	**62,263**	25,123
	113,596	48,672

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

27. Interest and other investment income

	2006 TT$	2005 TT$
Dividend income	**482,644**	471,385
Interest income	**235,486**	59,353
LNG production payments	**385,822**	259,123
Other investment income	**93,846**	78,962
	1,197,798	868,823

28. Expenses

Administrative, maintenance and general costs include the following:

	2006 TT$	2005 TT$
Staff costs	**197,665**	133,022
Maintenance and general expenses	**163,571**	93,780
Provision for irrecoverable receivable	**3,769**	17,513
Insurance claim not settled	**174,669**	80,969
	539,674	325,284

Staff costs:

	2006 TT$	2005 TT$
Wages and salaries	**151,945**	123,891
National insurance	**2,119**	1,606
Pension costs	**56,458**	8,529
	210,522	134,026
Post-employment benefits	**32,671**	34,657
	243,193	168,683

29. Finance costs

	2006 TT$	2005 TT$
Interest	**186,970**	21,433
Interest rate lock	**22,678**	90,685
Decommissioning – unwinding of discount rate	**23,297**	19,432
Loss on foreign exchange transactions	**10,071**	—
	243,016	131,550

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

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

30. Contingent liabilities and assets

(i) Taxes

For income years 1993 to 1996, the Company has objected to certain adjustments of TT$32,200 by the Board of Inland Revenue to the Company's tax liability. For the income year 1999 and 2000, the Company has also objected to certain adjustments of TT$118,782 by the Board of Inland Revenue to the Company's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the accounts for any additional tax liabilities, penalties or interest.

(ii) Letter of Credit

In addition to the Letter of Credits mentioned in 17 (ii) and (iii) above the Company has established a Letter of Credit in the amount of US$10,915 in favour of the former owner of the Teak, Samaan & Poui (TSP) assets for its share of the estimated future decommissioning costs of the said assets.

(iii) Litigation matters

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

(iv) Contingent asset

In 2006, the company incurred cost of $242,300 to repair damages resulting from another incident during construction of Beachfield Upstream Development (BUD) 36-inch-diameter pipeline. An amount of TT$199,592 is expected to be received from the settlement of an insurance claim which represents a contingent asset that has not been reflected in the financial statements as an insurance receivable because the insurers have not yet agreed the claim.

31. Capital commitments

	2006 TT$	2005 TT$
Approved and contracted capital expenditure	**317,240**	1,537,369

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

32. Other commitments

(i) Compensation to land owners

As at 31 December, 2006 the Company is unable to accurately estimate the compensation that might be payable to owners of land along Rights of Way of the Company's pipelines. Accordingly, no provision has been made for any amounts that might be owed to the landowners.

(ii) Trinidad and Tobago LNG Limited

The Company has committed to providing the following additional financial commitments to its subsidiary.

	2006 TT$	2005 TT$
Equity contribution	—	5,817
Loans	—	23,267
Working capital	36,687	52,482
	36,687	81,566

(iii) Guarantees

The Company has provided the following guarantees as at 31 December, 2006:

(i) Bank guarantee for an amount of TT$51,400 in respect of a loan obtained by La Brea Industrial Development Company Limited

(ii) Performance guarantee of up to US$100,000 above estimated project cost relating to the construction of the Cross-Island Pipeline (2005: US$100,000)

(iii) Guarantee of obligations under a gas transportation agreement by NGC Pipeline Company Limited

(iv) Guarantee payment under loan arrangements for NGC Pipeline Company Limited

(iv) Indemnities

The Company has provided an indemnity to PPGPL for its share of costs in the amount of US$4,700 relating to the expansion of the PPGPL's plant for NGC NGL Company Limited.

(v) Sale of asset

The Company has agreed in principle to the sale of its marine asset Savonetta Pier III to one of its subsidiary companies the National Energy Corporation (NEC). The terms and conditions of the sale are yet to be finalized.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

33. Operating lease commitments

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

	2006 TT$	2005 TT$
Within one year	**3,663**	9,266
One to five years	**3,663**	3,034

34. Commitment contracts

Purchases

The Company purchases natural gas through US dollar denominated long-term 'take or pay' contracts from various upstream producers with terms varying from 15 to 23 years. Under these long-term take-or-pay contracts, the company is obliged to take any natural gas up to specified volume that is offered at the current price up to a specified volume or pay a specified amount if the company refuses to take the natural gas. Natural gas prices under these contracts are calculated based on a percentage of prices the company receives from sales to petrochemical customers.

Sales

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

35. Related party transactions

The Company is wholly-owned by the government of Trinidad and Tobago. The Company has entered into several agreements with various agencies/state-owned companies of the Government, for the supply of gas. The sales to and purchases from related parties are at arm's length, except for the gas sales contract with T&TEC. Outstanding balances at the year end are unsecured and the settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December, 2006 the Company has not made any provisions for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

35. 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, 2006 and 2005.

		Income from related parties TT$	Purchases from related parties TT$	Amounts due from related parties TT$	Amounts due to related parties TT$
Fellow State Enterprises:					
Trinidad and Tobago Electricity Commission	**2006**	**570,651**	**—**	**681,579**	**—**
	2005	512,693	—	305,186	—
Petroleum Company of Trinidad and Tobago Limited	**2006**	**152,739**	**—**	**41,909**	**—**
	2005	75,918	—	32,114	—
Joint Venture:					
Phoenix Park Gas Processors Ltd.	**2006**	**489,717**	**—**	**99,264**	**—**
	2005	405,572	—	70,982	—
Associates:					
Trinidad and Tobago Marine Petroleum Company Limited	**2006**	**12,002**	**12,974**	**—**	**—**
	2005	8,000	—	—	—
National Helicopter Services Limited	**2006**	**—**	**13,755**	**—**	**1,378**
	2005	—	12,039	—	3,059
Subsidiaries:					
Trinidad and Tobago LNG Limited	**2006**	**51,940**	**—**	**981,426**	**—**
	2005	11,989	—	682,077	—
NGC Iron Company Limited	**2006**	**—**	**—**	**13,132**	**—**
	2005	—	—	14,225	—

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

35. Related party transactions (continued)

		Income from related parties TT$	Purchases from related parties TT$	Amounts due from related parties TT$	Amounts due to related parties TT$
Subsidiaries (continued)					
NGC Pipeline Company Limited:					
Transportation tariff	**2006**	—	**82,508**	—	**18,187**
	2005	—	6,676	—	12,772
Advances	**2006**	—	—	**185,467**	—
	2005	—	—	92,420	—
Operations & Maintenance Fees	**2006**	**23,761**	—	—	—
	2005	2,120	—	2,120	—
Service Fees	**2006**	**1,256**	—	—	—
	2005	106	—	—	—
NGC Trinidad and Tobago LNG Limited:					
Dividend Income	**2006**	**179,778**	—	—	—
	2005	132,133	—	—	—
Management Fees	**2006**	**628**	—	—	—
	2005	626	—	315	—
NGC NGL Company Limited:					
Dividend Income	**2006**	**223,703**	—	—	—
	2005	291,832	—	—	—
Management Fees	**2006**	**628**	—	—	—
	2005	626	—	315	—

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

35. Related party transactions (continued)

		Income from related parties TT$	Purchases from related parties TT$	Amounts due from related parties TT$	Amounts due to related parties TT$
Subsidiaries (continued):					
La Brea Industrial Development Company Limited					
Receivables	**2006**	—	—	—	—
	2005	242	—	—	—
Lease rental income	**2006**	—	**105**	—	—
	2005	—	1,894	—	—
Income	**2006**	—	—	—	—
	2005	—	1,935	—	—
Management fees	**2006**	—	—	—	—
	2005	124	—	124	—
Miscellaneous payables	**2006**	—	—	—	**3,717**
	2005	—	—	—	—
National Energy Corporation of Trinidad and Tobago Limited					
Loan interest	**2006**	**2,487**	—	—	—
	2005	3,281	—	—	—
Management fees	**2006**	**2,912**	—	**2,912**	—
	2005	2,944	—	2,944	—
Loans and advances	**2006**	—	—	**72,127**	—
	2005	—	—	63,561	—

As at 31 December, 2006 and 2005, the amounts due from T&TEC include a long-term loan receivable of TT$250,056 andTT$363,908, respectively. In addition, the Company has recognized interest income from this loan of TT$27,316 and TT$31,033 for the years ended 31 December, 2006 and 2005, respectively (See note 9).

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

35. Related party transactions (continued)

As at 31 December, 2006 and 2005, the amounts due from Trinidad and Tobago LNG Limited included a long-term loan receivable of TT$771,756 and TT$675,224, respectively. In addition, the Company has recognized interest income of TT$51,940 and TT$11,989 for the years.

As at 31 December, 2006 and 2005, the amounts due from National Energy Corporation (NEC) included a long-term loan receivable of TT$36,019 and TT$48,094, respectively. In addition, the Company has recognized interest income from this loan of TT$2,486 and TT$3,281 for the years ended 31 December, 2006 and 2005 respectively (see note 9).

The Company has made a provision for irrecoverable receivable of TT$15,546 with respect to NGC Iron Company Limited, which is to be liquidated.

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

Compensation of key management personnel

	2006 TT$	**2005 TT$**
Short-term employee benefits	**15,664**	12,838
Post-employment benefit	**1,551**	1,258


Shortcut
Connect Failed.
FX TEE JUNCTION
PTZ SEPERATOR
FX MAIN GATE 2
PTZ TOWER
Connect Failed.
STATEMENT

Inside control room at NGC's Beachfield facilities.

THE NATIONAL GAS COMPANY
OF TRINIDAD AND TOBAGO LIMITED

ANNUAL REPORT 2006

Consolidated Financial Statements

REPORT OF INDEPENDENT AUDITORS TO THE SHAREHOLDER OF THE NATIONAL GAS COMPANY OF TRINIDAD AND TOBAGO LIMITED

We have audited the accompanying consolidated financial statements of The National Gas Company of Trinidad and Tobago Limited, which comprise the consolidated balance sheet as at 31 December, 2006 and the Consolidated Statement of Income, statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the financial position of the Company as of 31 December, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Port of Spain,
TRINIDAD:
23 May, 2007

Consolidated Balance Sheet

As at 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	2006 TT$	2005 TT$
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment (note 4)	**6,098,901**	4,683,394
Intangible assets (note 5)	**36,036**	1,368
Investment property (note 6)	**68,843**	55,683
Pension asset (note 7)	**38,791**	84,765
Interest in joint venture (note 8)	**449,684**	377,547
Investments and advances (note 9)	**1,095,977**	1,464,335
Deferred tax asset (note 19)	**369,215**	315,838
Deferred expenses (note 10)	**278,175**	390,366
Long-term loan receivable (note 11)	**843,437**	936,492
Debt reserve funds (note 12)	**79,391**	76,011
Total non-current assets	**9,358,450**	8,385,799
CURRENT ASSETS		
Cash and cash equivalents	**2,759,766**	1,458,051
Short-term investments	**3,233,754**	793,078
Accounts receivable (note 13)	**2,458,340**	1,661,837
Current portion of long-term loan receivable (note 11)	**111,528**	102,641
Short-term loan receivable	**66,842**	—
Inventories (note 14)	**16,764**	34,996
Sundry debtors and prepayments (note 15)	**317,622**	269,368
Income tax receivable	**609**	126
Deferred expenses (note 10)	**206,610**	—
Total current assets	**9,171,835**	4,320,097
Total assets	**18,530,285**	12,705,896

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

Consolidated Balance Sheet

As at 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	2006 TT$	2005 TT$
EQUITY AND LIABILITIES		
EQUITY		
Stated capital (note 16)	**1,752,848**	920,766
Reserve fund (note 17)	**438,192**	146,668
Other reserves (note 18)	**759,432**	1,173,280
Retained earnings	**6,405,948**	5,161,279
Equity attributable to equity holders of the parent	**9,356,420**	7,401,993
Minority interests	**230,333**	172,721
Total equity	**9,586,753**	7,574,714
NON-CURRENT LIABILITIES		
Deferred tax liability (note 19)	**697,786**	572,098
Long-term debt (note 20)	**4,195,348**	1,506,446
Asset retirement obligation (note 21)	**431,519**	408,432
Post-retirement medical and group life (note 22)	**66,996**	34,282
Deferred income (note 23)	**93,264**	33,092
Environmental obligation (note 24)	**13,892**	15,968
Long-term creditors	**156,707**	247,252
Total non-current liabilities	**5,655,512**	2,817,570
CURRENT LIABILITIES		
Current portion of long-term debt (note 20)	**155,569**	163,359
Trade creditors	**2,059,568**	1,193,984
Sundry creditors and accruals (note 26)	**632,634**	577,344
Dividends payable	**200,000**	200,000
Income tax payable	**181,423**	154,017
Deferred income (note 23)	**56,750**	23,802
Environmental obligation (note 24)	**2,076**	1,106
Total current liabilities	**3,288,020**	2,313,612
Total equity and liabilities	**18,530,285**	12,705,896

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

On May 23, 2007, the Board of Directors of The National Gas Company of Trinidad and Tobago Limited authorized these financial statements for issue.

Director

Director David Small

Consolidated Statement of Income

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	Note	2006 TT$	2005 TT$
Sales	27	**11,416,181**	8,024,288
Cost of sales	27	**(8,027,269)**	(5,758,367)
Gross profit		**3,388,912**	2,265,921
Other operating income	28	**103,309**	48,299
Interest and other investment income	29	**1,169,786**	644,125
Share of profit from joint venture	8	**450,220**	330,136
Administrative, maintenance & general expenses	30	**(566,667)**	(342,861)
Depreciation		**(45,463)**	(26,286)
Other expenses		**(36,018)**	(19,420)
Finance costs	31	**(332,650)**	(142,893)
Profit before tax		**4,131,429**	2,757,021
Income tax expense	19	**(1,264,073)**	(854,131)
Profit for the year		**2,867,356**	1,902,890
Attributable to:			
Equity holders of the Parent		**2,644,171**	1,765,687
Minority interests		**223,185**	137,203
		2,867,356	1,902,890

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

Consolidated Statement of Changes in Equity

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	Attributable to Equity Holders of the Parent						
	Stated capital TT$	Reserve fund TT$	Other reserves TT$	Retained earnings TT$	Total TT$	Minority interests TT$	Total equity TT$
Balance as at 1 January, 2005	920,766	146,668	1,165,353	4,038,015	6,270,802	187,527	6,458,329
Transfer of depreciation for offshore plant and equipment and pipelines	—	—	(32,577)	32,577	—	—	—
Net gains on available-for-sale financial assets	—	—	103,653	—	103,653	—	103,653
Revaluation of offshore plant and equipment (net of deferred tax)	—	—	(81,887)	—	(81,887)	—	(81,887)
Foreign currency translation	—	—	18,738	—	18,738	856	19,594
Total income and expense for the year recognized in equity	—	—	7,927	32,577	40,504	856	41,360
Profit for the year	—	—	—	1,765,687	1,765,687	137,203	1,902,890
Total income/expense for the year	—	—	7,927	1,798,264	1,806,191	138,059	1,944,250
Dividends	—	—	—	(675,000)	(675,000)	(152,865)	(827,865)
Balance as at 31 December, 2005	920,766	146,668	1,173,280	5,161,279	7,401,993	172,721	7,574,714
Balance as at 1 January, 2006	**920,766**	**146,668**	**1,173,280**	**5,161,279**	**7,401,993**	**172,721**	**7,574,714**
Transfer of depreciation for offshore plant and equipment and pipelines	—	—	(24,104)	24,104	—	—	—
Net losses on available-for-sale financial assets	—	—	(373,509)	—	(373,509)	—	(373,509)
Foreign currency translation	—	—	(16,235)	—	(16,235)	(218)	(16,453)
Total income and expense for the year recognized in equity	—	—	(413,848)	24,104	(389,744)	(218)	(389,962)
Profit for the year	—	—	—	2,644,171	2,644,171	223,185	2,867,356
Total income/expense for the year	—	—	(413,848)	2,668,275	2,254,427	222,967	2,477,394
Increase in share capital	832,082	—	—	(832,082)	—	—	—
Increase in reserve fund	—	291,524	—	(291,524)	—	—	—
Dividends	—	—	—	(300,000)	(300,000)	(165,355)	(465,355)
Balance as at 31 December, 2006	**1,752,848**	**438,192**	**759,432**	**6,405,948**	**9,356,420**	**230,333**	**9,586,753**

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

Consolidated Statement of Cash Flows

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

	For the Year Ended 31 December	
	2006 TT$	**2005 TT$**
Cash flows from operating activities		
Cash generated from operations (note 25)	**3,567,788**	2,148,092
Pension contributions paid	**(11,047)**	(10,379)
Income taxes paid	**(1,158,489)**	(834,123)
Interest paid	**(279,926)**	(31,808)
Interest received	**288,075**	136,466
Income tax refund	**—**	1,057
Net cash generated from operating activities	**2,406,401**	1,409,305
Cash flows from investing activities		
Purchase of property, plant and equipment	**(1,617,571)**	(1,424,225)
Purchase of intangible assets	**(16,374)**	—
Purchase of investment property	**(9,112)**	—
Proceeds on disposal of property, plant and equipment	**518**	1,044
Net change in short-term investments	**(2,465,471)**	(497,326)
Repayments of loans and advances from subsidiaries	**15,476**	66,120
Purchase of other held-to-maturity investments	**—**	(168,806)
Increase in equity contribution	**(9,723)**	—
Proceeds from disposal of long-term investments	**24,795**	86,195
Change in debt reserve fund	**(3,380)**	(1,840)
Dividends received	**806,568**	494,479
Net cash used in investing activities	**(3,274,274)**	(1,444,359)
Cash flows from financing activities		
Proceeds from long-term debt	**2,874,436**	974,418
Repayment of long-term debt	**(160,258)**	(97,440)
Payment of borrowing costs	**(58,802)**	(3,002)
Dividends paid	**(465,355)**	(627,865)
Net cash generated from financing activities	**2,190,021**	246,111
Net increase in cash and cash equivalents	**1,322,148**	211,057
Net foreign exchange differences	**(20,433)**	13,248
Cash and cash equivalents		
— beginning of year	**1,458,051**	1,233,746
— end of year	**2,759,766**	1,458,051

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

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

1. Incorporation and business activities

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

The Company's subsidiaries, joint venture and associate companies 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%
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	41%*
Other		
Atlantic 1 Holdings LLC	United States of America	6.2%**
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	11.11%***

* owned 51% by NGC NGL Company Limited
** owned 10% by NGC Trinidad and Tobago LNG Company Limited
*** owned by Trinidad and Tobago LNG Limited

2. Significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of the Company's offshore plant and equipment and pipelines and available-for-sale investments, which have been measured at fair value.

The consolidated financial statements are expressed in Trinidad and Tobago dollars and have been prepared in accordance with International Financial Reporting Standards.

(b) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those involving estimations, which has the most significant effect on amounts recognized in the financial statements:

(i) 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 uncertainty.

(ii) Asset retirement obligation

The Company has recorded a provision for the estimated cost of decommissioning its offshore assets. Each year the present value of these costs are calculated using a discount rate that is the higher of the treasury rate or the Company's internal cost of capital.

(c) Principles of consolidation

The financial statements of the Company 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 Company and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

(d) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Significant accounting policies (continued)

(e) Accounts and other receivables

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

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents represent cash and short-term deposits, with original maturities of three months or less.

(h) Taxes

Current tax

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

Deferred tax

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

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

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

2. Significant accounting policies (continued)

(h) Taxes (continued)

Deferred tax (continued)

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

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

(i) Property, plant and equipment

(i) Non-oil gas assets

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

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

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

Leasehold property is amortized as follows:

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

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

Following initial recognition at cost, offshore plant and equipment and pipelines are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Generally, valuations are performed every five to seven years unless there is an indication that the fair value of a revalued asset differs materially from its carrying amount. The next valuation is expected to take place in 2007.

2. Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

(i) Non-oil gas assets (continued)

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

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

(ii) Oil and gas assets

The 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 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 proved or become impaired.

2. Significant accounting policies (continued)

(j) Investment property

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

Fabrication Yard	3.33%
Development cost – Access Road	10%

No depreciation is provided on freehold land.

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

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

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

(l) Long-term debt

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

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

2. Significant accounting policies (continued)

(m) Investments

(i) Investment in joint venture

NGC NGL Company Limited, an 80% owned subsidiary of the Company, has a 51% interest in Phoenix Park Gas Processors Limited (PPGPL), which is a jointly controlled entity involved in the extraction of propane, butanes and natural gasoline from the natural gas stream. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. Despite its controlling interest, the Company 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 income statement reflects the Company's share of PPGPL's results of operations. If there has been a change recognized directly in PPGPL's equity, the Company recognizes its share of any changes and discloses this, where applicable, in the statement of changes in equity.

(ii) Available-for-sale financial assets

All investments in which the Company has less than 20% of the shareholding are initially recognized at cost, inclusive of transaction costs on acquisition. After initial recognition, the investments that are classified as available for sale, are measured at fair value, with unrealized gains or losses being recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the balance sheet date.

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. These investments are stated at cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

2. Significant accounting policies (continued)

(m) Investments (continued)

(iv) 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.

(n) Foreign currencies

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

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Resulting exchange differences are recognized in income for the year.

(o) Borrowing costs

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

(p) Trade and other payables

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

Payables to related parties are carried at cost.

2. Significant accounting policies (continued)

(q) Post-retirement 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 income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of independent actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government securities. All actuarial gains or losses to be recognized are spread forward over the average remaining service lives of employees.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service 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 past service cost and the present value of any economic benefits available in the form of 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 income statement.

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

(r) Impairment of assets

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

2. Significant accounting policies (continued)

(r) Impairment of assets (continued)

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

(s) Operating leases

(i) Company as a lessee

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 income.

(ii) Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(t) 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.

Interest income is accounted for on the accruals basis.

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

2. Significant accounting policies (continued)

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

(v) Government grants

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

(w) Recent pronouncements

The Company has adopted the following new and amended IFRSs and IFRIC Interpretations, which became effective during 2006.

- IAS 19 – Amendment: Employee Benefits
- IAS 21 – Amendment: The effect of change in Foreign Exchange Rates
- IAS 39 – Amendment: Financial Instruments: Recognition and Measurement
- IFRS 6 – Exploration for and Evaluation of Minerals Rights
- IFRIC 4 – Determining whether an arrangement contains a Lease
- IFRIC 5 – Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 – Liabilities arising from participating in a specific market – Waste Electrical and Electronic Equipment.

2. Significant accounting policies (continued)

(w) Recent pronouncements (continued)

The Company has chosen not to early adopt the following standards and interpretation that were issued but not yet effective for accounting periods beginning on 1 January, 2007.

- IFRIC 8 – Operating Segment
- IFRIC 7 – Applying the Restated Approach under IAS 29
- IFRIC 8 – Scope of IFRS 2
- IFRIC 9 – Reassessment of Embedded Derivatives
- IFRIC 10 – Interim Financial Reporting and Impairment
- IFRIC 11 – IFRIC 2 Group Treasury Share Transaction
- IFRIC 12 – Service Concession Arrangements

Management does not expect any material impact to arise from the adoption of these standards.

(x) Comparatives – Reclassification adjustments

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year. The major reclassifications include:

(i) Reclassification of depreciation on pipelines to cost of sales of TT$84,973.

(ii) Reclassification of royalties and working interest from administrative maintenance and general expenses to cost of sales of TT$13,566.

(iii) Reclassification of computer software from property, plant and equipment to intangible assets of TT$1,368.

(iv) Reclassification of environmental obligation from sundry creditors and accruals of TT$17,074.

(v) Reclassification of investment property of TT$55,683 from property, plant and equipment.

(vi) Reclassification of deferred income from creditors and accruals of TT$23,802.

3. Financial assets and liabilities

Fair value

(i) Short-term financial assets and liabilities

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

(ii) Long-term financial assets and liabilities

The fair value of the Company's floating rate long-term loan receivables and debt approximate its carrying amount given the floating rate nature of the loans at prevailing market rates. Long-term fixed rate loan receivable is detailed in note 11 and debt in note 20.

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

Credit risk

Financial instruments that potentially subject the Company to credit risk include trade debtor and employee related balances. Provisions have been set up against the receivable balances for potential credit losses.

Interest rate risk

The changes in market interest rates on the Company's loans cause exposure to interest rate risk. Included in note 20 is information on the maturity dates, as well as the applicable interest rates.

Derivative financial instruments and hedging

The Company used derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently 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 that meets the strict criteria for hedge accounting.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

4. Property, plant and equipment

2006	Freehold land TT$	Leasehold property TT$	Development Costs TT$	Machinery and equipment TT$	Pipeline & Related Facilities TT$	Oil and gas assets TT$	Offshore plant and equipment TT$	Marine infrastructural assets TT$	Other assets TT$	Assets under construction TT$	Total TT$
Cost/valuation											
At beginning of year	3,636	108,015	103,349	91,281	3,240,970	276,846	439,739	616,757	54,921	1,272,735	6,208,249
Additions at cost	—	1,040	2,459	2,189	1,226,407	27,343	201	30,134	7,529	320,269	1,617,571
Disposal/transfer of assets	—	18,235	179	4,318	185,589	—	—	58,972	(8,989)	(306,449)	(48,145)
Foreign exchange difference	198	(121)	—	(41)	(4,202)	(117)	(1,615)	(60)	1,988	(623)	(4,593)
	3,834	**127,169**	**105,987**	**97,747**	**4,648,764**	**304,072**	**438,325**	**705,803**	**55,449**	**1,285,932**	**7,773,082**
Accumulated depreciation											
At the beginning of year	—	44,305	102,856	60,458	563,351	7,960	439,739	270,640	35,546	—	1,524,855
Charges for year	—	2,517	375	16,237	165,712	41,435	201	27,180	8,762	—	262,419
Prior year depreciation	—	—	—	—	(97,198)	—	—	—	—	—	(97,198)
Disposal/transfer of assets	—	—	—	(1)	—	—	(201)	—	(8,516)	—	(8,718)
Foreign exchange difference	—	(20)	—	(51)	(5,522)	79	(1,414)	(17)	(232)	—	(7,177)
	—	46,802	103,231	76,643	626,343	49,474	438,325	297,803	35,560	—	1,674,181
Net book value	**3,834**	**80,367**	**2,756**	**21,104**	**4,022,421**	**254,598**	**—**	**408,000**	**19,889**	**1,285,932**	**6,098,901**

Interest capitalized for the year ended December 31, 2006 is $26,961 (2005:$8,789).

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

4. Property, plant and equipment (continued)

2005	Freehold land TT$	Leasehold property TT$	Development Costs TT$	Machinery and equipment TT$	Pipeline & Related Facilities TT$	Oil and gas assets TT$	Offshore plant and equipment TT$	Marine infrastructural assets TT$	Other assets TT$	Assets under construction TT$	Total TT$
Cost/valuation											
At beginning of year	3,106	106,025	103,349	89,360	1,685,126	—	430,103	613,592	55,345	1,640,477	4,726,483
Additions at cost	—	2,006	—	1,142	—	276,846	3,615	119	8,986	1,183,150	1,475,864
Disposal/transfer of assets	527	—	—	(42)	1,551,889	—	—	2,900	(3,054)	(1,553,426)	(1,206)
Foreign exchange difference	3	(16)	—	821	3,955	—	6,021	146	(6,356)	2,534	7,108
	3,636	108,015	103,349	91,281	3,240,970	276,846	439,739	616,757	54,921	1,272,735	6,208,249
Accumulated depreciation											
At the beginning of year	—	41,774	102,598	49,691	472,283	—	78,086	245,224	32,160	—	1,021,816
Charges for year	—	6,762	258	10,590	89,889	7,914	34,416	25,405	5,407	—	180,641
Impairment on platform	—	—	—	—	—	—	326,095	—	—	—	326,095
Disposal/transfer of assets	—	—	—	(40)	—	—	—	(48)	(2,025)	—	(2,113)
Foreign exchange difference	—	(4,231)	—	217	1,179	46	1,142	59	4	—	(1,584)
	—	44,305	102,856	60,458	563,351	7,960	439,739	270,640	35,546	—	1,524,855
Net book value	3,636	63,710	493	30,823	2,677,619	268,886	—	346,117	19,375	1,272,735	4,683,394

Interest capitalized for the year ended December 31, 2005 is $8,789.

4. Property, plant and equipment (continued)

(a) Revaluation of offshore plant and equipment and pipelines

(i) Offshore plant and equipment

The Company revalues its offshore plant and equipment using an income approach every five to seven years. In December 2004, the Company revalued its offshore plant and equipment at an amount of TT$139 million, to be depreciated over the assets' remaining useful life of eight years. A corresponding amount of TT$90.3 million (net of tax) was recorded as a revaluation reserve. If the offshore plant and equipment were measured using the cost model, the net carrying amount would have been immaterial, as at 31 December, 2006.

(ii) Pipelines

The Company revalues its pipelines every five to seven years. In January 2000, an independent accredited valuer revalued the Company's pipelines in existence at that date at an amount of TT$927,099. If the pipelines were measured using the cost model, the net carrying amount would have been TT$162,169 and TT$180,909 respectively, as at 31 December, 2006 and 2005. In accordance with the Company's revaluation policy, pipelines will be revalued in 2007.

(b) Pipelines and related facilities

Included in "Pipelines and related facilities" is the Trinidad and Tobago Electricity Commission (T&TEC) pipeline system, which was acquired by the Company from T&TEC with effect from 1 January, 1977. However, the Company has not obtained legal title to the asset because the proper Rights of Way associated with the pipeline system have not yet been acquired by the Company. Refer also to note 34 (i).

(c) Impairment of offshore plant and equipment

Due to the sale by an upstream producer of the Teak, Samaan and Poui (TSP) offshore oil assets in the second quarter of 2005, the Company had to negotiate a gas compression agreement. The compression fee that the Company will receive will not cover the cost of compression based on current operations. Accordingly, in September 2005, the Company revalued its offshore plant and equipment and determined that its fair value should be reduced to nil. This reduction has been recorded by charging TT$81,900 against the revaluation reserve (net of deferred tax) and TT$188,000 as additional cost of sales in the consolidated statement of income for that year. In addition associated capital spares with a book value of TT$7,000 was also impaired. The fair value of the offshore platforms was determined based on an income approach using cash flow projections that were approved by management covering an eight-year period.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

4. Property, plant and equipment (continued)

(d) Assets under construction

Included in assets under construction is the amount of TT$316,613, which represents the costs of Site Development Works in respect of the Union Industrial Estate on land owned by related parties. These works are being financed through borrowed funds (Note 20) and internal cash. The ownership structure of this estate is yet to be finalized.

5. Intangible assets

	2006 TT$	2005 TT$
Cost		
At the beginning of year	**21,505**	20,041
Additions at cost	**16,374**	1,464
Transfer of assets	**32,958**	—
Foreign exchange difference	**410**	—
	71,247	21,505
Accumulated depreciation		
At the beginning of year	**20,136**	19,298
Charges for the year	**14,993**	839
Foreign exchange difference	**82**	—
	35,211	20,137
Net book value	**36,036**	1.368

6. Investment property

	2006 TT$	2005 TT$
Cost		
At beginning of period	**57,380**	53,122
Additions	**9,112**	—
Transfers	**6,168**	4,258
Disposals	**(245)**	—
	72,415	57,380
Accumulated depreciation/impairment		
At beginning of period	**1,697**	81
Depreciation charge for period	**1,890**	1,616
Disposals	**(15)**	—
	3,572	1,697
Net book value	**68,843**	55,683

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

7. Pensions

	2006 TT$	2005 TT$
Benefit asset/(liability)		
Present value of obligation	**(233,070)**	(187,207)
Fair value of plan assets	**271,861**	271,972
	38,791	84,765
Unrecognized actuarial gains	**—**	—
Pension asset	**38,791**	84,765
Movement on the asset recognized in the balance sheet:		
Asset value at beginning of the year	**84,765**	82,177
Net pension cost	**(56,632)**	(8,529)
Contributions paid	**10,658**	11,117
Asset value at end of the year	**38,791**	84,765
The amounts recognized in the statement of income are as follows:		
Current service cost	**(11,371)**	(9,783)
Interest cost on benefit obligation	**(14,415)**	(10,226)
Expected return on plan assets	**24,204**	19,588
Net actuarial gain recognized in the year	**(19,543)**	(8,108)
Past service cost	**(35,507)**	—
Net pension (cost)/income	**(56,632)**	(8,529)
Actual return on plan assets	**11,691**	18,855
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefit obligation at start of the year	**187,207**	158,398
Service cost	**11,371**	9,783
Interest cost	**14,415**	10,226
Members' contribution	**3,806**	3,970
Benefit improvement	**35,507**	—
Actuarial (gain)/loss	**(16,352)**	7,375
Benefits paid	**(2,469)**	(2,175)
Expense allowance	**(415)**	(370)
Defined benefit obligation at end of the year	**233,070**	187,207

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

7. Pensions (continued)

	2006 TT$	2005 TT$
Changes in fair value of plan assets are as follows:		
Plan assets at start of year	**271,972**	240,575
Expected returns on plan assets	**24,204**	19,588
Actuarial gain/(loss)	**(35,895)**	(733)
Company contributions	**10,658**	11,117
Members' contributions	**3,806**	3,970
Benefits paid	**(2,469)**	(2,175)
Expense allowance	**(415)**	(370)
Plan assets at end of the year	**271,861**	271,972

The Company expects to contribute TT$13,386 to its defined benefit pension plan in 2007.

	2006	2005
The major categories of plan assets as a percentage of total plan assets are as follows:		
Equity securities	**63%**	44%
Debt securities	**3%**	2%
Money market instruments/ cash	**28%**	38%
Other-deposits administrative contract	**6%**	16%
	100%	100%
The principal actuarial assumptions used for accounting purposes were:		
Discount rate	**8.75%**	7.75%
Expected return on plan assets	**9.75%**	8.75%
Future salary increases	**8.25%**	7.25%

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.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

8. Interest in joint venture

The Company's 51% share of the assets, liabilities, and income and expenses of PPGPL as at 31 December, 2006 and 2005 are as follows:

	2006 TT$	2005 TT$
Share of PPGPL's balance sheet:		
Current assets	**763,166**	367,965
Non-current assets	**880,820**	825,239
Current liabilities	**(261,538)**	(179,021)
Non-current liabilities	**(932,764)**	(636,636)
Net assets	**449,684**	377,547
Share of PPGPL's income statement:		
Revenue	**1,919,040**	1,493,092
Cost of sales	**(1,056,753)**	(837,469)
Operating and other expenses	**(139,958)**	(112,490)
Finance costs	**(22,385)**	(27,894)
Profit before tax	**699,944**	515,239
Income tax expense	**(249,724)**	(185,103)
Profit for the year	**450,220**	330,136

9. Investments and advances

Investments and advances comprise the following:

	2006 TT$	2005 TT$
Held-to-maturity investments	**868**	905
Investment in Atlantic 1 Holdings LLC, at cost	**153,491**	153,589
Investments in Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	**176,227**	168,807
Available-for-sale financial assets (note a)	**763,089**	1,141,034
Advances (note b)	**2,302**	—
	1,095,977	1,464,335

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

9. Investments and advances (continued)

	2006 TT$	2005 TT$
(a) Available-for-sale financial assets		
Shares – listed	**756,892**	1,134,830
Shares – unlisted	**6,197**	6,204
	763,089	1,141,034

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

(b) Advances

Eastern Caribbean Gas Pipeline Company Limited (ECGPC)

The Company advanced US$366 (TT$2,302) to the Eastern Caribbean Gas Pipeline Company Limited (ECGPC).

10. Deferred expenses

	2006 TT$	2005 TT$
Take-or-pay (note i)	**484,785**	390,366
Less: current portion	**(206,610)**	—
	278,175	390,366

(i) 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. The Company expects to take the underlying volumes of gas prior to the expiration of the contractual term.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

11. Loans receivable

	2006 TT$	2005 TT$
(i) Long-term loans receivable		
Trinidad and Tobago Electricity Commission (T&TEC)	**250,056**	363,909
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	**704,909**	675,224
	954,965	1,039,133
Less: current portion of loans	**(111,528)**	(102,641)
Long-term loans receivable	**843,437**	936,492

a) Effective 1 May, 2003, the Company and Trinidad and Tobago Electricity Commission agreed to convert the outstanding accounts receivable balance that T&TEC owed the Company to a 6-year term loan. Interest is payable at the rate of 8.75% per annum with a moratorium on principal and interest payment for the first two years of the loan. During this period, interest was capitalized and amalgamated with the loan receivable, which is payable in equal monthly instalments over the four remaining years with an option for prepayment. The loan agreement was finalized on 6 April, 2005. For the years ended 31 December, 2006 and 2005 the Company capitalized interest of NIL and TT$11,232, respectively. The fair value of the receivable was TT$258,229 at December 2006.

b) Pursuant to the Atlantic LLC Agreement the Members are obligated to make Members loans and working capital contributions in proportion to each Member's Percentage Interest to fund the construction, commissioning and operations of the ALNG Train 4. The maximum aggregate principal amount of the long-term Member's Loan is US$1.2 Billion of which Trinidad and Tobago LNG Limited proportion is 11.11% (US$133,320). As at 31 December, 2006 the Company has contributed US$111,988 (2004:US$107,204) which represents its share of the long-term Member's Loan. Repayment terms have not been finalized.

This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of Libor plus a margin, which ranges from 1.125% to 2.125% per annum. The effective interest rate at the balance sheet date was 7.356% (2005: 5.92%). The fair value of this loan approximates its carrying value.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

11. Loans receivable (continued)

(ii) Short-term loan receivable

The short-term loan receivable was required to fund the pre-commercial expenses of Train 4. These funds are called as required. The maximum aggregate principal amount of the short-term member's loan available to be drawn down is US$125,000 of which Trinidad and Tobago LNG Limited proportion is 11.11% US$13,887. As at 31 December, 2006, the Company has contributed US$10,619 which represents its share. This loan is unsecured and interest is calculated on the principal amount outstanding and payable quarterly at a rate of Libor plus an applicable margin. The effective interest rate at the balance sheet date was 7.217%. Repayment terms have not been finalized.

12. Debt reserve funds

In accordance with the Letter of Credit and Reimbursement Agreement ("L/C Agreement") dated as of October 15, 1997 among the Company, The Bank of Nova Scotia Trinidad and Tobago Limited, Citibank N.A., De Nationale Inversteringsbank (NA) N.V., and Kredietbank N.V. Dublin Branch collectively and The Bank of Nova Scotia L/C Agent, the Company maintains certain debt reserve funds, which are funded from appropriations from two gas sales contracts. As at 31 December, 2006 and 2005, these funds totalling TT$79,391 and TT$76,011, respectively were held in interest-bearing accounts.

13. Accounts receivable

Included in this balance is the amount of TT$681,587 (US$108,283), which represents amounts due from the Trinidad and Tobago Electricity Commission (T&TEC), which is the local utility company that distributes electric power to customers in Trinidad and Tobago. The amount represents gas sold to T&TEC for the period July 2005 to December 2006. T&TEC is wholly owned by the Government of Trinidad and Tobago and discussions are being held to liquidate this outstanding recoverable.

14. Inventories

	2006 TT$	2005 TT$
Finished goods	—	22,047
Consumable spares	**13,542**	11,450
TSP spares	**2,989**	—
Other	**233**	1,499
	16,764	34,996

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

15. Sundry debtors and prepayments (continued)

	2006 TT$	2005 TT$
Sundry debtors and prepayments comprise the following:		
Prepayments	**37,033**	11,292
Staff related balances	**5,856**	3,441
Related party balance	**1,189**	13,187
VAT	**40,402**	39,999
Interest receivable	**67,011**	16,274
Accrued income	**60,737**	167,790
Other	**105,394**	17,385
	317,622	269,368

16. Stated capital

Authorized

An unlimited number of ordinary shares of no par value

Issued and fully paid

	2006 TT$	2005 TT$
1,752,848,000 ordinary shares of no par value (2005: 920,766,000)	**1,752,848**	920,766

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 standard return on equity is exceeded. The fund cap is 25% of the issued stated capital of the parent Company.

18. Other reserves

	2006 TT$	2005 TT$
Other reserves comprise the following as at 31 December:		
Revaluation surplus for offshore plant and equipment and pipelines	**433,882**	457,986
Unrealized gain on available-for-sale financial assets	**287,624**	661,134
Foreign currency translation	**37,926**	54,160
	759,432	1,173,280

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

19. Taxation

	2006 TT$	2005 TT$
Current — Corporation Tax	**1,093,219**	959,085
— Petroleum Tax	**84,757**	—
— Business Levy	**50**	64
— Green Fund	**13,703**	9,453
	1,191,729	968,602
Deferred	**72,344**	(114,471)
	1,264,073	854,131
Deferred income tax related to items charged or credited directly to equity:		
Revaluation surplus for offshore plant and equipment	**—**	(48,061)
Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate		
Accounting profit	**4,131,429**	2,757,021
Tax at the rate of 35%	**1,446,000**	964,957
Tax-exempt income	**(314,971)**	(198,109)
Non-allowable expenses	**72,433**	49,916
Additional tax allowances	**—**	(1,220)
Other differences	**—**	(3,866)
Prior years' corporation tax	**27,231**	27,640
Business levy	**50**	64
Green fund	**13,704**	9,453
Tax losses utilized	**(1,483)**	(1,095)
Tax loss for which benefit was not recognized	**2,066**	(2,999)
Tax effect of subsidiaries at different rate	**(12,643)**	(2,439)
Effect of oil and gas assets taxed at a different rate	**31,686**	11,829
Income tax provision	**1,264,073**	854,131

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

19. Taxation (continued)

	2006 TT$	2005 TT$
Significant components of deferred tax asset and liability are as follows:		
Deferred tax asset:		
Property, plant and equipment	**165**	6,185
Accrued interest expense	**50,701**	37,153
Tax losses	**127,431**	102,391
Post-retirement obligation	**23,447**	11,999
Asset retirement obligation	**164,771**	156,152
Other	**2,700**	1,958
	369,215	315,838
Deferred tax liability:		
Property, plant and equipment	**684,208**	503,530
Accrued interest income	**—**	38,900
Pension asset	**13,578**	29,668
	697,786	572,098

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

20. Long-term debt

		2006 TT$	2005 TT$
(i)	Republic Finance and Merchant Bank (Fincor)	**—**	11,985
(ii)	Caribbean Development Bank	**36,215**	45,279
(iii)	European Investment Bank (EIB)	**76,952**	113,823
(iv)	AKA Ausfuhrkredit GmbH	**160,443**	189,733
(v)	First Citizens Bank Limited	**306,584**	234,296
(vi)	US$400M 30-year bond	**2,478,003**	—
(vii)	CALYON	**1,172,986**	945,896
(viii)	First Citizens Bank Limited	**61,675**	67,432
(ix)	RBTT	**58,059**	61,361
		4,350,917	1,669,805
	Less: current portion	**(155,569)**	(163,359)
		4,195,348	1,506,446

Description	Terms and conditions	Security
Item (i) represents the proceeds of a US$17,125 bond issue in favour of the Company by Fincor on 28 August, 1996 to finance infrastructure development works.	Interest is payable semi-annually in arrears and floats with US prime. The bond was redeemed over four-and-a-half (4.5) years between February, 2002 to 28 February, 2006. The applicable rate for 2006 and 2005 ranged between: 6.5%-7.0% and 5.5%-6.0%,respectively. This loan was repaid during 2006.	Sinking Fund supported by continuing security in a specific gas sales contract.
Item (ii) relates to a facility established on 23 January, 1997 whereby the Company committed to borrow US$21,520 to finance the construction of marine facilities at Savonetta, Point Lisas. The loan was fully drawn down in 2000.	The loan provides for 40 equal quarterly instalments, and the first repayment of principal commenced in the year 2000. Interest is payable quarterly in arrears and determined annually. The applicable rate for 2006 ranged between 6%-6.25% (2005-5.5%).	Letter of credit secured by specific gas sales contracts.
Item (iii) relates to a facility established on 11 February, 1996 whereby the Company committed to borrow Euro 45,000, approximately US$49,715 to finance the construction of new pipelines. The loan was fully drawn down in 1999.	The loan provides for 18 equal semi-annual instalments, which commenced on 10 June, 2000. Interest is payable semi-annually in arrears at the higher of 3% per annum and EIB's lending rate on disbursement date, less a subsidy applicable to all tranches. This loan is carried at an amount which reflects its contracted obligation.	Letter of credit secured by specific gas sales contract.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

20. Long-term debt (continued)

Description	Terms and conditions	Security
Item (iv) relates to a facility established with AKA GmbH (Ausfuhrkredit-Gesellschaft mbH) on 10 July, 2003 as follows: Tranche 1 US$38,173,551; and Tranche 2 Euro1,135,175 – Insurance Premium.	The loan provides for 17 equal consecutive semi-annual instalments commencing June 2004. Interest is payable semi-annually in arrears at the fixed rate of 4.18% per annum commencing June 2004. The fair value of the loan was US$24,582 at December 2006.	Export credit insurance provided by HERMES.
Item (v) relates to a loan facility of US$44.4 million established with First Citizens Bank Limited on 17 December, 2004 for site development works on Union Industrial Estate.	The loan provides five years' moratorium on principal and interest. The principal is repayable in 20 equal and consecutive semi-annual instalments commencing December 2009. Interest is payable semi-annually in arrears at First Citizens Bank Limited's US dollar prime lending rate, less 2.60%. The applicable interest rate as at 31 December, 2006 was 7.4% (2005:6.4%). The fair value of this loan approximates its carrying value.	No collateral/security required except for the condition that Union Estate's operating account be established at First Citizens Bank Limited.
Item (vi) relates to a US$400M 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 TT LNG to fund its 11.11% of its offshore shareholder loans to ALNG 4 Company of Trinidad and Tobago Unlimited.	The loan provides for a bullet payment on January 2036. Interest is payable semi-annually in arrears at a fixed rate of 6.05% commencing in July 2006. The fair value of the bond was US$391,372 at December 2006.	None.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

20. Long-term debt (continued)

Description	Terms and conditions	Security
Item (vii) 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 commencing from 1 June, 2006. Interest is payable monthly/quarterly (as designated by the Borrower) in arrears. The interest rate is based on the relevant type Euro/Base rate advances requested plus a margin ranging between 1.50% per annum to 2.50% per annum (Eurodollar rate advances) and 0.50% per annum to 1.50% per annum (Base rate advances). An interest rate hedge became effective on 1 December, 2005 for 50% of the financing at a fixed rate of 4.98% p.a. plus the margins noted above. The fair value of the loan was TT$1,155,444 at December 2006.	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 insurance policies and the company's shares owned by the parent.
Item (viii) relates to a facility established with First Citizens Bank Limited for TT$67.9 million on 17 May, 2004 by the National Energy Corporation of Trinidad and Tobago Limited in pursuit of its capital expansion programme.	This loan provides for two equal semi-annual payments of interest only followed by 18 semi-annual payments of principal and interest. Interest is fixed at a rate of 6.20% per annum. The fair value of the loan was TT$95,460 at December 2006.	Assignment of pier user contracts, chattel mortgage over two tugboats with carrying amounts totalling TT$43,009 (2005: TT$48,775) and assignment of all risk marine and special perils insurance coverage over the tugboats.
Item (ix) relates to a Bond issued on 22 May, 2005 whereby the Company committed to borrow TT$62 million to finance the construction of the fabrication yard and dock expansion. The Trustee is RBTT Trust Limited.	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 annum. The fair value of the bond was TT$55,831 at December 2006.	Bond is guaranteed by The National Gas Company of Trinidad and Tobago Limited and The Petroleum Company of Trinidad and Tobago Limited.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

20. Long-term debt (continued)

Maturity profile of long-term debt	2006 TT$	2005 TT$
In one year or less	**155,569**	163,359
In more than one year but not more than two years	**161,281**	156,568
In more than two years but not more than three years	**154,988**	163,339
In more than three years but not more than four years	**176,007**	124,118
In more than four years but not more than five years	**183,283**	150,856
In more than five years	**3,519,789**	911,565
	4,350,917	1,669,805

21. Asset retirement obligation

	2006 TT$	2005 TT$
Balance as at 1 January	**408,432**	323,001
Unwinding of discount	**23,347**	18,925
New provision arising during the year	**—**	66,000
Foreign currency translation adjustment	**(260)**	506
Balance as at 31 December	**431,519**	408,432

(i) Offshore plant and equipment

The Company has recorded a provision for the net present value of the estimated cost of decommissioning the offshore plant and equipment based on a study conducted by an independent expert. The future estimated payment of the cost is currently anticipated to be 2012. However, the ultimate amount and timing of the cost may vary from the original estimate.

(ii) Teak, Samaan and Poui platforms

The Company has recorded a provision for the net present value of the estimated cost of decommissioning the Teak, Samaan and Poui platforms based on information received from a study conducted by the operator. A letter of credit was established for the Company's portion of the obligation. The future estimated payment date of the cost is currently estimated to be 2025. However, the ultimate amount and timing of the cost may vary from the original estimate.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

22. Post-retirement medical and group life

	2006 TT$	2005 TT$
Post-retirement medical and group life	**66,996**	34,282
Movement on the liability recognized in the balance sheet:		
Value at beginning of the year	**34,282**	—
Net benefit cost	**33,103**	34,657
Premiums paid	**(389)**	(375)
Value at end of year	**66,996**	34,282
Changes in the present value of the defined benefits obligation are as follows:		
Defined benefits obligation at start	**34,282**	27,201
Service cost	**4,928**	4,082
Interest cost	**2,642**	1,756
Benefit improvement	**26,641**	—
Actuarial (gain)/loss	**(1,108)**	1,618
Company's premiums paid	**(389)**	(375)
Expense allowance	**—**	—
Defined benefits obligation at end	**66,996**	34,282

The Company expects to contribute TT$421 to its post-retirement medical and group life plans in 2007.

Movement on the liability recognized in the balance sheet:

	2006 TT$	2005 TT$
The amounts recognized in the statement of income are as follows:		
Prior year obligation	**—**	27,201
Current service cost	**4,928**	4,082
Interest cost on benefits obligation	**2,642**	1,756
Net actuarial loss recognized in the year	**(1,108)**	1,618
Past service cost	**26,641**	—
Net benefits cost	**33,103**	34,657

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

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

	2006	**2005**
The principal actuarial assumption used for accounting purpose was:		
Medical cost inflation	**8.25%**	7.25%
Discount rates	**8.25%**	7.75%
Average individual salary increases	**8.25%**	7.25%

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

	Aggregate service and interest costs	**Year end deferred benefit obligation**
Medical Expenses Increase by 1% P.A	**8,359**	71,496
Medical Expense Decrease by 1% P.A.	**5,563**	49,318

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.

	2006 TT$	**2005 TT$**
Experience history		
Defined benefit obligation	**66,996**	34,282
Fair value of plan assets	**—**	—
(Surplus)/deficit	**66,996**	34,282
Experience adjustment on plan liabilities	**(1,108)**	(1,618)
Experience adjustment on plan assets	**—**	—

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

23. Deferred income

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

	2006 TT$	2005 TT$
Gas sales (note a)	—	5,549
Government grant (note b)	**36,690**	36,402
Transportation tariff (note c)	**85,752**	14,943
Pier user charge (note d)	**9,021**	—
Pre-transfer payment (note e)	**18,551**	—
	150,014	56,894
Less: Current portion	**(56,750)**	(23,802)
	93,264	33,092

(a) Gas sales comprise revenue for gas volume contractually committed to be taken but not yet taken by customers. Revenue is recognized on the earlier of when gas volumes are actually taken or at expiration of the deficiency recovery period.

(b) Included in deferred income is TT$36,690, which relates to two government grants.

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

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

(e) The pre-transfer payment represents an advance part payment for the transportation of gas, in the 24-inch pipeline from Dolphin Platform to Beachfield, which is billed monthly in advance.

24. Environmental obligation

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

	2006 TT$	2005 TT$
Obligation at beginning of year	**17,074**	—
New provision arising during year	—	17,074
Amounts utilized during year	**(1,106)**	—
Obligation at end of year	**15,968**	17,074
Less: Current portion	**(2,076)**	(1,106)
	13,892	15,968

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

25. Statement of cash flows

	2006 TT$	2005 TT$
Cash generated from operations		
Profit before tax	**4,131,429**	2,757,021
Adjustments to reconcile net profit with net cash from operating activities:		
Depreciation	**181,910**	183,096
Impairment	**201**	195,069
Finance costs	**332,650**	142,893
(Gain)/loss on disposal of property, plant & equipment	**211**	(149)
Share of profit from joint venture	**(450,220)**	(330,136)
Dividends received	**(427,765)**	(229,365)
Decrease in deferred income	**116,922**	33,092
Increase in deferred expenses	**(91,523)**	(70,699)
Increase in provision for post-retirement obligation	**33,103**	34,282
Decrease in pension asset	**56,631**	7,791
Interest & investment income	**(339,584)**	(155,638)
Operating profit before working capital changes	**3,543,965**	2,567,257
Increase in accounts receivable	**(796,503)**	(560,574)
Increase in sundry debtors	**(1,387)**	(161,603)
Decrease/(increase) in inventories	**18,232**	(16,925)
Increase in trade creditors, sundry creditors and accruals, and long-term creditors	**803,481**	319,937
	3,567,788	2,148,092

26. Sundry creditors and accruals

	2006 TT$	2005 TT$
Accrued interest	**93,230**	92,892
Accrued material/service amounts	**479,454**	426,830
Contract provisions	**30,115**	32,011
Employee-related accruals	**29,835**	25,611
	632,634	577,344

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

27. Sales and cost of sales

	2006 TT$	2005 TT$
Sales include the following:		
Gas sales	**9,550,491**	7,613,942
Condensate sales	**106,511**	76,024
Transport tariffs	**349,746**	33,336
Compression charges	**41,157**	6,811
Crude oil	**497,879**	107,904
LNG sales	**674,779**	—
Marine facilities and services	**195,618**	186,271
	11,416,181	8,024,288
Cost of sales include the following:		
Gas purchase	**7,341,004**	5,196,664
Depreciation	**136,438**	156,810
Impairment	**201**	195,069
Other operating cost	**191,761**	51,584
Production taxes	**162,650**	37,426
Maintenance cost	**149,687**	73,392
Staff cost	**45,528**	47,422
	8,027,269	5,758,367

28. Other operating income includes the following:

	2006 TT$	2005 TT$
Lease income	**26,348**	20,894
Other	**76,961**	27,405
	103,309	48,299

29. Interest and other investment income

	2006 TT$	2005 TT$
Dividend income	**427,765**	229,365
Interest income	**308,260**	63,766
LNG production payments	**385,821**	259,122
Other investment income	**47,940**	91,872
	1,169,786	644,125

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

30. Expenses

	2006 TT$	2005 TT$
Administrative, maintenance and general costs include the following:		
Staff costs	**210,628**	134,620
Maintenance and general expenses	**177,601**	127,272
Insurance claim not settled	**174,669**	80,969
Provision for irrecoverable debt	**3,769**	—
	566,667	342,861
Staff costs:		
Wages and salaries	**164,722**	137,025
National insurance	**2,305**	1,831
Post-employment benefits	**32,671**	34,657
Pension costs	**56,458**	8,529
	256,156	182,042

31. Finance costs

	2006 TT$	2005 TT$
Interest	**286,675**	32,777
Interest rate lock	**22,678**	90,685
Decommissioning – unwinding of discount rate	**23,297**	19,431
	332,650	142,893

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

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

32. Contingent liabilities and assets

(i) Taxes

For income years 1993 to 1996, the Company has objected to certain adjustments of TT$32,200 by the Board of Inland Revenue to the Company's tax liability. For the income year 1999 and 2000, the Company has also objected to certain adjustments of TT$118,782 by the Board of Inland Revenue to the Company's tax liability. Management is of the opinion that these adjustments are incorrect, excessive and without merit and therefore, no provision has been made in the accounts for any additional tax liabilities, penalties or interest.

(ii) Letter of credit

In addition to the Letter of Credits mentioned in 20 (ii) and (iii) above, the Company has established a Letter of Credit in the amount of US$10,915 in favour of the former owner of the Teak, Samaan & Poui (TSP) assets for its share of the estimated future decommissioning costs of the said assets.

(iii) Litigation matters

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

(iv) Contingent asset

In 2006, the Company incurred cost of $242,300 to repair damages resulting from another incident during construction of Beachfield Upstream Development (BUD) 36-inch diameter pipeline. An amount of TT$199,592 is expected to be received from the settlement of an insurance claim, which represents a contingent asset that has not been reflected in the financial statements as an insurance receivable because the insurers have not yet agreed to the claim.

33. Capital commitments

	2006 TT$	2005 TT$
Approved and contracted capital expenditure	**349,246**	1,554,472

34. Other commitments

(i) Compensation to land owners

As at 31 December, 2006 the Company is unable to accurately estimate the compensation that might be payable to owners of land along Rights of Way of the Company's pipelines. Accordingly, no provision has been made for any amounts that might be owed to the land owners.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

34. Other commitments (continued)

(ii) Guarantees

The Company has provided the following guarantee as at 31 December, 2006:

(i) Bank guarantee for an amount of TT$51,400 in respect of a loan obtained by La Brea Industrial Estate

(ii) Performance guarantee of up to US$100,000 above estimated project cost relating to the construction of the Cross-Island Pipeline (2005: US$100,000)

(iii) Guarantee of obligations under a gas transportation agreement by NGC Pipeline Company Limited

(iv) Guarantee payment under loan arrangements for NGC Pipeline Company Limited

(v) Bank guarantee to the amount of TT$36,303 as at 31 December, 2006 in respect of loan granted to Alutrin Limited, a related party

(iii) Trinidad and Tobago LNG Limited

The Company is committed to providing the following additional financial commitments to Atlantic LNG 4 Company of Trinidad and Tobago Limited during 2006.

	2006 TT$	**2005 TT$**
Equity contribution	—	5,817
Loans	—	23,267
Working capital	**36,687**	52,482
	36,687	81,566

(iv) Indemnities

The Company has provided an indemnity to PPGPL for its share of costs in the amount of US$4.7 million relating to the expansion of the PPGPL's plant.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

35. Operating lease commitments

	2006 TT$	2005 TT$
(i) Company as a lessee		
Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:		
Within one year	**8,621**	10,465
One to five years	**23,052**	6,180
More than five years	**104,935**	15,713
	136,608	32,358
(ii) Company as a lessor		
Future minimum rental receivable under non-cancellable Operating leases as at 31 December are as follows:		
Within one year	**5,528**	1,199
One to five years	**19,389**	3,146
More than five years	**104,935**	15,371
	129,852	19,716

36. Commitment contracts

Purchases

The Company purchases natural gas through US dollar denominated long-term ‘take or pay’ contracts from various upstream producers with terms varying from 15 to 23 years. Under these long-term take-or-pay contracts, the Company is obliged to take any natural gas up to specified volume that is offered at the current price up to a specified volume or pay a specified amount if the Company refuses to take the natural gas. Natural gas prices under these contracts are calculated based on a percentage of prices the Company receives from sales to petrochemical customers.

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

36. Commitment contracts (continued)

Sales

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

37. Related party transaction

The Company is wholly owned by the Government of Trinidad and Tobago. The Company has entered into several agreements with various agencies/state-owned companies of the Government, for the supply of gas.

The sales to and purchases from related parties are at arm's length, except for the gas sales contract with T&TEC. Outstanding balances at the year end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December, 2006 and 2005, the Company has not made any provisions for doubtful debts relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

		Sales to related parties TT$	Purchases from related parties TT$	Amounts due from related parties TT$	Amounts due to related parties TT$
Fellow State Enterprises					
Trinidad and Tobago Electricity Commission	**2006**	**570,651**	—	**681,579**	—
	2005	512,693	—	305,186	—
Petrotrin	**2006**	**152,739**	—	**41,909**	—
	2005	75,918	—	32,114	—
Associated Company					
National Helicopter Services Limited	**2006**	—	**13,755**	—	**1,378**
	2005	—	12,039	—	3,059

For the year ended 31 December, 2006 (Expressed in Thousands of Trinidad and Tobago Dollars)

37. Related party transaction (continued)

As at 31 December, 2006 and 2005, the amounts due from T&TEC include a long-term loan receivable of TT$363,908 and TT$436,656, respectively. In addition, the Company has recognized interest income from this loan of TT$35,073 and TT$31,033 for the years ended 31 December, 2006 and 2005, respectively (See note 11).

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

	2006 TT$	2005 TT$
Compensation of key management personnel		
Short-term employee benefits	**18,391**	15,485
Post-employment benefit	**1,551**	1,258
	19,942	16,743

Five-Year Financial Review: 2002–2006

Income statement **TT$ ('000)**	**2006**	**2005**	**2004** **Restated**	**2003** **Restated**	**2002** **Restated**
Sales	**11,416,181**	8,024,288	6,240,204	4,661,562	3,248,656
Cost of sales	**(8,027,269)**	(5,758,367)	(4,524,785)	(3,635,397)	(2,863,980)
Gross profit	**3,388,912**	2,265,921	1,715,419	1,026,165	384,676
Net operating costs	**(648,148)**	(388,567)	(215,697)	(192,751)	(138,093)
Operating profit/(loss)	**2,740,764**	1,877,354	1,499,722	833,414	246,583
Interest and investment income	**1,620,006**	974,261	745,203	758,545	301,771
Finance costs	**(332,650)**	(142,893)	(46,581)	(33,398)	(34,687)
Other income	**103,309**	48,299	64,121	28,256	19,202
Profit before Tax	**4,131,429**	2,757,021	2,262,465	1,586,817	532,869
Taxation	**(1,264,073)**	(854,131)	(666,192)	(385,580)	(120,414)
Net profit for the year	**2,867,356**	1,902,890	1,596,273	1,201,237	412,455
Minority interest	**(223,185)**	(137,203)	(103,146)	(49,793)	(25,379)
Net profit attributable to equity holders of Parent	**2,644,171**	1,765,687	1,493,127	1,151,444	387,076

Balance Sheet **TT$ ('000)**					
Net current assets (current assets-liabilities)	**5,883,815**	2,006,485	1,228,087	771,356	1,482,398
Loan receivable	**843,437**	936,492	362,008	407,831	0
Investments and advances	**1,545,661**	1,841,882	2,275,975	1,514,456	836,399
Fixed assets	**6,203,780**	4,740,445	3,758,451	2,641,886	2,177,938
Pension assets	**38,791**	84,765	82,177	65,185	38,160
Deferred items	**647,390**	706,204	376,543	344,389	284,597
Debt reserve funds	**79,391**	76,011	74,171	73,002	72,636
	15,242,265	10,392,284	8,157,412	5,818,105	4,892,128
Financed by:					
Long-term debt and accruals	**4,864,462**	2,212,380	1,223,463	772,238	923,970
Deferred items	**791,050**	605,190	475,620	421,896	424,250
Minority interest	**230,333**	172,721	187,527	146,340	73,696
Shareholders' equity:					
Share Capital	**1,752,848**	920,766	920,766	240,766	240,766
Capital Reserves	**1,197,624**	1,319,948	1,312,021	739,012	696,889
Retained Earnings	**6,405,948**	5,161,279	4,038,015	3,497,853	2,532,557
	15,242,265	10,392,284	8,157,412	5,818,105	4,892,128

Balance Sheet
As at 31 December, 2006
(With comparative figures – TT$'000)

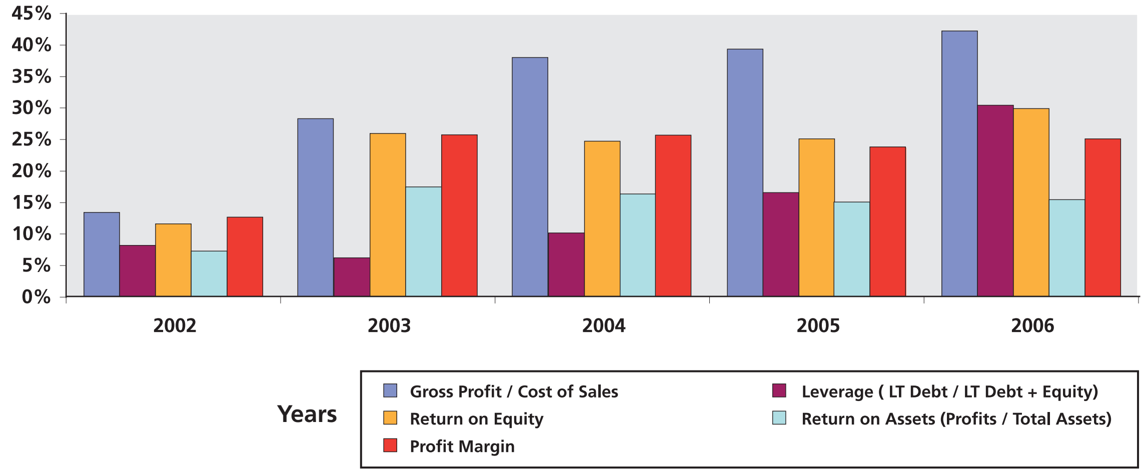
	At 31/12/2006	At 31/12/2005 Restated	At 31/12/2004 Restated	At 31/12/2003 Restated	At 31/12/2002
ASSETS –					
CURRENT ASSETS:					
Cash and cash equivalents	**2,759,766**	1,458,051	1,233,746	670,312	634,060
Short-term Investments	**3,233,754**	793,078	270,957	232,359	256,134
Accounts receivable	**2,458,340**	1,661,837	1,101,263	726,181	1,171,589
Current portion of loans receivable	**111,528**	102,641	74,648	—	—
Short-term loan receivable	**66,842**	—	—	—	—
Inventories	**16,764**	34,996	18,071	24,463	26,771
Sundry debtors and prepayments	**317,622**	269,368	86,501	88,007	33,851
Income Taxation Receivable	**609**	126	26,228	29,930	52,460
Deferred Expenses	**206,610**	—	—	56,974	56,195
Total current assets	**9,171,835**	4,320,097	2,811,414	1,828,226	2,231,060
NON-CURRENT ASSETS:					
Property, Plant and Equipment	**6,203,780**	4,740,445	3,758,451	2,641,886	2,177,938
Pension Assets	**38,791**	84,765	82,177	65,185	38,160
Interest on joint venture	**449,684**	377,547	311,818	293,371	287,451
Investment and Advances	**1,095,977**	1,464,335	1,964,157	1,221,085	548,948
Deferred Taxation	**369,215**	315,838	56,876	42,595	26,555
Deferred Expenses	**278,175**	390,366	319,667	301,794	258,042
Long-Term Receivables	**843,437**	936,492	362,008	407,831	72,636
Debt Reserve Fund	**79,391**	76,011	74,171	73,002	—
Total non-current assets	**9,358,450**	8,385,799	6,929,325	5,046,749	3,409,730
TOTAL ASSETS	**18,530,285**	12,705,896	9,740,739	6,874,975	5,640,790

Balance Sheet
As at 31 December, 2006
(With comparative figures – TT$'000)

	At 31/12/2006	At 31/12/2005	At 31/12/2004 Restated	At 31/12/2003 Restated	At 31/12/2002 Restated
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current Portion of long-term debt	**155,569**	163,359	100,777	99,271	69,395
Trade creditors	**2,059,568**	1,193,984	1,077,782	727,605	547,407
Sundry creditors and accruals	**632,634**	577,344	366,744	197,412	95,809
Dividend Payable	**200,000**	200,000	375,000	155,193	69,225
Taxation Payable	**181,423**	154,017	38,024	32,582	36,051
Deferred Income	**56,750**	23,802	—	—	—
Environmental obligation	**2,076**	1,106	—	—	—
Total current liabilities	**3,288,020**	2,313,612	1,958,327	1,212,063	817,887
NON-CURRENT LIABILITIES:					
Deferred tax Liability	**697,786**	572,098	475,620	419,541	409,801
Net long-term debt	**4,195,348**	1,506,446	688,896	296,499	311,811
Asset retirement obligation	**431,519**	408,432	323,001	308,947	297,922
Post-retirement obligation	**66,996**	34,282	—	—	
Deferred Income	**93,264**	33,092	—	2,355	14,449
Net long-term creditors	**156,707**	247,252	211,566	166,792	314,237
Environmental obligation	**13,892**	15,968	—	—	—
Total long-term liabilities	**5,655,512**	2,817,570	1,699,083	1,194,134	1,348,220
Total liabilities	**8,943,532**	5,131,182	3,657,410	2,406,197	2,166,107
SHAREHOLDERS' EQUITY:					
Share Capital	**1,752,848**	920,766	920,766	240,766	240,766
Reserve Fund	**438,192**	146,668	146,668	60,000	60,000
Other/Revaluation reserve	**759,432**	1,173,280	1,165,353	679,012	636,889
Retained Earnings	**6,405,948**	5,161,279	3,663,015	3,342,660	2,463,332
	9,356,420	7,401,993	5,895,802	4,322,438	3,400,987
MINORITY INTEREST	**230,333**	172,721	187,527	146,340	73,696
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**18,530,285**	12,705,896	9,740,739	6,874,975	5,640,790

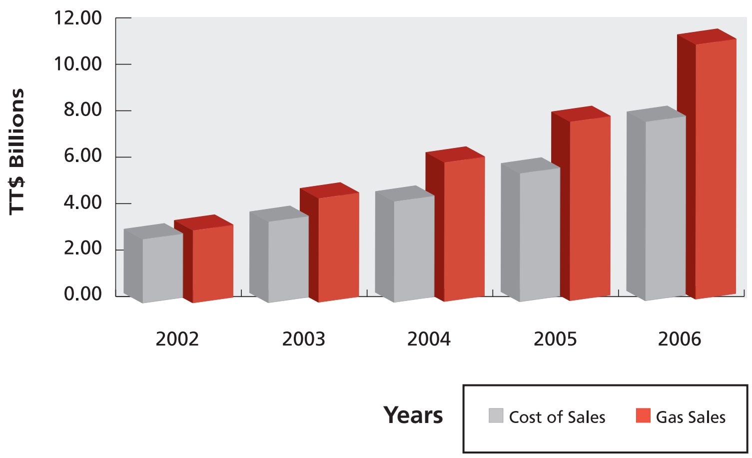
Five-Year Financial Review

Corporate Performance Indicators



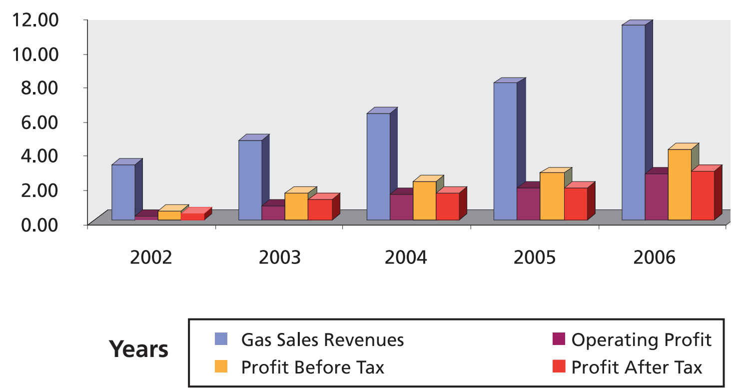
Sales to Cost of Sales

(TT$ Billions)



Sales to Profitability

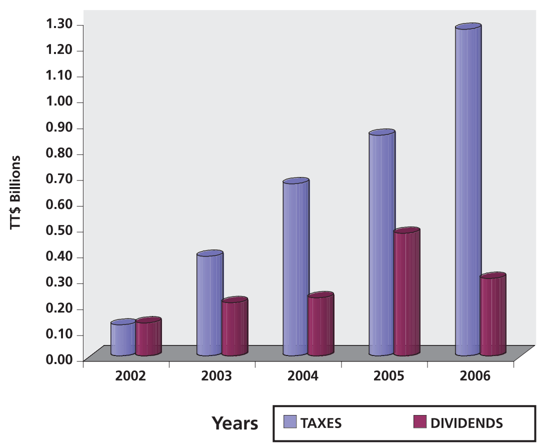
(TT$ Billions)



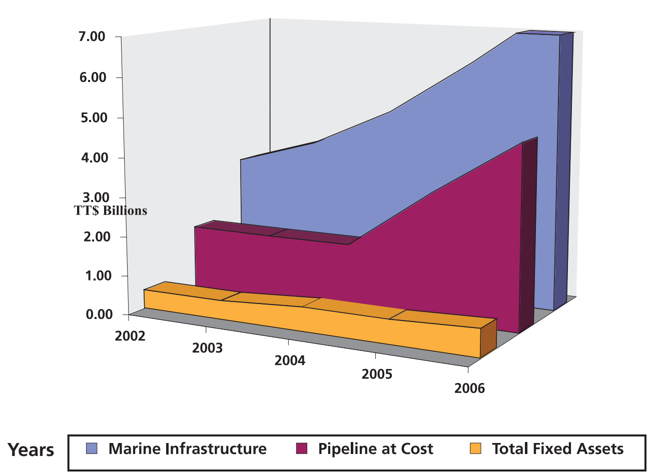
Five-Year Financial Review

Capital Employed
(TT$ Billions)

Taxes & Dividends Contributed to the Treasury
(TT$ Billions)



Growth in Fixed Assets at Cost
(TT$ Billions)



Corporate Information

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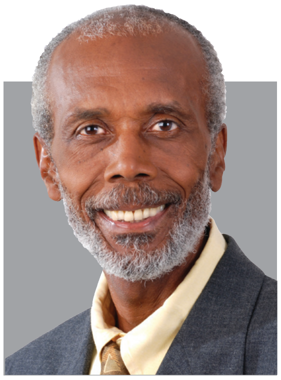

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