NATIONAL ENTERPRISES LIMITED

Section 66D of the Constitution of the Republic of Trinidad and Tobago

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Administrative Report for the year ended September 30, 2024

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1. BACKGROUND INFORMATION

Incorporation and Principal Activities

1.1 National Enterprises Limited ("The Company" or "NEL") was incorporated in Trinidad and Tobago, with the majority shareholder being the Corporation Sole (Minister of Finance). It was formed by the Government of the Republic of Trinidad and Tobago ("GORTT") as part of a re-organization exercise to hold its shareholdings in selected state enterprises. The Company facilitated a public offering on the Trinidad and Tobago Stock Exchange. Its initial portfolio of investments was:

- 51 percent shareholding in National Flour Mills Limited ("NFM"),
- 51 percent shareholding in Telecommunication Services of Trinidad and Tobago Limited ("TSTT") and
- 51 percent shareholding in Trinidad Nitrogen Company Limited ("TRINGEN").

1.2 On December 14, 2001, the Company acquired a 20 percent shareholding in NGC NGL Company Limited ("NGC NGL") financed by the issue of an additional 50,511,540 shares. On December 8, 2003, the Company acquired a further 37.84 percent shareholding in NGC Trinidad and Tobago LNG Limited ("NGC LNG"), financed by the issue of an additional 49,489,101 shares.

1.3 In December 2013, the Company acquired a 10 percent stake in the Power Generation Company of Trinidad and Tobago Limited ("PowerGen") from a subsidiary company of British Petroleum LLC ("BP"), known as Amoco Trinidad Power Resources ("ATPRC"). The assets of ATPRC were transferred to NEL Power Holdings Limited ("NPHL"), a newly formed subsidiary of NEL, which was incorporated in Trinidad and Tobago on October 2, 2013.

1. BACKGROUND INFORMATION (continued)

1.4 In December 2014, the Company entered a joint venture with the Trinidad and Tobago Unit Trust Corporation ("TTUTC"), and the National Insurance Board of Trinidad and Tobago ("NIBTT") and acquired 33.33% of Pan West Engineers and Constructors, LLC. (Pan West). Pan West holds 10 percent of the shareholding of Phoenix Park Gas Processors Company Limited ("PPGPL").

1.5 NEL's principal business activity is, therefore, that of an Investment Holding Company and has no business operations of its own.

Regulatory Framework

1.6 As a company incorporated in Trinidad and Tobago, and with a listing agreement with the Trinidad and Tobago Stock Exchange ("TTSE"), NEL has several statutory commitments under the provisions of the Companies Act, Chapter 81:01 and the Securities Act 2012 (as amended). NEL is required to meet international standards and practices with respect to disclosure and financial reporting to ensure that investors and shareholders are provided with prompt and reliable information on which to make their investment decisions.

2. THE MISSION AND VISION OF THE COMPANY

2.1 The mission of NEL is:

To provide investors with income and capital growth through a diversified and sustainable portfolio, and to broaden national participation in capital markets.

2.2 The vision of NEL is:

To contribute to the sustainable development of the economy of Trinidad and Tobago through a balanced, focused and proactive investment approach geared towards the preservation and enhancement of shareholder value.

3. ORGANIZATION STRUCTURE

Board of Directors

3.1 NEL's Board of Directors comprised of ten (10) members, seven (7) of whom are nominated by GORTT, one (1) by one of the largest institutions in the initial public offering – Republic Bank Limited, one (1) by the National Trade Union Centre ("NATUC"), and one (1) by the National Gas Company of Trinidad and Tobago Limited ("NGC").

3.2 The members of the Board of Directors as of September 30, 2024, are as follows:

- Ms. Ingrid Lashley - Chairman - GORTT
- Ms. Heather Tardieu - Director - GORTT
- Mrs. Nicole De Freitas - Director - GORTT
- Mr. Nigel Ramsahai - Director - GORTT
- Mrs. Rhetia Rodriguez-Santana - Director - GORTT
- Mr. Stephen Marcelle - Director - GORTT
- Ms. Shereece Smith - Director - GORTT
- Mr. Ross Alexander - Director - NATUC
- Mr. Howard Dottin - Director - NGC
- Mr. David Robinson - Director - RBL

3. ORGANIZATION STRUCTURE (continued)

Corporate Governance

3.3 The Board of Directors is responsible for:

a) discharging the company's mandate as stated by the shareholders;
b) overseeing the development of the company's business strategy and monitoring its implementation;
c) assuring the company's financial and legal integrity; and
d) ensuring management accountability.

3.4 To fulfil these responsibilities, the Board establishes good governance policies and practices and utilises both standing and ad hoc committees to provide expertise, independent judgment and knowledge of shareholder interests in the specific disciplines which it oversees. That notwithstanding, the Board maintains overall responsibility for the work of any committee and for the success of the Company.

Audit Committee

3.5 The Company has an Audit Committee which ensures that, during the year, appropriate governance systems are in place and that proper financial and other controls are effectively implemented to guide its operations and manage its enterprise risk. The Audit Committee functions to:

a) review annual and interim financial statements intended for circulation among shareholders;

b) provide advice on matters and questions relating to its financial positions; and

c) assist in the risk management function of the company and its affiliates.

3. ORGANIZATION STRUCTURE (continued)

3.6 As at September 30, 2024, the Audit Committee is comprised of three (3) directors as follows:

- Mr. Howard Dottin - Chairman
- Ms. Heather Tardieu - Member
- Ms. Shereece Smith - Member

Investment Committee

3.7 The Investment Committee provides direction and oversight of National Enterprises Limited and NEL Power Holdings Limited's portfolios of investments are based on recommendations made by Management.

3.8 As at September 30, 2024, the Investment Committee is comprised of four (4) directors as follows:

- Mr. David Robinson - Chairman
- Mrs. Nicole De Freitas – Director
- Mr. Howard Dottin – Director
- Ms. Rhetia Rodriguez-Santana – Director

Environmental, Social, Governance & Human Resources (ESG&HR) Committee.

3.9 The ESG&HR oversees NEL's environmental and social responsibility by providing guidance and assisting the Board in carrying out its governance and oversight responsibilities regarding the Company's identification and management of Environmental, Social, and Governance (ESG) matters.

3. ORGANIZATION STRUCTURE (continued)

3.10 As at September 30, 2024, the ESG&HR Committee is comprised of five (5) directors as follows:

- Mrs. Nicole De Freitas - Chairman
- Mr. Ross Alexander - Director
- Ms. Ingrid Lashley – Director
- Mr. Stephen Marcelle – Director
- Mr. Nigel Ramsahai – Director

General Manager

3.11 Mr. Charles Maynard, the General Manager, joined the Company in October 2020. Mr. Maynard's employment contract was renewed for a period of two years effective October 16, 2023.

The General Manager oversees the Management of NEL, its investment portfolio (current investee companies and other assets), and all general business affairs. He is also responsible for achieving strategic objectives as approved by the Board of Directors and assisting the Board in meeting NEL's overall investment objectives in accordance with investment policies and plans.

Corporate Secretary

3.12 In October 2023 the Board of Directors renewed its contract with Aegis Business Solutions Limited ("Aegis") to perform the role of Corporate Secretary for the Company. The Corporate Secretary is charged with performing all functions applicable to the role under the Companies Act and other relevant legislation.

4. PERFORMANCE ACCOMPLISHMENTS

Financial Results and Dividends

4.1 Profits attributable to shareholders for the period 2020 to 2024 are shown in Table 1.

Table 1 - Financial Results and Dividends

Indicators	31 Mar 20	31 Mar 21	30 Sept 22	30 Sept 23	30 Sept 24
Operating profit before fair value adjustments ($000)	$25,819	$28,284	$297,405	$391,306	$120,413
Net (loss) / profit attributable to equity holders ($000)	($327,540)	($270,431)	$1,979,760	($455,103)	($348,679)
(Loss) / earnings per share ($)	($0.55)	($0.45)	$3.30	($0.76)	($0.58)
Dividend per share ($)	$0.05	-	$0.46	$0.56	Interim: $0.15
Dividend paid ($000)	$96,000	-	$168,000	$300,000	$234,000
Share Price at the end of the financial year ($)	$5.00	$2.99	$3.30	$3.55	$3.05

4. PERFORMANCE ACCOMPLISHMENTS (continued)

Fair Value Accounting

4.2 NEL prepares its financial statements based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago.

To ensure compliance with IFRS, NEL's investments in subsidiaries, associates, joint ventures and other equity investments are recorded at fair value. Fair value adjustments are unrealised until the disposal of the asset giving rise to the fair value movement.

As at September 30, 2024, NEL held significant investments in subsidiaries, associates and joint ventures which were carried at a total fair value of $2.17 billion (2023: $2.60 billion). 95% or $2.06 billion (2023: 96% or $2.51 billion) of the balance mentioned above represents the carrying value of unquoted investments for which no published prices are available, and which have little or no observable inputs. NEL applied recognized valuation techniques such as the market approach, the income approach and the adjusted net asset value method, which are consistent with generally accepted standards of valuation, to determine the fair value of these investments with the assistance of an external independent valuator.

Fair value adjustments are also recognized on NEL's portfolio of listed equity investments. As at September 30, 2024; the value of NEL's portfolio was $107.2 million (2023: $181.6 million).

4. PERFORMANCE ACCOMPLISHMENTS (continued)

Investment Portfolio

4.3 At September 30, 2024, the strategic portfolio of investments consisted of the following:

a) 61,301,998 shares in NFM representing a 51 percent shareholding;
b) 144,238,384 shares in TSTT representing a 51 percent shareholding;
c) 306,000 shares in TRINGEN representing a 51 percent shareholding;
d) 9,406,950 shares in NGC NGL representing a 20 percent shareholding;
e) 9,226 shares in NGC LNG representing a 37.84 percent shareholding;
f) 90 shares in NPHL representing 100 percent shareholding; and
g) 30 shares in Pan West representing a 33.33 percent shareholding.

4.4 In addition to its Strategic Portfolio, NEL manages a portfolio of financial instruments including equity investments listed on the Trinidad and Tobago Stock Exchange, fixed income investments denominated in both Trinidad and Tobago Dollars and United States Dollars and cash equivalents. The value of the portfolio as at September 30, 2024, was TT$405.7 million (2023: TT$504.3 million).

Performance of NEL's Share Price Relative to the Market

4.5 NEL was listed on the Trinidad and Tobago Stock Exchange in February 2001 at an issue price of $4.00 per share. In September 2002, a second public offering was listed at $4.75 per share. Since that time, the price of the share has fluctuated, reaching a high of $18.27 per share as at March 31, 2014, to $3.05 per share as at September 30, 2024.

NEL's share price declined significantly after a change in its accounting policy effective April 1, 2018, which resulted in an annual fair value assessment being performed over the investee portfolio (as explained previously).

4. PERFORMANCE ACCOMPLISHMENTS (continued)

At September 30, 2024; NEL's share price was being traded at a discount of 32% to its book value.

5. FINANCIAL OPERATIONS

Operating Budget

5.1 NEL earns income from dividends from its investment portfolio and interest earned on its accumulated investment resources.

5.2 NEL incurs administrative expenses for the operations of the Company.

Investment Policy

5.3 NEL is subject to legislative regulation under the Companies Act, Chapter 81:01 and the Securities Act 2012 (as amended). There are, however, no legislative restraints on its investment policy, which is based on the Company's By-Laws and the approved Investment Policy for the NEL Group.

5.4 The main objective of the investment policy is to provide a framework for the:

a) management of surplus funds;

b) safety of principal investments, where all investments would be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio;

c) optimization of return, where the portfolio would be managed in such a manner as to obtain at least the average rate of return in the short-term and medium-term investment market during the year;

d) management of risk, where the portfolio would be managed in such a way as to provide sufficient diversification to limit and regulate any concentration with any particular institution or investment; and

5. FINANCIAL OPERATIONS (continued)

e) maintenance of liquidity, where the portfolio would be managed in such a manner that assures that funds are available as needed to meet the immediate and/or future operating expenses and investment opportunities of the Company as well as dividend payments.

Dividend Policy

5.5 The dividend policy states that:

"The Directors' intention is for the Company to pay an annual dividend of not less than ninety percent (90%) of each year's net dividends received net of administrative costs. The dividend paid to the shareholders will depend mainly on the size and timing of income received on the underlying investments and other factors determined by the Directors."

For the financial year 2024, an interim dividend of $0.15 per share was paid in June 2024. In addition to this interim dividend, a final dividend relating to the financial year 2023 was paid in January 2024.

Annual Audit

5.6 An annual independent examination of the financial statements is conducted for statutory purposes and in the interest of good governance. An unmodified audit opinion was issued by independent auditors, BDO (Trinidad and Tobago) on December 16, 2024, for the year ended September 30, 2024.

The Annual Meeting of the Shareholders of NEL will be held on a date to be determined by or before September 5, 2025. At this time, it is proposed that the shareholders re-appoint the incumbent Auditors, BDO (Trinidad and Tobago).