TRINIDAD PETROLEUM HOLDINGS LIMITED

Chairman's Report

The Trinidad Petroleum Holdings Limited Group (the Group) generated revenues of TT$4.9 billion from continuing operations and positive operating cash flows of TT$1.7 billion for the six-month period ended March 31 2019. The Group recorded a net loss after tax of TT$1.6 billion for the period. The loss is attributable largely to the performance of Petrotrin during its last two months of operation before the cessation of operations on November 30 2018. For the six-month period ended March 31 2019, Petrotrin and Guaracara recorded net losses after tax amounting to TT$1.5 billion. Legacy finance costs of TT$0.3 billion associated with the transfer of Petrotrin's loan obligations were also assumed by the parent company. Excluding the effects of these amounts, the Group would have recorded profitable results of TT$0.2 billion.

The Board's challenge on assuming office was to transform an entity that was making substantial annual losses and accumulated billions of dollars in debt into sustainably profitable businesses with free positive cash flows.

During the first quarter – October 1 to December 31, 2018 – the Group generated revenue of TT$1.2 billion from continuing operations and positive operating cash flows of TT$1.4 billion. The results for the second quarter – January 1 to March 31, 2019 – demonstrate favourable signs following the restructuring activities of the previous quarter. The revenues during this second quarter were TT$3.7 billion and profit after tax of TT$39 million.

The Group has done exceptionally well since commencing operations and exceeded all financial and operational targets set for it. I am pleased to report that both Heritage Petroleum Company Limited and Paria Fuel Trading Company Limited reported profitable results (profit after tax) of TT$143 million and TT$51 million respectively for their first six months of operation.

Recently, the Group's credit rating by Moody's Investors Service was upgraded to Ba3 from B1.

Following is a brief overview of the operations of each Group entity:

Heritage Petroleum Company Limited (Heritage)

On its formation, the Heritage management team immediately began assessing the company's resource base and formulated development and exploration plans. These plans were aimed at optimising reserves in a safe and commercially viable manner. During its first six months of operation, Heritage embarked on an aggressive workover programme moving from zero to 12 rigs at the end of Q2; this was instrumental in arresting the decline and stabilising production. The company has been operating profitably and cost efficiently, recording no lost time incidents. Heritage has been effectively exploiting the E&P asset base resulting in increased revenues, profitability and cash flows to the Group, the majority of which is in USD currency. Heritage is subject to a number of taxes and royalty payments on the hydrocarbons it produces and, since inception, has met all its tax and other payment obligations. Rising larceny continues to hamper the company's production – specifically on land – causing lower than forecasted revenue. The company has actively been implementing measures to address these acts of lawlessness, working in concert with the relevant state authorities.

Paria Fuel Trading Company Limited (Paria)

Paria, the Group's terminal and fuel trading company, has delivered on its objective of profitably providing a competitively priced, safe and reliable supply of refined petroleum products to Trinidad and Tobago and its regional markets. Since inception, the company has had no lost time incidents and no shortage of fuel supplies. The company's main challenge continues to be securing the monthly quantum of USD currency required to purchase fuel on the international market. The company is actively working on multiple ways to address this issue.

Guaracara Refining Company Limited (Guaracara)

Guaracara, which holds the refinery assets, has been ensuring the security and maintenance of these assets over the two quarters. A Request for Proposals (RFP) was initiated in January 2019 for the lease or sale of the refinery and is proceeding as per the schedule set out. This has generated substantial interest from both local and international investors who have signed confidentiality agreements and started due diligence reviews. The intent is to have a completed deal by end of the year.

Petroleum Company of Trinidad and Tobago Limited (Petrotrin)

Petrotrin recorded a net loss after tax of approximately TT$1.5 billion for the six months to 31 March 2019. This accounted for a substantial part of the net loss after tax for the Group.

The Group has adequate arrangements in place to ensure security, maintenance and upkeep of all assets that remained in Petrotrin after closure. The Group is committed to ensuring the orderly monetisation of assets to meet its obligation to all stakeholders. To date, Petrotrin has processed and paid all employee liabilities within its control. Loan obligations have also been met and payments to suppliers continue on a monthly basis with significant resources dedicated towards the validation and reconciliation of supplier balances and other liabilities with the intention of making payment to all vendors.

Trinidad Petroleum Holdings Limited (TPHL)

During the period, Petrotrin's loan obligations (Senior Unsecured Notes) were transferred to TPHL and efforts are in progress to restructure these obligations and obtain additional financing. The Board is confident that these efforts will be successful.

The Group has and continues to spend time ensuring that proper care and diligence is undertaken to select and retain the best talent. We are focusing on building and implementing streamlined and agile business processes. There is improved accountability and transparency at all levels enabled by a robust governance structure and many of the benefits envisioned during the restructuring phase are already being realised.

Wilfred Espinet
Chairman

TRINIDAD PETROLEUM HOLDINGS LIMITED

Condensed Consolidated Statement of Financial Position

	As At 31 March 2019 TT$'000 (UNAUDITED)	31 December 2018 TT$'000 (UNAUDITED)
ASSETS		
Property, plant and equipment	8,477,206	8,695,252
Other non-current assets	762,965	334,903
Total non-current assets	9,240,171	9,030,155
Current assets	8,443,768	8,011,058
Total assets	**17,683,939**	**17,041,213**
EQUITY AND LIABILITIES		
Share capital	–	–
Accumulated deficit	(1,865,413)	(1,844,994)
Other reserves	(12,141,723)	(12,369,870)
Total equity attributable to shareholders	(14,007,136)	(14,214,864)
Non-controlling interest	(58,937)	(59,065)
Total equity	(14,066,073)	(14,273,929)
Non-current liabilities		
Borrowings	1,056,154	1,059,445
Other non-current liabilities	7,447,584	7,108,292
Total non-current liabilities	8,503,738	8,167,737
Current liabilities		
Borrowings	10,555,725	10,778,407
Other current liabilities	12,690,549	12,368,998
	23,246,274	23,147,405
Total liabilities	31,750,012	31,315,142
Total equity and liabilities	**17,683,939**	**17,041,213**

Condensed Consolidated Statement of Cash Flow

	Six Months Ended 31 March 2019 TT$'000 (UNAUDITED)	Three Months Ended 31 December 2018 TT$'000 (UNAUDITED)
Loss for the year before taxation from continuing operations	(450,714)	(522,333)
Loss for the year before taxation from discontinued operations	(900,243)	(840,800)
Adjustments for non-cash items	457,031	160,592
Changes in working capital	2,382,491	2,264,186
Net interest, taxes and pension contributions paid	175,299	307,560
Net cash flows generated from operating activities	1,663,864	1,369,205
Net cash flows used in investing activities	(116,043)	(72,537)
Net cash flows generated from/(used in) financing activities	69,647	(135,083)
Increase in cash and cash equivalents	1,617,468	1,161,585
Cash and cash equivalents at beginning of the period	407,501	407,501
	2,024,969	1,569,086
Less: amounts held for distribution	–	–
Cash and cash equivalents at the end of period	2,024,969	1,569,086

Condensed Consolidated Statement of Comprehensive Income/(Loss)

	Three Months Ended 31 March 2019 TT$'000 (UNAUDITED)	Three Months Ended 31 December 2018 TT$'000 (UNAUDITED)	Six Months Ended 31 March 2019 TT$'000 (UNAUDITED)
Revenue	3,724,331	1,200,489	4,924,820
Cost of sales	(3,213,619)	(1,257,492)	(4,471,111)
Gross profit/(loss)	510,712	(57,003)	453,709
Operating expenses	(90,057)	(245,884)	(335,941)
Operating profit/(loss)	420,655	(302,887)	117,768
Finance costs (net)	(349,036)	(219,446)	(568,482)
Profit/(loss) before tax	71,619	(522,333)	(450,714)
Income tax charge	(32,467)	(211,606)	(244,073)
Profit/(loss) for the period	39,152	(733,939)	(694,787)
Discontinued operations	(59,443)	(840,800)	(900,243)
Loss for the period	(20,291)	(1,574,739)	(1,595,030)
Other comprehensive income/(loss)			
Remeasurements on retirement benefit obligations	–	(270,400)	(270,400)
Currency translation differences	228,147	(75,025)	153,122
Other comprehensive income/(loss) net of tax:	228,147	(345,425)	(117,278)
Total comprehensive income/(loss)	207,856	(1,920,164)	(1,712,308)
Loss attributable to:			
Equity holders of the company	(20,419)	(1,574,594)	(1,595,013)
Non-controlling interest	128	(145)	(17)
	(20,291)	(1,574,739)	(1,595,030)
Total comprehensive loss attributable to:			
Equity holders of the company	207,728	(1,920,019)	(1,712,291)
Non-controlling interest	128	(145)	(17)
	207,856	(1,920,164)	(1,712,308)

Notes to the Unaudited Condensed Consolidated Interim Financials Statements

(1) **Reporting entity**
Trinidad Petroleum Holdings Limited (TPHL) is incorporated in the Republic of Trinidad and Tobago and is a wholly owned subsidiary of the Government of Trinidad and Tobago. It was incorporated on 5 October 2018. Its registered office is 5th Floor, Newton Centre, 30-36 Maraval Road, Newtown, Port of Spain, Trinidad. TPHL and its subsidiaries (the Group) are engaged in petroleum operations which include exploration, development and production activities, importation and distribution of refined petroleum products and terminalling. The Group also owns a refinery which is not operational but management is in the process of securing a sale or lease arrangement for these facilities.

(2) **Basis of preparation**
These unaudited condensed consolidated interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the audited annual financial statements for the year ended 30 September 2018 of Petroleum Company of Trinidad and Tobago Limited (Petrotrin) and any public announcements made by the Group during the interim reporting period.

(3) **Basis of measurement**
The unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the defined benefit obligation which is recognised at the present value of the defined benefit obligation less the fair value of the plan assets and the effect of the asset ceiling test.

(4) **Going concern**
The unaudited condensed consolidated interim financial statements are prepared on a going concern basis.

(5) **Accounting policy – business combinations under common control**
The Group accounts for common control business combinations using the predecessor value method. Predecessor values of the assets and liabilities acquired are consolidated without any step up to fair value as at the date of the business combination. Under this method, the financial position of the acquired entity is recorded as a consolidated reserve within equity and there is no goodwill created by the transaction.

(6) **Impact of new accounting standards**
In the current year management adopted two new accounting standards being IFRS 9 – Financial Instruments and IFRS 15 – Revenue from contracts with customers. The Group has performed an initial assessment of the impact of these new standards and does not expect that the impact to the Group financial statements will be significant.

(7) **Use of estimates and judgements**
In preparing these unaudited condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant are:

- Going concern basis of preparation of the financial statements
- Oil and gas reserves
- IAS 19 valuations
- Renewal of expired lease licences
- Environmental liabilities
- Impairment of assets
- Income taxes
- Asset retirement benefit obligations

TRINIDAD PETROLEUM
HOLDINGS LIMITED

Condensed Consolidated Statement of Changes in Equity

	Stated Capital TT$'000	Consolidated Reserve TT$'000	Currency Translation Differences TT$'000	Accumulated Deficit TT$'000	Total TT$'000	Non-controlling Interest TT$'000	Total Equity TT$'000
Balance as at 30th September 2018	2,272,274	–	365,158	(14,932,414)	(12,294,982)	(58,783)	(12,353,765)
Total Comprehensive loss for the period	–	–	–	(1,574,594)	(1,574,594)	(145)	(1,574,739)
Dissolution of shares in former parent company	(2,272,274)	(12,660,140)	–	14,932,414	–	–	–
Currency translation differences	–	–	(74,888)	–	(74,888)	(137)	(75,025)
Remeasurements on defined benefit asset - pension	–	–	–	(270,400)	(270,400)	–	(270,400)
Income tax on other comprehensive income	–	–	–	–	–	–	–
Unaudited balance as at 31st December 2018	–	(12,660,140)	290,270	(1,844,994)	(14,214,864)	(59,065)	(14,273,929)
Balance as at 31st December 2018	–	(12,660,140)	290,270	(1,844,994)	(14,214,864)	(59,065)	(14,273,929)
Total Comprehensive loss for the period	–	–	–	(20,419)	(20,419)	128	(20,291)
Currency translation differences	–	–	228,147	–	228,147	–	228,147
Unaudited balance as at 31st March 2019	–	(12,660,140)	518,417	(1,865,413)	(14,007,136)	(58,937)	(14,066,073)

The segment results for six months ended 31 March 2019 are as follows:

	E&P $	Terminalling $	Other $	Total $	Discontinued Operations $
Revenue					
Total gross revenue	2,112,894	2,808,559	3,367	4,924,820	2,635,993
Results					
Depreciation and amortisation	437,436	19,584	11	457,031	–
Finance costs	296,878	2,735	268,869	568,482	132,204
Reportable segment profit / (loss) before tax	(219,675)	49,583	(280,622)	(450,714)	(900,243)
EBITDA (Earnings before interest, tax depreciation and amortisation)	514,639	71,902	(11,742)	574,799	(768,039)
Income tax expense	200,000	43,993	80	244,073	–
Total assets include					
Reportable segment assets	6,992,050	1,371,574	7,234,456	15,598,080	2,128,759
Capital expenditure	88,274	18,505	–	106,779	–
Liabilities					
Reportable segment liabilities	21,005,527	1,365,984	7,236,286	29,607,797	2,142,340

The segment results for three months ended 31 December 2018 are as follows:

	E&P $	Terminalling $	Other $	Total $	Discontinued Operations $
Revenue					
Total gross revenue	550,358	648,389	1,742	1,200,489	2,635,993
Results					
Depreciation and amortisation	156,459	4,127	6	160,592	–
Finance costs	156,897	684	61,865	219,446	138,572
Reportable segment loss before tax	(457,245)	(821)	(64,267)	(522,333)	(840,800)
EBITDA (Earnings before interest, tax depreciation and amortisation)	(143,889)	3,990	(2,396)	(142,295)	(702,228)
Income tax expense	200,000	11,582	24	211,606	–
Total assets include					
Reportable segment liabilities	11,983,750	2,022,374	12,306	14,018,430	3,022,783
Capital expenditure	54,988	–	–	54,988	–
Liabilities					
Reportable segment liabilities	26,274,725	2,008,699	4,726	28,288,150	3,026,992