Heritage Petroleum Company Limited

Separate Financial Statements

30 September 2019

(Presented in Thousands of Trinidad and Tobago Dollars)

Contents

Heritage Petroleum Company Limited
Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying parent company financial statements of Heritage Petroleum Company Limited which comprise the statement of financial position as at 30 September 2019, the statements of comprehensive income, changes in equity and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Company keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of Company operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited parent company financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Except as disclosed in these financial statements, nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Chief Executive Officer
April 23, 2020

Chief Financial Officer
April 23, 2020

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Chartered Accountants
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Independent Auditors' Report
To the Shareholder of Heritage Petroleum Company Limited

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Heritage Petroleum Company Limited ("the Company"), which comprise the separate statement of financial position as at 30 September 2019, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at 30 September 2019, and its separate financial performance and its separate cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with IESBA Code.

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

Emphasis of Matter

We draw attention to Note 23a (ii) of the financial statements, which describes the effects on the Group of the global pandemic which was declared by the World Health Organization related to the novel coronavirus disease 2019 (COVID-19) as well as the implications of the fall in Brent Oil market prices subsequent to year-end. In addition, we draw attention to Note 23a (ii) describing the measures that the Board of Directors have approved to be implemented to support the ongoing use of the going concern assumption in the basis of preparation of these financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going concern basis of preparation	
Description of the key audit matter	***How the matter was addressed in our audit***
The going concern assumption is a financial statement level assertion and underscores the basis on which the financial statements are prepared. The Company supported the preparation of the financial statements on a going concern basis with a 3-year cashflow forecast. This computation involved the use of input data and the application of significant assumptions. Small variations in either the input data or assumptions could have resulted in a significant impact on the cash flow forecasts and by extension the basis of preparation of the separate financial statements.	Our audit procedures included evaluating the revenue and cost projections used by the Company by comparing it to the relevant exploration and production licenses and reserve reports and projected oil prices. We also conducted sensitivity analyses on the cash flow forecast to determine the effect from the changes in key assumptions. We viewed written confirmation of a key assumption on the remission from payment of Supplemental Petroleum Tax liabilities from the Minister of Finance in the Government of the Republic of Trinidad and Tobago for a two-year period with effect from 1 July 2019. We viewed written confirmation from the Government of the Republic of Trinidad and Tobago of its intent to support Heritage Petroleum Company Limited in its financial obligations in event so required.

Revenue Recognition	
Description of the key audit matter	***How the matter was addressed in our audit***
We identified the recognition of revenue as a key audit matter because of the timing of the commencement of commercial activities of the Company. Whilst Heritage Petroleum Company Limited was incorporated on 5 October 2018, the commercial operations only commenced in December 2018 with the vesting of the operational assets and liabilities of the predecessor entity under the Vesting Act. Revenue is one of the key performance indicators of the Company and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by the Company to meet financial targets.	Our audit procedures included: • assessing the appropriateness of the Company's accounting policies for revenue recognition and assessing the compliance of those the policies with IFRSs; • testing on a sample basis the transactions recorded upon commencement of the commercial operations to ensure that transactions of the predecessor entity were not recorded by the Company; • testing on a sample basis the correct timing of the Company's recognition of revenue; and • assessing the testing results of the cut-off of sales transactions taking place before and after the year-end to ensure that revenue was recognized in the correct period and assessing the accuracy of the recorded sales transactions by agreeing to the external evidence such as product orders, bills of lading and bank statements.

Abandonment Provision	
Description of the key audit matter	***How the matter was addressed in our audit***
The amount of future decommissioning expenditure is estimated by reference to the decommissioning activities and actual cost incurred in restoring sites with adjustments for factors such as complexity of the technology to be applied. The Company exercised their judgements to determine the timing of decommissioning, discount rate and the amount of future decommissioning expenditure to develop a decommissioning plan and cashflow projections to estimate the costs associated with these obligations. We identified the provision for decommissioning as a key audit matter due to the significant judgement and estimation required in determining the amount of the provision.	Our procedures in relation to the provision for decommissioning included: • Obtaining an understanding of the Company's process in developing the decommissioning plan, including discussion with our specialist and the Company's external experts specialized in site restoration work to assess their scope and research; • We challenged the timing of decommissioning with reference to the relevant exploration and production licenses and reserve reports; • We agreed the estimated cost to dismantle to supplier quotes and rates per unit for staff costs, materials costs, transportation costs, obtain from the Company's external expert; • The inflation and discount rates were compared to rates provided by independent industry data sources; • And evaluated sensitivity analysis performed by the Company on the key assumptions with the cash flow forecast using a range of higher discount rates and future decommissioning expenditure involved.

Impairment of non-current assets	
Description of the key audit matter	***How the matter was addressed in our audit***
The Company's property, plant and equipment whose net book value was subject to an assessment for impairment triggered by continued low crude prices and gas in the world market. The assessment of the recoverable value of these assets, incorporates significant judgement in respect of factors such as future production levels, commodity prices, operating/capital costs and economic assumptions such as discount rates, inflation rates and foreign currency rates. Due to the magnitude of the balances, small variations in the assumptions can have a significant impact on the calculations.	Our procedures to audit the valuation calculation included evaluating the Company's assumptions and estimates used to determine the recoverable value of its assets, including those relating to production, cost, capital expenditure, discount rates and foreign exchange rates. We compared the Company's assumptions against external benchmarks (for example, commodity prices, inflation and discount rates) and considered the assumptions based on our knowledge of the Company and its industry. Due to the complexity of the calculations, we validated the accuracy of formulae in the cash flow models and agreed relevant data inputs to the latest production plans. We performed sensitivity analyses of the valuation calculations on assets with a higher risk of impairment, or with the potential for a reversal of a previously recognized impairment. Assessing the adequacy of the Company's disclosures in respect of the significant estimates and judgments.

Recognition of Deferred Taxes	
Description of the key audit matter	***How the matter was addressed in our audit***
The Company recognized deferred tax assets in relation to Property, Plant and Equipment and the abandonment provision on assets obtained from the predecessor entity under the Vesting Act. Due to lack of legislated clarity on the tax treatment for the transferred assets, in the books of the predecessor entity, there is some uncertainty on the wear and tear allowances. The recognition of the deferred tax asset is also predicated on the Company's estimate around future taxable temporary differences, namely future taxable profits.	Our procedures involved utilizing our tax specialist to recalculate the Company's wear and tear allowance and invariably the closing tax written down value. We checked whether the Company followed the requirements of International Accounting Standard 12 Income Taxes to limit recognition of its deferred tax asset to the extent of its deferred tax liability where it is not probable, at the reporting date, that there are sufficient taxable timing differences to utilize the deductible timing differences.

Impairment losses on trade receivables	
Description of the key audit matter	***How the matter was addressed in our audit***
As at 30 September 2019, the Company's gross trade debtors were significant. The Company's allowances for doubtful debts are based on the Company's estimate of the expected credit losses to be incurred, which is estimated by taking into account the credit history of the Company's customers and current market and customer-specific conditions, all of which involve a significant degree of judgement. We identified assessing the recoverability of trade debtors as a key audit matter because it involves significant judgement in determining the recoverable amount of trade debtors and because estimating the recoverable amount involves inherent uncertainty and requires the exercise of significant judgement.	Our audit procedures to assess the recoverability of trade debtors included the following: • obtaining an understanding of and assessing the design and implementation of the Company's key internal controls relating to credit control, debt collection and making allowances for doubtful debts • assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes • comparing, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade debtor balances as at 30 September 2019 with bank statements and relevant remittance documentation • using our specialists to assess the application of IFRS 9 – Financial Instruments within the Company's expected credit loss model.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the separate financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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Auditors' Responsibilities for the Audit of the Separate Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors' Responsibilities for the Audit of the Separate Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Chartered Accountants

Port of Spain
Trinidad and Tobago
April 23, 2020

Heritage Petroleum Company Limited

Statement of Financial Position
(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	As at 30 September 2019 $
Assets		
Non-current assets		
Property, plant and equipment – tangible and intangible	5	5,961,053
Investment in associate	1a, 22c	1,414
Investment in subsidiaries	1a, 22a	719
Cash in escrow	6	220,909
Deferred tax assets	7c	1,313,266
		7,497,361
Current assets		
Inventories	8	372,239
Trade and other receivables	9	291,420
Due from related parties	2c(i)	1,472,098
Short-term investment	10	149,907
Cash and cash equivalents	11	1,129,012
		3,414,676
Total assets		10,912,037
Equity attributable to owners of the parent		
Capital and reserves		
Share Capital	12	--
Retained earnings		1,411,815
Currency Translation		(109,960)
		1,301,855
Non-current liabilities		
Provisions	13	5,048,211
Deferred tax liability	7c	1,313,266
		6,361,477
Current liabilities		
Trade and other payables	14	543,193
Due to related parties	2c(ii)	2,701,913
Provisions	13	3,599
		3,248,705
Total liabilities		9,610,182
Total equity and liabilities		10,912,037

The notes on pages 16 to 58 are an integral part of these parent company financial statements.

On 23 April 2020, the Board of Directors of Heritage Petroleum Company Limited authorised these Parent Company Financial Statements for issue.

Reynold Ajodhasingh

____________________ Director

____________________ Director

Heritage Petroleum Company Limited

Statement of Comprehensive Income

(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Ten months ended 30 September 2019 $
Revenue	15	5,398,209
Cost of sales	16	(3,552,436)
Gross profit		1,845,773
Other operating income	17	12,459
		1,858,232
Impairment	5	(82,894)
Administration	16	(79,129)
Operating profit		1,696,209
Net finance costs	18	(284,394)
Profit before taxation		1,411,815
Taxation expense	7a	--
Profit for the period		1,411,815
Other comprehensive income		--
Total comprehensive income for the period		1,411,815

The notes on pages 16 to 58 are an integral part of these parent company financial statements.

Heritage Petroleum Company Limited

Statement of Changes in Equity

(Presented in Thousands of Trinidad and Tobago Dollars)

	Share capital	Retained earnings	Currency translation difference	Total
	$	$	$	$
Ten months ended 30 September 2019				
Balance at 1 December 2018	--	--	--	--
Total comprehensive profit for the period	--	1,411,815	--	1,411,815
Currency translation difference	--	--	(109,960)	(109,960)
Balance as at 30 September 2019	--	1,411,815	(109,960)	1,301,855

The notes on pages 16 to 58 are an integral part of these parent company financial statements.

Heritage Petroleum Company Limited

Statement of Cash Flows

(Presented in Thousands of Trinidad and Tobago Dollars)

	Note	Ten months ended 30 September 2019 $
Operating activities		
Profit before taxation		1,411,815
Adjustments to reconcile profit to net cash from operating activities:		
Depreciation, depletion and amortisation	5	583,459
Impairment	5	82,894
Write back negative asset	13	(72,794)
Finance cost – unwinding	13	290,238
Write-off of property, plant and equipment		4,359
Change in inventory		147,209
Change in trade and other receivables		(157,088)
Change in trade other payables		483,791
Change in related parties		(1,271,494)
		1,502,389
Income taxes paid		--
Net cash used in operating activities		1,502,389
Investing activity		
Investment in jointly controlled entity		(977)
Purchase of short-term investment	10	(149,907)
Purchase of property, plant and equipment	5	(193,234)
Net cash used in investing activities		(344,118)
Financing activities		
Cash in escrow	6	(16,944)
Net cash generated from financing activities		(16,944)
Currency translation differences relating to cash and cash equivalents		(12,315)
Net increase in cash and cash equivalents		1,141,327
Cash and cash equivalent at the beginning of the period		--
Cash and cash equivalents, at end of period		1,129,012

See notes 10 and 11 for restricted cash.

The notes on pages 16 to 58 are an integral part of these parent company financial statements.

1 Incorporation and principal activity

Heritage Petroleum Company Limited ("Heritage" or "the Company") is incorporated in the Republic of Trinidad and Tobago on 05 October 2018. Heritage is primarily engaged in exploration, development, production and marketing of crude oil. The sole shareholder is Trinidad Petroleum Holdings Limited (TPHL). The ultimate parent is the Government of the Republic of Trinidad and Tobago (GORTT). The registered office is 5th Floor Newtown Centre 30-36 Maraval Road, Newtown, Port of Spain Trinidad and Tobago, West Indies.

These Parent Company Financial Statements are prepared solely for statutory purposes and do not reflect the consolidation of the accounts of its subsidiary companies and joint ventures. The Company's consolidated accounts, of which this Company as parent forms a part, are presented separately.

Prior to Heritage's formation, its exploration and production activities were conducted by a related party, Petroleum Company of Trinidad and Tobago Limited (Petrotrin). Petrotrin undertook a restructuring in 2018 and by virtue of the Miscellaneous Provisions (Heritage Petroleum Company Limited, Paria Fuel Trading Company Limited (Paria), Guaracara Refining Company Limited (Guaracara) Vesting) Bill, 2018 ('Vesting Act"); effective 01 December 2018, Petrotrin's assets relative to exploration and production (E&P), was vested in Heritage Petroleum Company Limited. Petrotrin's assets related to terminalling and refinery operations were vested to Paria and Guaracara respectively. The associated decommissioning and dismantlement obligations in respect of E&P, terminalling and refining operations were also transferred to the respective entities. As a result, Heritage's opening assets and liabilities originated as a result of the above, with the corresponding liability due to Petrotrin. The carrying amounts of the assets and liabilities were accounted for using the predecessor values method because they arose from a common-control transaction. The ultimate ownership of Heritage is with Corporation Sole, the same as before the restructuring described above.

(a) *Investment in Associate*

The Company's associate as at 30 September 2019 consists of Point Fortin LNG Exports Limited (PFLE). Refer to note 22 (c).

(b) *Investment in Subsidiaries*

The Company's subsidiaries as at 30 September 2019 consists of Trinidad and Tobago Marine Petroleum Company Limited (Trintomar) and Trinidad Northern Areas (TNA). Refer to note 22 (a).

(Presented in Thousands of Trinidad and Tobago Dollars)

2 Transactions with related parties

Parties are related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In the ordinary course of its business, Heritage enters into transactions concerning the exchange of goods, provision of services and financing with affiliated companies and subsidiaries as well as entities directly owned or controlled by the Government of the Republic of Trinidad and Tobago.

Most significant transactions concern:

The exploration for and production of crude oil and natural gas through joint arrangements.
Payment of insurance on behalf of TPHL.
Processing fee for pipeline and marine revenue to Paria.
Restructuring costs from Petrotrin.
Cash advances to Petroleum Company of Trinidad and Tobago Limited.
Loan payments on behalf of Petrotrin and TPHL.
Transfer of assets and the liabilities directly associated with those assets from Petrotrin

These transactions are as follows:

a. *Key management personnel compensation*

Key management personnel are those having authority and responsibility for planning, directing and controlling the Company, including executive officers and consist of the following:

	2019
	$
Short – term employee benefits	1,613
Directors and key management renumeration	398
Long – term benefits	7,216
	9,227

b. *Trade and financing transactions with related parties*

Trinidad Petroleum Holdings Limited - Insurance	20,881
Trinidad Petroleum Holdings Limited – Cash advances & interest	326,307
Paria Fuel Trading Company Limited – Processing fees	51,674
Petroleum Company of Trinidad and Tobago Limited	
– Cash advances & interest	852,572
Petroleum Company of Trinidad and Tobago Limited – Restructuring costs	22,429
Petroleum Company of Trinidad and Tobago Limited	
– Transfer of novated assets and associated liabilities	2,492,277
	3,766,140

(Presented in Thousands of Trinidad and Tobago Dollars)

2 Transactions with related parties (continued)

c. *Outstanding balances arising from sales/purchases of goods and services*

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

(i) *Due from related parties*

	2019 **$**
Trinidad Petroleum Holdings Limited	515,402
Paria Fuel Trading Company Limited	650
Petroleum Company of Trinidad and Tobago Limited	903,406
National Gas Company Limited	6,224
The Government of the Republic of Trinidad and Tobago (GORTT)	
- Value Added Tax Refundable	46,416
	1,472,098

(ii) *Due to related parties*

Paria Fuel Trading Company Limited	24,512
Petroleum Company of Trinidad and Tobago Limited	2,492,277
The Government of the Republic of Trinidad and Tobago (GORTT	
- Royalties	162,042
- Taxes other than income taxes	23,082
	2,701,913

The amount recoverable from TPHL represents mainly loan principal repayment, interest obligations, and insurance charges paid on behalf of TPHL along with cash advances made. Management believes that this amount is fully recoverable in the next 12 months and no provisions have been made against it.

The above balances are unsecured, interest free and repayable on demand.

d. *Loans to/from related parties*

(i) *Loans to/from parent*

	2019 **$**
Beginning of the period	--
Loans advanced – TPHL	140,352
Loan repayments received	--
Interest charged	--
Interest received	--
End of period	140,352

The above balance is included in the balance in 2 c(i) above and is unsecured, interest free and repayable on demand.

2 Transactions with related parties (continued)

e. *Principles of consolidation and equity accounting*

Investments – Subsidiaries and Interest in equity-accounted investees

(i) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Investments in subsidiaries are accounted for at cost less impairment. Refer to note 22 (a) for investment in subsidiaries.

(ii) *Interests in equity-accounted investees*

The Company's interests in equity-accounted investees comprise interests in associates and joint ventures. Refer to note 22 (b) for interests in joint ventures and associates.

(iii) *Associates*

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (e) (vi) below), after initially being recognised at cost.

(iv) *Joint arrangements*

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Heritage has both joint operations and joint ventures.

Joint operations

Heritage recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the Parent Company Financial Statements under the appropriate headings. Details of the joint operation are set out in note 22(c).

Joint ventures

Interests in joint ventures are accounted for using the equity method (see (e) (vi) below), after initially being recognised at cost in the Parent Company Balance Sheet.

2 Transactions with related parties (continued)

Principles of consolidation and equity accounting (continued)

(vi) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value in use.

3 Critical estimates, assumptions and errors.

The preparation of parent company financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the parent company financial statements. In addition, this note also explains where there have been actual adjustments this period as a result of an error and of changes to previous estimates.

(a) *Significant estimates and judgements*

The areas involving significant estimates or judgements are:

- Estimation of income taxes – Note 7
- Estimation of the assessment of impairment of property, plant and equipment – Note 5 (a) (iv)
- Estimation of oil and gas reserves – Note 5 (e)
- Estimation of the life of lease licenses – Note 5 (f)
- Estimation of decommissioning and environmental obligation – Note 13
- Estimation of forward-looking assumptions under IFRS 9 – Note – 9

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4 Financial risk management

The Company has exposure to the following risks:

a. *Credit risk*
   (i) Risk management
   (ii) Credit quality
   (iii) Exposure to credit risk

b. *Liquidity risk*

c. *Market risk*
   (i) Foreign exchange risk
   (ii) Price risk

d. *Capital risk management*

This note contains information about the Company's exposure to each of the above risks and the objectives, policies and processes for managing and measuring the risk. Further quantitative disclosures are also included in the referred notes.

a. *Credit risk*

The Company is exposed to credit risk, which is the risk that its customers and counterparties may cause a financial loss by failing to discharge their contractual obligations. Credit risk arises from cash and cash equivalents, deposits with financial institutions as well as outstanding receivables and committed transactions. The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk. Management does not expect any losses from non-performance by counterparties.

(i) *Risk management*

Credit risk is managed on a Company basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'BBB' are accepted. Cash and deposits are held with a number of reputable financial institutions, in amounts varying between TT$5.6m and TT$580m.

If trade customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, credit agency information, industry information and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by trade customers is regularly monitored by line management.

The Company has some concentration of credit risk as the majority of receivables are from several large customers. However, this risk is minimised as the Company maintains formal contracts with each of these customers that stipulate invoicing and payments terms.

(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial risk management (continued)

a. *Credit risk (continued)*

(ii) *Credit quality*

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Cash at bank	**2019** **$**
Cash at bank	952,108

Trade receivables

Some counterparties below do not have external credit ratings.

Group 1 - new customers (less than 6 months).
Group 2 - existing customers (more than 6 months) with no defaults in the past.
Group 3 - existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

(iii) *Exposure to credit risk*

The following is a summary of the Company's maximum exposure to credit risk:

30 September 2019	**Fully performing** **$**	**Past due** **$**	**Impaired** **$**	**Provision for impairment** **$**	**Total** **$**
Cash in escrow	220,909	--	--	--	220,909
Cash and cash equivalents	1,129,012	--	--	--	1,129,012
Trade receivables	56,459	--	--	--	56,459
Due from related parties	6,224	1,465,874	--	--	1,472,098
Accrued revenue	96,505	--	--	--	96,505
Other receivables (excluding prepayments)	77,251	44,096	--	--	121,347
	1,586,360	1,509,970	--	--	3,096,330

4 Financial risk management (continued)

a. *Credit risk (continued)*

(iii) *Exposure to credit risk (continued)*

The Company does not hold any collateral in relation to these assets.

The Company recognises provision for losses for assets subject to credit risk using the expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company uses the following approaches in arriving at expected losses

- The simplified approach (for trade receivables)
- The general approach (for all other financial assets)

The simplified approach

The Company applies the IFRS 9 simplified approach to measuring expected credit losses for Trade Receivables. The simplified approach eliminates the need to calculate 12-month ECL and to assess when a significant increase in credit risk has occurred. Accordingly, a lifetime expected loss allowance is used from day 1. To measure the lifetime loss allowance, the Company first considers whether any individual customer accounts require specific provisions. Loss rates are then assigned to these accounts based on an internal risk rating system considering various qualitative and quantitative factors. All other non-specific trade receivables are then grouped based on shared credit risk characteristics and the days past due.

The general approach

Under the general approach, the Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk each company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset occurs. For all other financial assets, when the counterparty fails to make contractual payments within 90 days of when they fall due.

4 **Financial risk management** (continued)

a. *Credit risk (continued)*

(iii) *Exposure to credit risk (continued)*

Incorporation of forward-looking information

Historical loss rates for trade receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified no indicators to have an impact so no forward-looking rate was applied.

Assets written off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises a loan or receivable for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Summary of ECL calculations

The simplified approach (trade receivables)
A summary of the assumptions underpinning the company's expected credit loss model under the simplified approach is further analysed below showing:

- Specific provisions
- General provisions using a standardised provision matrix

The following is a summary of the ECL on trade receivables and accrued revenue.

Aging Bucket	Average ECL rate	Estimated exposure at default	Expected credit loss
	%	$	$
Current (0-30 days)	--	--	--
31 to 60 days	--	152,964	--
61 to 90 days	--	--	--
Over 90 days	--	--	--

4 Financial risk management (continued)

a. *Credit risk (continued)*

(iii) *Exposure to credit risk (continued)*

	2019 **$**
Opening loss allowance as at 01 December 2018	--
– calculated under IFRS 9	--
Write back of prior year provision	--
Decrease in loss allowance recognised in profit or loss during the period	--
Impairment loss – discounting	--
Unwinding of discount	--
Balance at end of period	--

The following is an analysis of the net impairment expense on financial assets recognised in profit loss:

Net changes to provisions for the period per above	--

b. *Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Company's liquidity risk management process is measured and monitored by senior management within the Company.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due.

The main method for the measurement and monitoring of liquidity is cashflow forecasting. The Company's treasury function co-ordinates relationships with banks and cash management.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial risk management (continued)

b. *Liquidity risk (continued)*

	Contractual cash flows < 1-year $	Carrying amount $
30 September 2019		
Trade payables	8,956	8,956
Due to related parties (excluding statutory liabilities)	2,516,789	2,516,789
Accruals and other Liabilities (excluding statutory liabilities)	534,237	534,237
Total	3,059,982	3,059,982

c. *Market risk*

Market risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in market prices. The Company takes on exposure to market risks from changes in foreign exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis.

(i) *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The functional currency of the Company's cashflows is the United States dollar (USD) since the Company's major product, oil is priced internationally at USD.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. Foreign currency transaction exposures mainly arise on the Company's sales or purchases in currencies other than USD.

The following exchange rates were used in translating United States dollars to Trinidad and Tobago dollars at the period end and in conversions during the period:

	As at 2019 30 September
Period-end	6.73275
Average rate during the period	6.75632

(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial risk management (continued)

c. *Market risk (continued)*

(i) *Foreign exchange risk*

Translational exposure in respect of non-functional currency monetary items

The following tables demonstrate the sensitivity of the Company's profit after tax to possible movements of the USD against the TTD holding all other variables constant.

	As at 30 September 2019		
	TT$	**US$**	**Total**
Assets			
Trade and other receivables	180,525	93,786	274,311
Due from related parties	1,465,224	6,874	1,472,098
Cash in Escrow	--	220,909	220,909
Short term Investment	--	149,907	149,907
Cash and cash equivalents	235,856	893,156	1,129,012
Financial assets	1,881,605	1,364,632	3,246,237
Liabilities			
Trade and other payables	(520,145)	(23,048)	(543,193)
Due to related parties	(2,677,401)	(24,512)	(2,701,913)
Financial liabilities	(3,197,546)	(47,560)	(3,245,106)
Net currency exposure	(1,315,941)	1,317,072	1,131
Reasonably possible change in exchange rate	5%		
Effect on profit after tax	(65,798)		

(ii) *Price risk*

The Company is exposed to fluctuations in the prices of natural gas and natural gas liquid sales and crude oil sales sold at market prices.

As a result of these market price fluctuations the Company may in the future use established over-the-counter swaps, for crude oil and natural gas or other appropriate instruments, to hedge exposures in order to protect budgeted revenues and margins. The Company does not currently have any such hedging instruments in place.

d. *Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial risk management (continued)

d. *Capital risk management (continued)*

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the oil and gas industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the parent and consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt. Gearing is the measure of financial leverage, demonstrating the degree to which the Company's activities are funded by owner's funds versus creditor's funds.

The Company has no external debt recorded as at the Statement of Financial Position, but the Company is a Guarantor on TPHL's senior secured loan issuances. The Company is also a Guarantor on TPHL's senior unsecured 144A and Reg S series International Notes. This bond was contracted on 8 May 2007, under Petrotrin. As part of the reorganization, TPHL became the new obligor of these notes with each of the Companies, Heritage, Guaracara, Paria and Petrotrin being guarantors to the notes effective 30, November 2018. See note 20 (c).

Treasury management is thus based on the way financing is managed at the overall TPHL Group level. The Company is expected to make loan and interest repayments on behalf of TPHL in the foreseeable future even though there is no contractual obligation to do so. The obligations are expected to be as follows:

	2020	2021	2022	Total
	US$	US$	US$	US$
Interest payment	140,000	143,000	129,000	412,000
Principal repayment	37,000	97,000	407,000	541,000
Total	177,000	240,000	536,000	953,000

The gearing ratios as at 30 September 2019 were as follows:

	2019
	$
Net debt reconciliation	
Cash and cash equivalents	(1,129,012)
Borrowings	--
Net debt	(1,129,012)
Net debt	(1,129,012)
Total equity	1,301,855
Net debt to equity ratio	N/A

(Presented in Thousands of Trinidad and Tobago Dollars)

4 Financial risk management (continued)

d. *Capital risk management (continued)*

	Other assets Cash/bank overdraft $
Debt	--
Cash flows	(1,129,012)
Foreign exchange adjustments	--
Net debt as at 30 September 2019	(1,129,012)

e. *Financial Instruments by category*

	2019 $
Loans and receivables	
The accounting policies for financial instruments have been applied to the line items below:	
Trade receivables	56,459
Accrued Revenue	96,505
Other receivables (excluding prepayments)	121,347
Due from related parties	1,472,098
Cash in escrow	220,909
Short-term investments	149,907
Cash at bank	1,129,012
	3,246,237
Financial asset at amortised cost	--
Financial assets at fair value through other comprehensive income	--
	3,246,237

The Company has no assets at fair value through profit or loss.

Other financial liabilities

Liabilities as per statement of financial position

Trade payables	8,956
Other payables (excluding statutory liabilities)	534,237
Due to related parties (excluding statutory liabilities)	2,516,789
	3,059,982

The Company has no liabilities at fair value through profit or loss.

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, plant and equipment – tangible and intangible

	Exploration and Evaluation	Development	Subtotal	Production	Abandonment Assets	Total
	$	$	$	$	$	$
Costs						
Balance as at1 December 2018	--	--	--	--		--
Transfers of novated assets	--	350,088	350,088	6,584,431	704,881	7,639,400
Additions	54,246	54,017	108,263	84,971	--	193,234
Disposals/adjustments	--	--	--	(4,359)	--	(4,359)
Decommissioning adjustment	--	--	--	(529,985)	(551,778)	(1,081,763)
Impairment	--	--	--	--	(82,894)	(82,894)
Exchange differences	--	(1,344)	(1,344)	(115,298)	--	(116,642)
Balance as at 30 September 2019	54,246	402,761	457,007	6,019,760	70,209	6,546,976
Accumulated depreciation, depletion, Amortisation and impairment losses						
Balance as at 1 December 2018	--	--	--	--	--	--
Depreciation, depletion & amortisation	--	--	--	(513,250)	(70,209)	(583,459)
Exchange differences	--	--	--	(2,464)	--	(2,464)
Balance as at 30 September 2019	--	--	--	(515,714)	(70,209)	(585,923)
Net book amount	54,246	402,761	457,007	5,504,046	--	5,961,053
At 30 September 2019						
Cost	54,246	402,761	457,007	6,019,760	70,209	6,546,976
Accumulated depreciation	--	--	--	(515,714)	(70,209)	(585,923)
Net book amount	54,246	402,761	457,007	5,504,046	--	5,961,053

5 Property, plant and equipment – tangible and intangible (continued)

a. *Accounting policy*

(i) *Oil and gas assets*

Oil and gas properties are aggregated exploration and evaluation (E&E) tangible assets associated with finding commercial reserves, and development and production expenditures related to developing the commercial reserves discovered and bringing them into production, together with E&E expenditures transferred from intangible E&E assets.

The cost of development and production assets also includes the cost of acquisitions and purchases of such assets, directly attributable overheads, finance costs capitalised, and the cost of recognising provisions for future restoration and decommissioning.

Exploration and evaluation assets – Capitalisation

Oil and natural gas exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Under this method, costs are accumulated on a field-by-field basis and capitalised upon discovery of commercially viable mineral reserves. If the commercial viability is not achieved or achievable, such costs are charged to expense.

Capitalisation is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Costs incurred in the exploration and evaluation of assets includes:

License and property acquisition costs - Exploration and property leasehold acquisition costs are capitalised within intangible assets until determination of commercially viable mineral reserves. If commercial viability is not obtained these costs are written off.

Exploration and evaluation expenditure - Capitalisation is made within property, plant and equipment or intangible assets according to its nature. However, the majority of such expenditure is capitalised as an intangible asset including geological and geophysical costs. Costs directly associated with an exploration well are capitalised until the determination of commercial reserves is evaluated. If commercial reserves are found the costs continue to be carried as an asset. If commercial reserves are not found, exploration and evaluation expenditures are written off as a dry hole.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets as applicable. No depreciation and/or amortisation are charged during the exploration and evaluation phase.

Exploration and evaluation assets – Impairment

See note 5 (a) (iv) for the accounting policy related to impairment.

5 Property, plant and equipment – tangible and intangible (continued)

a. *Accounting policy (continued)*

(i) *Oil and gas assets (continued)*

Development/Production tangible and intangible assets - Capitalisation

Acquisitions, asset purchases and disposals

Acquisitions of oil and gas properties are accounted for under the purchase method.

Transactions involving the purchases of an individual field interest, or a group of field interests, are treated as asset purchases, irrespective of whether the specific transactions involve the transfer of the field interests directly, or the transfer of an incorporated entity. Accordingly, the consideration is allocated to the assets and liabilities purchased on a relative fair value basis.

Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed. Any excess is recorded as a gain on disposal, and any shortfall between the proceeds and the carrying amount is recorded as a loss on disposal, in profit or loss.

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development commercially proven wells is capitalised within tangible and intangible assets according to its nature. When development is completed on a specific field it is transferred to production assets. No depreciation and/or amortisation are charged during the development phase.

Specific and general borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time required to complete and prepare the asset for its intended use. Interest on general borrowings eligible for capitalisation is determined by applying a capitalisation rate to expenditure on qualifying assets. The capitalisation rate is the weighted average of borrowing costs applicable to the borrowings of the Company, that are outstanding during the period, other than specific borrowings.

This amount is capitalised during the construction period of the qualifying asset, and upon completion of the asset, it is recognised in profit or loss until the maturity of borrowings.

Other borrowing costs are expensed in the period in which it is incurred.

Development/Production tangible and intangible assets – Impairment

See note 5 (a) (iv) for the accounting policy related to impairment.

Production assets – Depreciation

Oil and gas properties are depreciated generally on a field-by-field basis using the unit-of-production method. Unit-of-production rates are based on production and proved producing reserves, which are oil, gas and other mineral reserves estimated to be recovered from existing wells with existing facilities using current operating methods. Under the unit-of-production method, oil and gas volumes are considered produced once they have been measured through meters at custody transfer or sales transaction points at the outlet valve on the field storage tank.

5 Property, plant and equipment – tangible and intangible (continued)

a. *Accounting policy (continued)*

(i) Oil and gas assets (continued)

Production assets – Depreciation (continued)

Producing assets are generally grouped into cash generating units with other assets that are dedicated to serving the same reserves for depreciation purposes but are depreciated separately from producing assets that serve other reserves. The cash generating unit applied for depreciation purposes is generally the field, except that a number of field interests may be grouped as a single cash generating unit where the cash flows of each field are inter-dependent.

Provision for decommissioning costs

Provision for decommissioning is recognised in full at the commencement of oil and gas production. The amount recognised is the net present value of the estimated cost of decommissioning at the end of the economic producing lives of the wells. Such costs include removal of equipment, restoration of land or seabed. The unwinding of the discount on the provision is included in profit or loss within finance costs.

A corresponding intangible asset is also created at an amount equal to the provision. This is subsequently depleted as part of the capital costs of the production assets. Any change in the present value of the estimated expenditure or discount rates are reflected as an adjustment to the provision and the intangible asset and dealt with prospectively.

When decommissioning liability is shared with other parties, as in the case of jointly controlled assets, the Company recognises as its provision, the proportion for which it is liable.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a risk-free rate in the same currency as the obligation and with similar maturity. These discount rates were obtained from the Trinidad and Tobago Treasury Yield Curve as quoted by the Central Bank of Trinidad and Tobago and the escalation rate is obtained from the Organisation for Economic Cooperation and Development as at 30 September 2019.

(ii) *Other non-oil and gas assets*

Land is not depreciated. Depreciation of other non-oil and gas assets is calculated using the following rates and methods to allocate the cost to their residual values over their estimated useful lives:

Furniture and fixtures	20% - diminishing balance
Domestic appliances	20% - diminishing balance
Buildings	5% - diminishing balance
Computer equipment/software (specialised)	10% - straight line
Computer equipment/software (non- specialised)	33.3% - straight line

5 Property, plant and equipment – tangible and intangible (continued)

a. *Accounting policy (continued)*

(i) *Other non-oil and gas assets (continued)*

The expected useful lives of property, plant and equipment are reviewed on an annual basis, and if necessary, changes in useful lives are adjusted for prospectively.

These assets are derecognised upon disposal or when no future economic benefits are expected to arise from continued use. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss. Any change in the present value of the estimated expenditure or discount rates are reflected as an adjustment to the provision and the intangible asset and dealt with prospectively.

(ii) *Software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (ten years for specialised software, three years for non-specialised software).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly associated to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include software development, employee cost, and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

5 Property, plant and equipment – tangible and intangible (continued)

a. *Accounting policy (continued)*

(iv) *Impairment of non-financial assets*

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

Non-financial assets	
Exploration and Evaluation assets	Exploration and evaluation assets are tested for impairment when reclassified to development tangible and intangible assets as applicable or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceed their recoverable amount. The recoverable amount is the higher of the exploration and evaluations assets' fair value less costs to sell and their value-in-use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash generating units (CGUs) of related production fields located in the same geographical region. The geographical region is the same as that used for reserves reporting purposes. The following indicators are evaluated to determine whether these assets should be tested for impairment: • the period for which the Company has the right to explore in the specific area; • whether substantive expenditure on further exploration and evaluation in the specific area is budgeted or planned; • whether exploration and evaluation in the specific area have not led to the discovery of commercially viable quantities and the Company has decided to discontinue such activities in the specific area; • sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

5 Property, plant and equipment – tangible and intangible (continued)

a. *Accounting policy (continued)*

(iv) *Impairment of non-financial assets*

Non-financial assets	
Development and Production Intangible assets	Intangible assets that have an indefinite useful life and/or are not yet available for use are not subject to amortisation, and, therefore, are tested annually for impairment.
Tangible assets	Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are grouped together into the smallest group of assets (CGU) that generate cash inflows from continuing use that are largely independent of the cash flows of other assets or cash generating units (CGU). The recoverable amount of the CGU is the greater of the value in use and its fair value less cost to sell. The value in use is based on the estimated future cash flows, 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 or CGU. The carrying value is compared against the expected recoverable amount. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognised in the profit or loss and reduces the carrying amounts of the assets in the CGU. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. The cash generating unit applied for impairment test purposes is generally the field. These fields are the same as that used for reserves reporting purposes.

b. *Assets pledged as security*

There is no property, plant and equipment pledged as security by the Company except as identified in note 20 (c).

c. *Capital commitments*

	2019 **$**
Authorised and contracted for and not provided for in the parent company financial statements	91,816

5 Property, plant and equipment – tangible and intangible (continued)

d. *Depreciation, depletion and amortization*

Depreciation charge of $42,380 has been charged in cost of sales.

Depletion charge of $541,079 has been charged in cost of sales.

Costs not subject to depreciation and depletion totalled $924,551. These are capital work in progress in the Exploration and Evaluation and Development costs.

e. *Oil and gas reserve estimate*

The oil and gas reserves are assessed by Management and audited by external engineers in accordance with the Standards pertaining to the Estimating of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

Engineering estimates of the Company's oil and gas reserves are inherently uncertain. Proved reserves are the estimated volumes of crude oil, natural gas and gas condensates, liquids and associated substances which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Although there are authoritative guidelines regarding the engineering criteria that have to be met before estimated oil and gas reserves can be designated as proved, the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation; the accuracy of assumptions and judgment. There may be substantial upward and downward revisions to the results of drilling, testing and production after the date of the estimate. In addition, changes in oil and natural gas prices could have an effect on the value of proved reserves as regards the initial estimate. Accordingly, the estimated reserves could be materially different from the quantities of oil and natural gas that ultimately will be recorded.

Estimated proved reserves are used in determining depletion and impairment expenses. Depletion rates on oil and gas assets using the Unit-of-Production basis are determined from the ratio between the amount of hydrocarbons extracted in the year and proved producing reserves existing at the year-end increased by the amounts extracted during the year. Assuming all other variables are held constant, an increase in estimated proved producing reserves decreases depreciation, depletion and amortisation expense. On the contrary, a decrease in estimated proved producing reserves increases depreciation, depletion and amortisation expense.

Also, estimated total proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether a property impairment test is to be carried out or not. The larger the volume of estimated reserves, the less likely the property is impaired.

(Presented in Thousands of Trinidad and Tobago Dollars)

5 Property, plant and equipment – tangible and intangible (continued)

f. *Lease licenses*

It is assumed that licences to develop oil and gas properties acreages will continue to be extended to the Company by the Government of the Republic of Trinidad and Tobago throughout the remaining productive lives of the related fields. The fields below were acquired from The Petroleum Company of Trinidad and Tobago, see note 1.

Field Name	**Terms of Agreement**
Trinidad Northern Areas – Trinmar	Extended period of six (6) years effective 2012 December 31
Trinidad Northern Areas – North Marine	Extended period of six (6) years effective 2012 December 31
Guapo-Oropuche-Brighton Horizon (Area D)	Effective period from 2007 for twenty-five (25) years
Cruise Horizon (Area A)	Effective period from 2007 for twenty-five (25) years
Mayaro/Guayaguayare Horizon	Effective period from 2007 for twenty-five (25) years
Herrera Horizon (Area C)	Effective period from 2007 for twenty-five (25) years

The Company's estimates of reserves, the estimated provisions for decommissioning and the impairment assessments are based on this assumption.

g. Other exploration and evaluation assets and liabilities

In addition to the exploration and evaluation assets disclosed above, the Company also has the following assets and liabilities relating to exploration:

	2019
	$
Receivables from joint venture partners	105,563
Payables to subcontractors and operators	(26,578)
	78,985

6 Cash in escrow

The land licences agreements effective in the year 2006, contain a clause requiring Heritage to establish an escrow account at an approved financial institution in the name of the Minister of Energy and Energy Affairs (The Minister). Cash reserves, calculated based on production volumes, are to be accumulated in the account for use as a contingency fund for remediation of pollution arising from Petroleum operations carried out under the licenses, as well as the eventual decommissioning of wells and facilities in the licensed areas. The Minister has sole discretion to access these funds in the event that Heritage fails to effect any environmental clean-up, properly abandon wells or decommission facilities. However, once the Company fulfils all decommissioning obligations to the satisfaction of the Minister, and upon determination of the license, the Minister shall return all existing funds in the escrow account to Heritage.

(a) *Accounting policy*

Cash in escrow is subjected to regulatory restrictions and are therefore not available for general use by the Company.

(Presented in Thousands of Trinidad and Tobago Dollars)

7 Income tax expense

a. *Income tax expense*

	2019 $
Petroleum profits tax/unemployment Levy	--

The tax charge on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to the Company as follows:

	2019 $
Profit before tax	1,411,815
Tax calculated at a rate of 55%	776,498
PPE permanent difference based on initial recognition	345,197
Initial recognition on decommissioning costs	(2,781,335)
Deferred asset not recognised and PPE	2,212,189
Reduction in abandonment asset and PPE	(594,969)
Difference in scaled tax rate	19,355
Expenses not deductible for tax purposes	23,065
	--

The Company has tax losses amounting to $387 million as at 30 September,2019 of which all was utilised as part of the deferred tax asset.

b. *Accounting policy*

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated parent company financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(Presented in Thousands of Trinidad and Tobago Dollars)

7 Income tax expense (continued)

b. *Accounting policy (continued)*

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

c. *Deferred taxation*

	2019 **$**
At beginning of the period	--
Charge to OCI	--
Charge to SOCI	--
At end of the period	--
	--

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 55%. The deferred income tax (asset)/liability in the statement of financial position and the deferred income tax charge/(credit) in the statement of profit or loss and other comprehensive income are attributable to the following:

	Charge to OCI $	**Charge/ (credit) to SOCI $**	**2019 $**
Ten months ended 30 September 2019			
Deferred income tax liabilities			
Accelerated tax depreciation – property, plant and equipment carried at cost		1,313,266	1,313,266
		1,313,266	1,313,266
Ten months ended 30 September 2019			
Deferred income tax assets			
Provision for abandonment		(1,116,461)	(1,116,461)
Tax losses carried forward		(193,551)	(193,551)
Exchange loss		(3,254)	(3,254)
		(1,313,266)	(1,313,266)
Net deferred income tax asset/liabilities		--	--

7 Income tax expense (continued)

b. *Deferred taxation (continued)*

The deferred tax asset position has been restricted to the extent of the group's deferred tax liability.

The restriction would have been against the provision for abandonment, the timing difference which at year end was TT$ 3,328,659.

8 Inventories

	2019 **$**
Crude oil	261,445
Materials and supplies	123,571
Provision for obsolescence	(12,777)
	372,239

a. *Accounting policy*

Inventories of crude oil are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost.

(i) *Crude oil*

The cost of purchased crude oil is valued using the weighted average cost.

The cost of produced crude oil for the month is computed on the basis of the related month's production costs. Net realisable value is based on the market prices of an equivalent grade of crude oil.

(i) *Materials and supplies*

Materials and supplies used mainly in drilling wells, recompletion and workovers are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses of the materials and supplies.

(ii) *Provision for obsolescence*

Materials and supplies are reviewed on an annual basis. Items are provided for based on the age of the items. Management determines the provision based on material items that are aged in excess of five years. Given that the items were received from the predecessor group (note 1), the items in excess of five years have been provided for.

(Presented in Thousands of Trinidad and Tobago Dollars)

9 Trade and other receivables

	2019 $
Trade receivables	56,459
Other receivables	121,347
Prepayments	17,109
Accrued revenue	96,505
	291,420

a. *Accounting policy*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables are amounts due from customers for rental fees or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non- current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. Any provision for impairment is recognised in profit or loss within cost of sales. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of sales in profit or loss.

(i) *Fair value of trade receivables*

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

10 Short-term investment

	2019 $
Short-term Investments	149,907

a. *Accounting Policy*

Short-term investments represent investments greater than 3 months but less than 12 months. As at 30 September 2019, the investment was held as restricted amounts which comprises cash collateral held for a standby letter of credit (note 20b).

(Presented in Thousands of Trinidad and Tobago Dollars)

10 Short-term investment (continued)

b. *Financial risk management*

The effective interest rates on cash and short-term deposits were between 0.32 % and 2.73 % per annum. Short term deposits have original maturities of one day to ten months.

11 Cash and cash equivalents

	2019 $
Current bank and cash balances	1,129,012

a. *Accounting Policy*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdraft. Short term bank deposits are presented as cash and cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable within 24 hours' notice with no loss of interest. Bank overdrafts are shown in current liabilities in the statement of financial position.

As at 30 September 2019, the Company had restricted cash. Restricted mainly comprises cash collateral held in a debt service reserve account in connection with the Group's senior secured loan agreements (note 20 c).

	2019 $
The Bank of New York Mellon Trust - Debt Service Reserve	176,048
Joint Venture Escrow	856
	176,904

12 Share capital

	2019
Authorised:	
An unlimited number of ordinary shares of no par value	
An unlimited number of preference shares of no par value	
Issued and fully paid:	
1 ordinary shares of no par value	--

a. *Accounting policy*

Share capital

Ordinary shares have no par value and entitle the holder to participate in dividends, and to share in the proceeds of winding up the parent company in proportion to the number of the shares held. On show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll share is entitled to one vote.

(Presented in Thousands of Trinidad and Tobago Dollars)

12 Share capital (continued)

a. *Accounting policy (continued)*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

13 Provisions

	2019 $
Ten months ended 30 September 2019	
Opening amount as at 1 December 2018	5,937,569
Unwinding of discount	290,238
Decrease in provisions	(1,154,557) *
Translation differences	(21,440)
Closing balance at 30 September 2019	5,051,810
Of which:	
Current portion	3,599
Non-current portion	5,048,211
	5,051,810

This provision represents Management's best estimate of the cost of dismantling exploration and production assets at the end of the producing lives of the fields and at the end of its useful life and includes the costs of environmental remediation. The estimated decommissioning cost at the end of the producing lives of fields is reviewed annually and is based on engineering estimates and reports. For the year ended 30 September 2019, the estimated decommissioning cost was compiled using a 3rd party service provider, utilizing information provided by Management. Key information including offshore well information was provided from recently concluded physical verification exercises, onshore well information and onshore and offshore facilities including pipelines are based on what was novated as part of the asset vesting. The provision has been estimated using existing technology, at current prices using an escalation rate of 3%, and discounted at rates between 3.8% and 6.25% based on reserves.

*Included in the decrease in provisions is an amount of $72,794 which relates to an adjustment to the abandonment liability carried for the Point Fortin Refinery. This adjustment is reflected in cost of sales within the Statement of Comprehensive Income (Note 16) as the asset has a nil net book value.

The amount and timing of settlement in respect of future exploration and production decommissioning provisions are uncertain and dependent on various factors that are not always within Management's control but are currently anticipated to be between 2019 and 2069. A 1.0% change in the escalation and discount rate will have the following impact on the provision for decommissioning.

Sensitivities	**$**
1% increase escalation rate	6,296,202
1% decrease escalation rate	4,299,194
1% increase in discount rate	5,247,808
1% decrease in discount rate	6,294,368

13 Provisions (continued)

a. *Accounting policy (continued)*

Refer to note 5 (a) (i).

b. *Decommissioning and environmental obligations estimate*

(i) *Decommissioning obligation*

Refer to note 5 (a) (i).

(ii) *Environmental liabilities*

Together with other companies in the industries in which it operates, Heritage is subject to national, regional and local environmental laws and regulations concerning its oil and gas operations, productions and other activities, including legislation that implements international conventions or protocols. Provision for environmental costs is made when it becomes probable or certain that a liability has been incurred and the amount can be reasonably estimated. If a new regulation or a notice of a regulation violation is received, and it is likely to have a financial impact, a provision will be recorded.

14 Trade and other payables

	2019 $
Trade payables	8,956
Accruals	432,267
Abandonment liability – other	65,330
Other payables	22,780
Royalties and other fees	13,860
	543,193

a. *Accounting policy*

Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

14 Trade and other payables (continued)

a. *Accounting policy (continued)*

Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Abandonment liability - other

The Company became party to Petrotrin's Lease Operator and Farm Out (LOFO) and Incremental Production Service Contracts (IPSC) arrangements by virtue of the legal vesting process whereby all E&P contracts were vested from Petrotrin to them. Under these arrangements the other party is required to remit to the Company on a monthly basis an amount per barrel of oil equivalent that they produce. The funds are deposited in a separate bank account with a corresponding liability set up and included within trade and other payables in the statement of financial position. Upon expiry or earlier termination of these agreements the Company shall calculate the contracted party's abandonment contribution for eventual abandonment and notify the contracted party of same. If based on the Company's calculation the liability for eventual abandonment is more than the amount included in the abandonment fund this shall remain a debt owing and due to the Company and may be deductible from any amounts owed to the contracted party whether under this agreement or any other contract the Company has with that party. If the amounts in the fund exceeds the liability calculated the surplus shall be paid by the Company to the contracted party. When this occurs, the amount of the liability will be released to the statement of comprehensive income. The historic experience is that the majority of expired LOFO and IPSC agreements were renewed on expiry and contributions to the abandonment fund continued as such the cumulative contributions remain accounted for as an abandonment liability - other in trade and other payables on the statement of financial position.

b. *Fair value of trade payables*

Due to the short-term nature of the current payables, their carrying amount is assumed to be the same as their fair value.

15 **Revenue**

	2019 **$**
Natural gas sales	328,816
Crude oil sales	4,829,108
Royalty income	229,173
Natural gas liquid sales	11,112
	5,398,209

15 Revenue (continued)

a. *Accounting policy*

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Under the adoption of IFRS 15, Revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised, they are as follows: identify contracts with customers, identify the separate performance obligation, determine the transaction price of the contract, allocate the transaction price to each of the separate performance obligations, and recognise the revenue as each performance obligation is satisfied.

Heritage bases its estimates on the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sales revenue*

Revenue from the sales of crude oil, natural gas and refined products is recognized when control is transferred for the ownership of the product. In general, revenue is recognized:

- crude oil – when the oil passes the vessels inlet manifold flange at the loading port for sales via shipments or
- for natural gas and natural gas liquids - when it is transferred via pipelines to the customers storage area;

The customer has full discretion over the channel and price to sell the product, and there is no unfulfilled obligation that could affect the customer’s acceptance of the product. Revenue is recognised as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

No element of financing is deemed present as typically, payment for the sale of the product is received either immediately or by the end of the month following the month in which the sale is recognised, which is consistent with market practice.

Revenues from the sale of crude oil and natural gas in properties in which Heritage has an interest together with other producers, are recognised at a point in time on the basis of Heritage’s working interest in those properties (entitlement method).

(ii) *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

(Presented in Thousands of Trinidad and Tobago Dollars)

16 Expenses by nature

	Ten months ended 30 September 2019	
	Cost of sales	**Administrative expenses**
	$	**$**
Purchases	(1,261,999)	--
Production taxes	(163,122)	--
Production expenses	(756,484)	--
Movement in inventories	(112,833)	--
Depreciation, depletion and amortisation (Note 5)	(583,459)	--
Write back - negative asset	72,794	--
Change in provision obsolescence	(12,777)	--
Employee benefit expense (Note 19)	(64,684)	(24,323)
Insurance	--	(24,314)
Legal and professional fees	--	(2,030)
Directors and key management remuneration (Note 2a)	--	(398)
Loss on asset write off	(4,359)	--
Processing fee	(51,674)	--
Supplemental petroleum tax	(206,012)	--
Royalty	(407,827)	--
Green fund levy	--	(16,195)
Loss on foreign currency		(8,845)
Other expenses	--	(3,024)
	(3,552,436)	(79,129)

By way of letter dated 17 March 2020 from the Minister of Finance on behalf of the Government of the Republic of Trinidad and Tobago has agreed to waive the Supplemental Petroleum Tax obligations with effect from July 2019 and continuing for a period of two (2) years. The amounts reflected above is for the period 01 December 2018 to 30 June 2019.

17 Other operating income

	2019
	$
Pipeline rentals	10,698
Miscellaneous rental and other income	1,761
	12,459

18 Net finance cost

Finance expense – bank interest	(3,526)
Finance charge on decommissioning costs (Note 13)	(290,238)
Interest income on short term investments	3,257
Interest income from bank balances	6,113
	(284,394)

(Presented in Thousands of Trinidad and Tobago Dollars)

	2019
	$
19 Employee benefits expense	
Salaries and wages benefit	(62,774)
Allowances	(23,322)
Overtime	(393)
Medical services	(1,421)
National insurance	(1,097)
	(89,007)

20 Contingent liabilities

a. The Company is a party to various legal actions. In the opinion of the directors, after taking appropriate legal advice, the outcome of such actions will not result in any significant additional liabilities and therefore no provision has been made in these parent company financial statements.

b. Letter of credit

The Company has an outstanding letter of credit facility with a financial institution for US$22,265,532. This credit facility was established to meet Heritage's 15% share of its abandonment liability with respect to its TSP Joint Venture.

c. Guarantees

Heritage is a Guarantor on TPHL's senior secured loan issuances, comprising a US$603 million term loan facility with a Syndicate of banks and US$570.265 million (2026s) 144A and Reg S series international Notes. Senior lenders have a security interest in and continuing lien on all of Heritage's right, title and interest in, to certain of the Company's assets (excluding Heritage's reserves, equity and licenses). Heritage is required to maintain two (2) pledged accounts with a Bank - a Debt Service Reserve Account (holding three (3) consecutive months of interest, fees and expenses related to these senior secured loans) which must satisfy this Reserve Requirement as well as a Collection Account whereby at least 70% of Heritage's net revenues must flow through.

The Company is also subject to a number of negative covenants, including restrictions on the Company's ability to create liens, limitations on additional indebtedness, dividends and/or restricted payments, asset sales and sale and leaseback transactions, limitations surrounding capital expenditure and investments, transactions with Affiliates (including Petrotrin), negative pledges as well as conditions for mandatory prepayments.

Heritage is also a Guarantor on TPHL's senior unsecured US$62.2125 million (2022s) amortizing 144A and Reg S series international Notes. (See note 4d).

21 Commitments

a. Sales commitments

The Company has entered into long-term sales contracts with a number of its customers. At the reporting date, these amounted to approximately TT$1,027,496 as outlined below. This is for the delivery of contracted volumes. The selling price used to value the commitment is a formula based on Platt's reference price, which is then forecasted based on Petroleum Institute Research Associates forecasts. Sales price at the actual date of sale is based on the pricing formula referenced to the Platt's posting.

Product	**Ten months ended** ***30 September 2019***	
	Barrels	**TT$000**
Crude oil	2,506,107	1,027,496

b. Purchases commitments

There were no purchase commitments as at 30 September.

22 Interests in other entities

a. *Subsidiaries*

The Company's principal subsidiaries as at 30 September 2019 are set out below. Unless otherwise stated they have share capital consisting solely of ordinary shares that are held directly by the Company, and the proportion of ownership interests held equals the voting rights held by the Company. The country of incorporation or registration is also their principal place of business.

Name of entity	**Place of business/ country of incorporation**	**Ownership interest held by the Company 2019 %**	**Ownership interest held by non-controlling interest 2019 %**	**Principal activities**
Trinidad and Tobago Marine Petroleum Company Limited (Trintomar)	Trinidad and Tobago	80%	20%	Trintomar is principally engaged in developing and producing natural gas from the Pelican Field which originally formed part of the South East Coast Consortium area.
Trinidad Northern Areas (TNA)	United Kingdom	100%	--	TNA was formed for the specific purpose of holding certain licenses. These licenses assign certain rights to explore for, drill, develop, produce and take oil, natural gas and other hydrocarbons for certain geological areas within the jurisdiction of Trinidad and Tobago.

(Presented in Thousands of Trinidad and Tobago Dollars)

22 Interests in other entities (continued)

b. *Interest in joint operations and associates*

The Company has a shared control in the following joint operations which are all based in Trinidad and Tobago:

	As at 30 September 2019 Effective Interest
NCMA Block 9 – Offshore	19.50%
Central Block	35.00%
East Brighton Block	30.00%
Moruga West	40.00%
Point Ligoure, Guapo Bay, Brighton Marine (PGB)	30.00%
South East Coast Consortium	16.00%
South West Peninsula/Bonasse	27.50%
Parrylands 'E' Block	25.00%
Teak, Samaan, Poui (TSP)	15.00%
Block 22	10.00%
Block 3A	20.13%
Galeota	35.00%
NCMA 4	20.00%
Rio Claro Block	20.00%
Ortoire Block	20.00%
St. Mary's Block	20.00%

These joint operations are involved in the exploration for and production of crude oil and natural gas. They represent unincorporated, jointly controlled operations. The Company's interest in the assets, liabilities and expenditures of these ventures are included in the relevant components of the Company's parent company financial statements.

The following table sets out summarized financial data of the Company's share of the assets and liabilities and material revenue and expenses of these jointly controlled operations. These amounts are included in the Company's statement of financial position and profit or loss and other comprehensive income:

Joint operations

	NCMA Block 9 – Offshore $	Teak, Samaan, Poui (TSP) $	Central Block $	South East Coast Consortium $	Other $	Total $
As at 30 September 2019						
Assets:						
Property, plant and equipment	4,1272	5,603	6,504	3,233	63,315	102,782
Current assets	26,326	37,160	11,439	68,207	1,813	144,945

(Presented in Thousands of Trinidad and Tobago Dollars)

22 Interests in other entities (continued)

b. *Interest in joint operations (continued)*

Joint operations (continued)

	NCMA Block 9 – Offshore $	Teak, Samaan, Poui (TSP) $	Central Block $	South East Coast Consortium $	Other $	Total $
Liabilities:						
Current liabilities	13,047	7,476	17,722	14,259	9,163	61,667
Commitments	1,805	6,270	197	2,537	--	10,809
Period ended 30 September 2019						
Revenue	196,050	201,931	68,512	82,959	3,772	553,224
Cost of sales	16,392	--	(6,171)	50,196	215,005	275,422
Income tax expenses	20,753	81,403	14,611	11,558	5,354	133,679

c. *Interest in Associate*

Heritage has a 19.5% interest in Point Fortin LNG Exports Limited (PFLE) by virtue of the Miscellaneous Provisions Bill 2018 (See note 1). PLFE’s main trading activity is the marketing of liquefied natural gas (LNG) on which an operating margin is earned on the sale of each LNG cargo.

23 Summary of significant accounting policies

This Note provides a list of the significant accounting policies adopted in the preparation of parent company financial statements to the extent they have not already been disclosed in the other Notes above.

a. *Basis of preparation*

(i) *Compliance with IFRS*

These parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to Companies reporting under IFRS. The parent company financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(ii) Going Concern

The Separate financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its legal and financial obligations. The validity of the going concern basis is dependent on finance being available for the continuing working capital requirements of the Company for the foreseeable future, being a period of at least twelve months from the date of approval of the financial statements.

23 Summary of significant accounting policies

a. *Basis of preparation*

(ii) Going Concern (continued)

The Company has recognised net profit after tax of $1,411,815 thousand for the year ended 30 September 2019 and as at this date current assets exceed current liabilities $166,861. However, during FY2020 there has been a significant deterioration in the market conditions for the Company's crude income due to the impact of the worldwide pandemic Covid-19. The ongoing operations of the Company are dependent on its ability to utilise effectively its cash reserves and the Directors recognise the continuing operations of the Company requires the optimisation of planned activities to preserve cash. The Directors have a reasonable expectation that the required actions will be successful and therefore the financial statements have been prepared on the going concern basis.

In addition, the Directors have obtained a letter of financial support from its Ultimate Shareholder, the Government of the Republic of Trinidad and Tobago which can be called upon if needed to meet its legal and financial obligations as they fall due.

(iii) *Historical Cost Convention*

The financial statements have been prepared on a historical cost basis.

(iv) *New standards, amendments and interpretations adopted by the Company*

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 01 December 2018:

- IFRS 9 Financial Instruments and associated amendments to various other standards
- IFRS 15 Revenue from contracts with customers and associated amendments to various other standard
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

(Presented in Thousands of Trinidad and Tobago Dollars)

23 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

(iv) *New standards, amendments and interpretations not yet adopted by the Company (continued)*

Title	**Key Requirements**	**Impact**	**Effective Date**	**Mandatory application date/ Date of adoption by Company**
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on parent company balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	The Company has set up a project team who is in the process of reviewing all the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Company's operating leases. The impact of IFRS 16 has not yet been determined.	01 January 2019 Early adoption is permitted only if IFRS 15 is adopted at the same time.	The Company will apply the standard from its mandatory adoption date of 01 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(Presented in Thousands of Trinidad and Tobago Dollars)

23 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

(iv) *New standards, amendments and interpretations not yet adopted by the Company (continued)*

Title	Key Requirements	Impact	Effective Date
Annual Improvements to IFRS Standards 2015-2017 Cycle	The following improvements were finalised in December 2017: • IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. • IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. • IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.	No impact	01 January 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income.	No impact	01 January 2019

23 Summary of significant accounting policies (continued)

a. *Basis of preparation (continued)*

(iv) *New standards, amendments and interpretations not yet adopted by the Company* (continued)

Title	Key Requirements	Impact	Effective Date
IFRIC 23 Uncertainty over Income Tax Treatments	• IFRIC 23 – is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The group has not early adopted this standard and is currently assessing the impact of this interpretation on the Group accounts.	No impact	01 January 2019

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

b. *Foreign currency translation*

(i) *Functional and presentation currency*

Items included in the parent company financial statements are measured using the currency of the primary economic environment in which the Company operates (‘the functional currency’). The United States dollar is the Company’s functional currency. The parent company financial statements are presented in Trinidad and Tobago dollars, rounded to the nearest thousand, which is the Company’s presentation currency. The Company’s main stakeholders are the Government of the Republic of Trinidad & Tobago, the Ministry of Finance and its employees.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

23 Summary of significant accounting policies (continued)

c. Property, plant and equipment (Note 5 a.)

d. Cash in escrow (Note 6 a.)

e. Current and deferred income tax (Note 7 b.)

f. Inventory (Note 8 a.)

g. Trade and other receivables (Note 9 a.)

h. Short-term investments (Note 10 a.)

i. Cash and cash equivalents (Note 11 a.)

j. Share Capital (Note 12 a.)

k. Provisions (Note 13 a.)

l. Trade and other payables (Note 14 a.)

m. Revenue recognition (Note 15 a.)

n. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the parent and consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

o. *Impairment of non- financial assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

24 **Subsequent Events**

a. The letter of credit established to meet Heritage's 15% share of its abandonment liability with respect to its TSP Joint Venture was increased to US$22,855,889 effective 09 December 2019. See note 20 (b).

b. The Company has been impacted by the worldwide Covid-19 pandemic. See note 23 a (ii).