

PARIA FUEL TRADING COMPANY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2021

(Expressed in Thousands of Trinidad and Tobago Dollars)

Ernst & Young Services Limited



PARIA FUEL TRADING COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF PARIA FUEL TRADING COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Paria Fuel Trading Company Limited (the "Company"), which comprise the statement of financial position as at 30 September 2021, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2021, and its financial performance and its cash flows for the year 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' ("IESBA") International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Emphasis of Matter- Uncertainty Related to Going Concern

As discussed in Note 2a(i) to the financial statements, the Company's parent has not complied with certain covenants of loan agreements with its Lenders. The loan agreements are guaranteed by the Company. Management's evaluation of the events and conditions and management's plans regarding these matters also are described in Note 2a(i). The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF PARIA FUEL TRADING COMPANY LIMITED

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and the Audit Committee for the Financial Statements

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

In preparing the 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.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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.



INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDER OF PARIA FUEL TRADING COMPANY LIMITED

Report on the Audit of the Financial Statements

(Continued)

Auditor’s Responsibilities for the Audit of the Financial Statements

(Continued)

- 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 auditor’s report to the related disclosures in the 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 auditor’s 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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.

Port of Spain,
TRINIDAD:
14 April 2022

PARIA FUEL TRADING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021

(Expressed in Thousands of Trinidad and Tobago Dollars)

ASSETS	Notes	2021	2020
		\$	\$
Non-current assets			
Property plant and equipment	11	646,254	–
Right of use assets	6	28,956	–
Deferred tax assets	5 a	<u>91,650</u>	<u>–</u>
Total non-current assets		<u>766,860</u>	<u>–</u>
Current assets			
Inventories	7	529,679	368,955
Trade and other receivables	8	467,251	256,646
Due from related parties	9 c	736,987	308,384
Cash and cash equivalents	10	593,885	1,032,452
Deferred tax assets	5 a	–	53,103
Right-of-use assets	6	<u>–</u>	<u>24,996</u>
Total current assets		2,327,802	2,044,536
Assets held for sale	12	<u>–</u>	<u>1,095,704</u>
Total assets		<u>3,094,662</u>	<u>3,140,240</u>

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

PARIA FUEL TRADING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021


(Expressed in Thousands of Trinidad and Tobago Dollars)

(Continued)

	Notes	2021 \$	2020 \$
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	13 a	–	–
Retained earnings		502,475	340,451
Currency translation differences	13 b	<u>3,884</u>	<u>11,002</u>
Total equity		<u>506,359</u>	<u>351,453</u>
Liabilities			
Non-current liabilities			
Decommissioning provision	14	558,248	–
Lease liabilities	6	23,715	–
Deferred tax liabilities	5 a	<u>24,391</u>	<u>–</u>
Total Non-current liabilities		<u>606,354</u>	<u>–</u>
Current liabilities			
Trade and other payables	15	641,639	439,303
Due to related parties	9 c	1,201,824	1,508,001
Taxation payable	5 b	132,712	28,774
Lease liabilities	6	5,774	25,561
Deferred tax liability	5 a	–	53,103
Liabilities directly associated with assets held for sale	12	<u>–</u>	<u>734,045</u>
Total current liabilities		<u>1,981,949</u>	<u>2,788,787</u>
Total liabilities		<u>2,588,303</u>	<u>2,788,787</u>
Total equity and liabilities		<u>3,094,662</u>	<u>3,140,240</u>

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

On 14 April 2022, the Board of Directors of Paria Fuel Trading Company Limited authorised these financial statements for issue.



 Director



 Director

PARIA FUEL TRADING COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)

		Continuing operations	Discontinued operations
		2021	2020
	Notes	\$	\$
Revenue from contracts with customers	16	7,808,136	6,876,574
Cost of sales	17	<u>(7,198,035)</u>	<u>(6,377,603)</u>
Gross profit		610,101	498,971
Administrative expenses	17	(69,568)	(45,165)
Write back for tax penalties and interest		–	53,236
Operating expenses	17	<u>(203,265)</u>	<u>(182,426)</u>
Operating profit		337,268	324,616
Net finance costs	19	<u>(48,299)</u>	<u>(1,445)</u>
Profit before taxation		288,969	323,171
Taxation	5 c	<u>(126,945)</u>	<u>(92,011)</u>
Profit for the year		<u>162,024</u>	<u>231,160</u>
Other comprehensive (loss)/income			
<i>Items that would not be reclassified to profit or loss</i>			
Currency translation differences		<u>(7,118)</u>	<u>3,822</u>
Total comprehensive income for the year		<u>154,906</u>	<u>234,982</u>

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

PARIA FUEL TRADING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Stated capital (Note 13 a) \$	Retained earnings \$	Currency translation differences (Note 13 b) \$	Total \$
Year ended 30 September 2021				
Balance at 1 October 2020	–	340,451	11,002	351,453
Profit for the year	–	162,024	–	162,024
Other comprehensive loss for the year	<u>–</u>	<u>–</u>	<u>(7,118)</u>	<u>(7,118)</u>
Total comprehensive income for the year	<u>–</u>	<u>162,024</u>	<u>(7,118)</u>	<u>154,906</u>
Balance at 30 September 2021	<u>–</u>	<u>502,475</u>	<u>3,884</u>	<u>506,359</u>
Year ended 30 September 2020				
Balance at 1 October 2019	–	109,291	7,180	116,471
Profit for the year	–	231,160	–	231,160
Other comprehensive income for the year	<u>–</u>	<u>–</u>	<u>3,822</u>	<u>3,822</u>
Total comprehensive income for the year	<u>–</u>	<u>231,160</u>	<u>3,822</u>	<u>234,982</u>
Balance at 30 September 2020	<u>–</u>	<u>340,451</u>	<u>11,002</u>	<u>351,453</u>

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

PARIA FUEL TRADING COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)

	Notes	2021 \$	2020 \$
Operating activities			
Profit before taxation		288,969	323,171
<i>Adjustments to reconcile profit to net cash from operating activities</i>			
Depreciation	6,11	289,589	21,078
Finance costs, net	19	48,299	1,445
<i>Net change in operating assets and liabilities</i>			
(Increase)/decrease in inventory		(160,724)	372,646
(increase)/decrease in trade and other receivables		(210,605)	136,837
(Increase)/decrease in due from related parties		(428,603)	382,980
Increase/(decrease) in trade and other payables		202,336	(124,944)
Decrease in due to related parties		(306,177)	(356,911)
Taxes paid	5 b	(90,266)	(146,948)
Finance costs paid, net		<u>(1,738)</u>	<u>190</u>
Net cash (used in)/generated from operating activities		<u>(368,920)</u>	<u>609,544</u>
Investing activity			
Purchase of property, plant and equipment	11	<u>(37,590)</u>	<u>(44,258)</u>
Net cash used in investing activity		<u>(37,590)</u>	<u>(44,258)</u>
Financing activities			
Lease payments	6	<u>(28,481)</u>	<u>(22,148)</u>
Net cash used in financing activities		<u>(28,481)</u>	<u>(22,148)</u>
Currency translation differences		<u>(3,576)</u>	<u>2,759</u>
Net (decrease)/increase in cash and cash equivalents		(438,567)	545,897
Cash and cash equivalents, at the beginning of the year		<u>1,032,452</u>	<u>486,555</u>
Cash and cash equivalents, at the end of the year		<u>593,885</u>	<u>1,032,452</u>

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

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

(Expressed in Thousands of Trinidad and Tobago Dollars)

1. Incorporation and principal activity

Paria Fuel Trading Company Limited (“Paria” or “the Company”) was incorporated in the Republic of Trinidad and Tobago on 5 October 2018. Paria is primarily engaged in importation and distribution of refined fuel, petroleum products trading and receiving, handling and preparation of cargo (terminalling). 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 9 Queen’s Park West, Port of Spain, Trinidad and Tobago, West Indies.

Prior to Paria’s formation, its terminalling 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 (Heritage), Paria Fuel Trading Company Limited (Paria), Guaracara Refining Company Limited (Guaracara) Vesting) Bill, 2018, (“Vesting Act”); effective 1 December 2018, Petrotrin’s assets relative to terminalling operations were vested in Paria. Petrotrin’s assets related to exploration and production and refinery operations were vested to Heritage and Guaracara respectively. The associated decommissioning and dismantlement obligations in respect of terminalling, E&P and refining operations were also transferred to the respective entities. As a result of the transfers of assets and liabilities, this gave rise to a corresponding liability to Petrotrin. The carrying amounts of the assets and liabilities were accounted for using the predecessor valuation method because they arose from a common-control transaction. The ultimate ownership of Paria is Corporation Sole, the same as before the restructuring described above.

(a) Significant events in the current reporting period – Assets held for sale and discontinued operations

Upon the closure of the refinery by Petrotrin and the formation of Paria and the transfer of the terminalling assets to this company, the Government of Trinidad and Tobago (GORTT) indicated its intention to offer for sale or lease these terminalling facilities.

As a result, the associated assets and liabilities of the terminalling operations were presented as “held for sale” in the statement of financial position as at 30 September 2020, (refer to Note 12). All of the operations of the prior year were therefore presented as ‘discontinued operations’ in the prior period statement of comprehensive income.

These assets and the related liabilities ceased to be classified as held for sale, as the criteria for sale of the assets, was not met as at 30 September 2021.

Consistent with the requirements of IFRS 5, comparative information was not restated.

All of the operations in the current period are shown as “continued operations” and as “discontinued operations” in the prior period in the statement of comprehensive income.

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)
(Continued)

2. Basis of preparation and other significant accounting policies

a. Basis of preparation

i) Going concern

The prior year financial statements were prepared on a non-going concern basis due to the planned divestment of the Company's assets and the intention to liquidate the Company after conclusion of the sale. The associated assets and liabilities were consequently presented as assets or liabilities classified as "held for sale" in the 2020 financial statements.

In accordance with IAS 1 "Presentation of Financial Statements", the 2021 financial statements have been prepared on a going concern basis given that the held for sale criteria was not met. Management therefore does not intend to liquidate Paria or to cease trading or has no realistic alternative but to do so for at least twelve months from the reporting date of the financial statements.

The going concern basis assumes the Company will be able to meet its legal and financial obligations. The validity of the going concern basis is dependent on finances 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 reporting date of the financial statements.

The ongoing operations of the Company are dependent on its ability to utilise effectively its cash reserves and the Directors recognize that the continuing operations of the Company requires the optimisation of planned activities to preserve cash.

Paria (as well as Heritage and Guaracara) is a Guarantor of the parent company's, (TPHL's), senior secured and unsecured debt obligations. Collectively, Paria, Heritage, TPHL and Guaracara are the Loan Parties.

TPHL and the Guarantors are currently in default of certain covenants of the Credit Agreement and Indenture.

The Directors and Management have been advised that the Loan Parties, in consultation with the Administrative Agent of the Lenders, have approved a plan to address such defaults with the Lenders by applying for waivers and consents. Additionally, management has concluded a Request for Proposal (RFP) process as part of the TPHL Group Refinancing currently being undertaken. The refinancing is expected to be completed within twelve months of the approval of these financial statements. The Group believes that these waivers and consents will be granted by the Lenders. The Loan Parties worked with the Lenders to successfully execute a waiver in 2020 for similar previous events of default under the Credit Agreement. With this precedent, combined with the positive nature of discussions between the Loan Parties and the Lenders to date, the directors and Management are of the view that there is a strong likelihood that the execution of the waivers for the current events of default, is expected within twelve months of the approval of these financial statements

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)
(Continued)

2. Basis of preparation and other significant accounting policies (continued)

a. Basis of preparation (continued)

i) Going concern (continued)

TPHL and the Guarantors, through their quarterly compliance reporting process have kept the Administrative Agent of the lenders apprised of these recent “events of default”. The Board and Management working jointly with the Administrative Agent of the Lenders have agreed and approved a plan to address these “events of default” as part of the current TPHL Group refinancing process being undertaken which is expected to be completed within twelve months of the approval of these financial statements.

The current defaults can be divided in three different groups.

First, failure by TPHL to deliver its audited consolidated financial statements for the period ended 30 September 2019, which triggered an event of default under the Credit Agreement and a default under the Indenture (the “FS Default”).

Second, the Loan Parties have performed certain actions as part of their operations that are not permitted to be performed during the period in which a default or event of default has occurred and has continued to occur. Such actions include, but are not limited to, incurring capital expenditures relating to exploration and for the development of proved, undeveloped reserves and making investments in Petrotrin for the payment of interest in respect of Petrotrin’s short-term debt. Because the Loan Parties have performed such actions during the FS Default, other defaults and/or events of defaults have been triggered under the Credit Agreement and/or the Indenture.

Third, the Loan Parties have failed to comply with certain other covenants under the Credit Agreement that are unrelated to the occurrence and continuance of the FS Default, including, making certain investments in Petrotrin, which payments constitute restricted payments. These actions have triggered defaults and/or events of defaults under the Credit Agreement.

In addition, an event of default under the Credit Agreement may, under certain circumstances, trigger an event of default under the Indenture. Similarly, a default under the Indenture may under certain circumstances trigger an event of default under the Credit Agreement.

Under the Indenture, a default resulting from the failure to comply with the covenants thereunder (other than a payment default) is not an “event of default” until the Trustee (at the direction of Holders holding more than 50% in aggregate principal amount of the Notes) or the Holders holding more than 25% in aggregate principal amount of the Notes then outstanding notifies TPHL (and in the case of such notice by Holders, the Group and the Trustee) of the default and TPHL does not cure such default within the time specified after receipt of such notice. No such Notice of Default has been received by TPHL as of the approval date of these financial statements. However, an event of default exists under the Indenture’s cross-default provision resulting from the events of default existing under the Credit Agreement.

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)
(Continued)

2. Basis of preparation and other significant accounting policies (continued)

a. Basis of preparation (continued)

i) Going concern (continued)

Notwithstanding the above, (i) the consent of Lenders holding more than 50% of the aggregate principal amount of the Loans is still required to accelerate the Loans under the Credit Agreement, and (ii) the Holders holding more than 25% in aggregate principal amount of the Notes then outstanding still need to direct the Trustee to, in which case the Trustee by written notice to the Group, or the Required Holders by written notice to the Group and the Trustee may, declare the principal and accrued and unpaid interest on all the Notes to be due and payable. Upon such a declaration, such principal and interest shall be due and payable immediately. It is important to note that no such consent on the part of the Lenders or direction on the part of the Holders has occurred.

Additionally, only the voting creditors holding more than 50% of the aggregate principal of the claims outstanding (i.e., combined exposure of loans and bonds) shall be entitled to enforce on the collateral.

It should be noted that none of the events of default under the Credit Agreement or Indenture are debt service or payment related defaults, as Heritage on behalf of TPHL continues to make all interest and principal payments under the terms of the Credit Agreement and the Indentures during 2021 and 2022 noted below.

In addition, the directors have obtained a letter of financial support from its ultimate Parent, GORTT, which can be called upon if needed to meet its legal and financial obligations as they fall due.

	Credit agreement	Indenture	Total
	\$	\$	\$
Payments in 2021			
Interest	267,238	459,898	727,136
Principal	<u>749,658</u>	<u>140,044</u>	<u>889,702</u>
Total	<u>1,016,896</u>	<u>599,942</u>	<u>1,616,838</u>
Payments made since 1 October 2021 to 31 March 2022			
Interest	128,531	242,871	371,402
Principal	<u>390,736</u>	<u>70,057</u>	<u>460,793</u>
Total	<u>519,267</u>	<u>312,928</u>	<u>832,195</u>

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)
(Continued)

2. Basis of preparation and other significant accounting policies (continued)

a. Basis of preparation (continued)

(ii) Compliance with IFRS

These 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 financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(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 applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to IFRS 3: *Definition of a Business*
- Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 Definition of Material
- Conceptual Framework for Financial Reporting
- Amendments to IFRS 16 Covid-19 Related Rent Concessions

These amendments had no impact on the financial statements of the Company.

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)
(Continued)

2. Basis of preparation and other significant accounting policies (continued)

a. Basis of preparation (continued)

(v) New standards, amendments and interpretations adopted by the Company (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective. The Company is currently assessing the impact of adopting the standards and interpretations.

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Effective 1 January 2021
- Reference to the Conceptual Framework: Amendments to IFRS 3 – Effective for annual reporting periods beginning on or after 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16 – Effective for annual reporting periods beginning on or after 1 January 2022
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 - Effective for annual reporting periods beginning on or after 1 January 2022
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter – Effective for annual reporting periods beginning on or after 1 January 2022
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities – Effective for annual reporting periods beginning on or after 1 January 2022
- IAS 41 Agriculture – Taxation in fair value measurements – Effective on or after the beginning of the first annual reporting period beginning on or after 1 January 2022
- IFRS 17 'Insurance Contracts' – Effective for reporting periods beginning on or after 1 January 2023
- Definition of accounting estimates: Amendments to IAS 8 – Effective for reporting periods beginning on or after 1 January 2023
- Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2 – Effective for reporting periods beginning on or after 1 January 2023
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Effective for annual reporting periods beginning on or after 1 January 2023
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 – Effective for reporting periods beginning on or after 1 January 2023

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)
(Continued)

2. Basis of preparation and other significant accounting policies (continued)

b. Foreign currency translation

(i) Functional and presentation currency

Items included in the 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 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 and Tobago, the Ministry of Finance, potential investors and associated parties 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 recognised in the statement of comprehensive income.

All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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 the statement of comprehensive income 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.

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2021
(Expressed in Thousands of Trinidad and Tobago Dollars)
(Continued)

2. Basis of preparation and other significant accounting policies (continued)

c. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

In the prior year all assets and liabilities were classified as current as the current assets reflected the manner in which the company expected these assets to be realised and the current liabilities reflected the manner in which the Company is expected to settle these obligations.

d. Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value which was nil (2020: nil). Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of comprehensive income, and an ECL allowance which is nil (2020: nil).

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2. Basis of preparation and other significant accounting policies (continued)

e. Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The Company's financial assets include trade and other receivables, due from related parties and other financial assets.

Financial liabilities are measured at initial recognition at fair value.

The Company's financial liabilities include trade and other payables, lease liabilities and due to related parties.

Financial assets at amortised cost

The Company only measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company's financial assets at amortised cost include trade and other receivables, due from related parties and cash and cash equivalents.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

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2. Basis of preparation and other significant accounting policies (continued)

e. Financial assets and financial liabilities (continued)

Derecognition of financial assets (continued)

- The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Company cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Company could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Company would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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2. Basis of preparation and other significant accounting policies (continued)

e. Financial assets and financial liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the statement of comprehensive income.

f. Impairment of non-financial 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. 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.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in expense categories consistent with the function of the impaired asset.

g. Property, plant and equipment (Note 11 a.)

h. Inventories (Note 7 a.)

i. Trade and other receivables (Note 8 a.)

j. Cash and cash equivalents (Note 10 a.)

k. Stated Capital (Note 13 a.)

l. Provisions (Note 14 a.)

m. Trade and other payables (Note 15 a.)

n. Revenue recognition (Note 16 a.)

o. Current and deferred income tax (Note 5 d.)

p. Leases (Note 6 a.)

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3. Critical estimates, assumptions and errors

The preparation of 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 financial statements

Significant estimates and judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

- Income taxes – Note 5
- Decommissioning and environmental obligation – Note 14
- Estimation of the fair value of property, plant and equipment – Note 11 and Note 12
- Provision for expected credit losses of trade receivables – Note 8
- Leases – Note 6

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.

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4. Financial risk management

The Company has exposure to the following risks:

(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, 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 across the TPHL Group. 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 US\$49 million and US\$124 million and TT\$47 million and TT\$105 million (2020: US\$10 million and US\$100 million and TT\$100 million and TT\$600 million).

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.

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:

	2021	2020
	\$	\$
Cash and cash equivalents	<u>593,885</u>	<u>1,032,452</u>

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4. Financial risk management (continued)

(a) *Credit risk* (continued)

iii) *Exposure to credit risk*

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

	Fully performing	Past due	Impaired	Provision for impairment	Total
30 September 2021	\$	\$	\$	\$	\$
Cash and cash equivalents	593,885	–	–	–	593,885
Trade receivables (excluding prepayments)	374,421	84,136	–	–	458,557
Due from related parties	<u>473,064</u>	<u>263,923</u>	<u>–</u>	<u>–</u>	<u>736,987</u>
	<u>1,441,370</u>	<u>348,059</u>	<u>–</u>	<u>–</u>	<u>1,789,429</u>
 30 September 2020					
Cash and cash equivalents	1,032,452	–	–	–	1,032,452
Trade receivables (excluding prepayments)	176,734	73,945	–	–	250,679
Due from related parties	<u>184,149</u>	<u>124,235</u>	<u>–</u>	<u>–</u>	<u>308,384</u>
	<u>1,393,335</u>	<u>198,180</u>	<u>–</u>	<u>–</u>	<u>1,591,515</u>

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

The Company recognises a 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, no ECL was determined necessary for these balances.

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. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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(Continued)

4. Financial risk management (continued)

(a) *Credit risk* (continued)

iii) *Exposure to credit risk* (continued)

The simplified approach (continued)

No ECL is applied on balances due from related parties as the Company expects to recover the full amount of these receivables. Refer to Note 9.

Subsidies are expected to be remitted by the customers, NPMC, a related party, and UNIPET, to the Company when they receive the funds from the Ministry of Finance. Disbursement of subsidies is triggered by the remittance of funds from the Ministry of Finance (GORTT) to the respective parties, which is subsequently paid to the Company. Management believes that this sum will be settled regardless of the lapse in time by GORTT, as such the past due subsidy receivables are not included in the determination of the Company's ECL. Subsidy receivables settled during the year amounted to \$85.1 million (2020: \$171 million). At 30 September 2021 amounts due to the Company in relation to subsidies from third and related party sales amounted to \$462.47 million (2020: \$198.07 million), which are included in trade receivable and due from related parties in the statement of financial position.

Incorporation of forward-looking information

Loss rates based on experience within the year 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 that 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 the statement of comprehensive income.

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4. Financial risk management (continued)

(a) *Credit risk* (continued)

iii) *Exposure to credit risk* (continued)

Summary of ECL calculations

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

Specific provision	2021 \$	2020 \$
Gross carrying amount of trade receivables	458,557	250,679
Less: Provision	<u>—</u>	<u>—</u>
Total	<u>458,557</u>	<u>250,679</u>

(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.

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4. Financial risk management (continued)

(b) Liquidity risk (continued)

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

30 September 2021	< 1 year	1-2 years	2-5 years	>5 years	Carrying amount
Trade payables	376,860	–	–	–	376,860
Lease liabilities	7,316	3,600	10,800	15,900	37,616
Accruals and other payables	264,779	–	–	–	264,779
Due to related parties (excluding statutory obligations)	<u>1,162,237</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,162,237</u>
Total	<u>1,811,192</u>	<u>3,600</u>	<u>10,800</u>	<u>15,900</u>	<u>1,841,492</u>
30 September 2020	< 1 year	1-2 years	2-5 years	> 5 years	Carrying amount
Trade payables	215,981	–	–	–	215,981
Lease liabilities	27,404	–	–	–	27,404
Accruals and other payables	223,322	–	–	–	223,322
Due to related parties (excluding statutory obligations)	<u>1,279,798</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,279,798</u>
Total	<u>1,746,805</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,746,805</u>

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4. Financial risk management (continued)

(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.

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 is the United States dollar (USD) since the Company's major product is priced internationally in 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.

(i) Foreign exchange risk

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

	As at 30 September 2021	As at 30 September 2020
Period-end	6.74655	6.76260
Average exchange rate	6.75515	6.75160

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.

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4. Financial risk management (continued)

(c) *Market risk* (continued)

(i) *Foreign exchange risk* (continued)

	2021	2020
Assets	\$	\$
Receivables (excluding prepayments)	226,585	146,147
Due from related parties	721,216	297,602
Cash and cash equivalents	<u>46,475</u>	<u>17,933</u>
Financial assets	<u>994,276</u>	<u>461,682</u>
Liabilities		
Trade and other payables	(38,956)	(31,666)
Due to related parties	<u>(18,180)</u>	<u>(48,566)</u>
Financial liabilities	<u>(57,136)</u>	<u>(80,232)</u>
Net currency exposure	<u>937,140</u>	<u>381,450</u>
Reasonably possible change in exchange rate	5%	5%
Effect on profit after tax	<u>46,857</u>	<u>19,073</u>

(ii) *Price risk*

The Company is exposed to fluctuations in the prices of refined products sold at market prices. Given that the Company trades fuel at market prices, any change in commodity prices will result in a similar change in both the Company's revenue and cost of sales, thereby having no significant impact on the Company's profit after tax.

As a result of these market price fluctuations the Company may in the future use established over-the-counter swaps, for refined products 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.

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(Continued)

4. Financial risk management (continued)

(d) Capital risk management

Consistent with others in the industry, the Company monitors capital on the basis of the following gearing ratio:

Net debt divided by total equity as shown in the statement of financial position.

The Company has no gearing as there are no borrowings as at 30 September 2021 (2020: Nil).

The Company has no external debt recorded as at the reporting date, 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 and subsequently refinanced. As part of the reorganisation and refinancing, 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 2(a) and Note 21(b).

Treasury management is thus based on the way financing is managed at the overall TPHL Group level.

(e) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2021	2020
	\$	\$
<i>Financial assets</i>		
Due from related parties	736,987	308,383
Trade and other receivables (excluding prepayments)	458,557	250,679
Cash and cash equivalents	<u>593,885</u>	<u>1,032,452</u>
	<u>1,789,429</u>	<u>1,591,514</u>
The Company has no assets at fair value through profit or loss.		
<i>Financial liabilities</i>		
Trade and other payables	641,639	439,303
Lease liabilities	29,489	25,561
Due to related parties (excluding statutory obligations)	<u>1,162,237</u>	<u>1,279,798</u>
	<u>1,833,365</u>	<u>1,744,662</u>

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

PARIA FUEL TRADING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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5. Current and deferred taxation

<i>(a) Deferred taxation</i>	2021	2020
	\$	\$
At beginning of the period	–	–
Credit for the year	<u>67,259</u>	<u>–</u>
At end of the period	<u>67,259</u>	<u>–</u>

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 35%. The deferred income tax asset/(liability) in the statement of financial position and the deferred income tax (charge)/credit in the statement of comprehensive income are attributable to the following:

	Opening balance	(Charge)/ credit to SOCI	Closing balance
	\$	\$	\$
Year ended 30 September 2021			
Deferred income tax liability			
Accelerated tax depreciation – property, plant and equipment	<u>(53,103)</u>	<u>28,712</u>	<u>(24,391)</u>
Total	<u>(53,103)</u>	<u>28,712</u>	<u>(24,391)</u>
Deferred income tax assets			
Provision for decommissioning	<u>53,103</u>	<u>38,547</u>	<u>91,650</u>
Total	<u>53,103</u>	<u>38,547</u>	<u>91,650</u>
Net deferred income tax (liability)/asset	<u>–</u>	<u>67,259</u>	<u>67,259</u>
Year ended 30 September 2020			
Deferred income tax liability			
Accelerated tax depreciation – property, plant and equipment	<u>(36,753)</u>	<u>(16,350)</u>	<u>(53,103)</u>
	<u>(36,753)</u>	<u>(16,350)</u>	<u>(53,103)</u>
Deferred income tax assets			
Provision for decommissioning	<u>36,753</u>	<u>16,350</u>	<u>53,103</u>
	<u>36,753</u>	<u>16,350</u>	<u>53,103</u>
Net deferred income tax (liability)/asset	<u>–</u>	<u>–</u>	<u>–</u>

There are no tax losses carried forward as at 30 September 2021 (2020: nil).

A valuation allowance of \$13.1 million (2020: \$6.7 million) has been recorded at 30 September 2021 in relation to the deferred tax asset on the net decommissioning liability associated with certain of the Company's assets. At the time of dismantlement of these assets it is expected that the Group will not have future taxable profits against which to utilise the deferred tax asset.

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5. Current and deferred taxation (continued)

	2021	2020
	\$	\$
<i>(b) Taxation payable</i>		
Balance at the start of the period	28,774	83,711
Income taxes paid	(90,266)	(146,948)
Current period income tax expense	<u>194,204</u>	<u>92,011</u>
Balance at the end of the period	<u>132,712</u>	<u>28,774</u>
<i>(c) Taxation charge</i>		
Corporation tax	194,204	92,011
Deferred income tax (net of valuation allowance)	<u>(67,259)</u>	<u>—</u>
	<u>126,945</u>	<u>92,011</u>
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:		
Profit before tax	<u>288,969</u>	<u>323,171</u>
Tax at 35%	101,139	113,110
Expenses not deductible for taxes	19,503	(6,686)
Increase/(reduction) in valuation allowance of deferred tax asset	6,436	(16,350)
Prior year tax adjustment	—	1,308
Other differences	<u>(133)</u>	<u>629</u>
	<u>126,945</u>	<u>92,011</u>

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(Continued)

5. Current and deferred taxation (continued)

(d) 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 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. 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 tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax to be recovered.

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 the statement of comprehensive income, 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.

Deferred income taxes are calculated in full, on temporary differences under the liability method using a principal tax rate of 35%.

6. Leases

The Company has lease contracts for a vessel motor vehicles and other assets used in its operations. Leases generally have lease terms between 1 and 10 years. The Company also has certain leases of office equipment and vehicles with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases. Payments made under such leases are expensed as invoiced per agreement.

As at 30 September 2021, the Company's assets are no longer classified as held for sale as explained in Note 1. This has resulted in the right of use asset as at 30 September 2021 presented in the financial statements as a non-current asset. The lease liabilities as at 30 September 2021 were split between current and non-current as noted below.

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6. Leases (continued)

Set out below are the carrying amounts of right-of-use (ROU) assets recognised and the movements during the period:

	Vessel	Vehicles	Building	Bungalow	Lab	Tank	Total
	\$	\$	rental	rental	rental	rental	\$
Right-of-use assets			\$	\$	\$	\$	\$
As at							
1 October 2020	22,990	2,006	–	–	–	–	24,996
Translation difference	(56)	(5)	–	–	–	–	(61)
Additions	–	–	2,956	654	176	26,962	30,748
Depreciation	<u>(20,876)</u>	<u>(1,079)</u>	<u>(2,545)</u>	<u>(523)</u>	<u>(132)</u>	<u>(1,572)</u>	<u>(26,727)</u>
As at							
30 September 2021	<u>2,058</u>	<u>922</u>	<u>411</u>	<u>131</u>	<u>44</u>	<u>25,390</u>	<u>28,956</u>
As at							
1 October 2019	–	–	–	–	–	–	–
Implementation of IFRS 16	43,916	2,158	–	–	–	–	46,074
Depreciation	<u>(20,926)</u>	<u>(152)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(21,078)</u>
As at							
30 September 2020	<u>22,990</u>	<u>2,006</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>24,996</u>

Set out below are the carrying amounts of lease liabilities and the movements during the period.

	Vessel	Vehicles	Building	Bungalow	Lab	Tank	Total
	\$	\$	rental	rental	rental	rental	\$
Lease liabilities			\$	\$	\$	\$	\$
As at 1 October 2020	23,542	2,019	–	–	–	–	25,561
Translation difference	(57)	(6)	–	–	–	–	(63)
Additions	–	–	2,956	654	176	26,962	30,748
Accretion of interest	590	83	85	21	4	941	1,724
Payments	<u>(21,916)</u>	<u>(1,141)</u>	<u>(2,649)</u>	<u>(540)</u>	<u>(135)</u>	<u>(2,100)</u>	<u>(28,481)</u>
As at							
30 September 2021	<u>2,159</u>	<u>955</u>	<u>392</u>	<u>135</u>	<u>45</u>	<u>25,803</u>	<u>29,489</u>
Presented as:							
Current							5,774
Non-current							<u>23,715</u>
							<u>29,489</u>

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6. Leases (continued)

	Vessel	Vehicles	Building rental	Bungalow rental	Lab rental	Tank rental	Total
	\$	\$	\$	\$	\$	\$	\$
As at 1 October 2019							
Implementation of IFRS 16	43,916	2,158	—	—	—	—	46,074
Interest	1,615	20	—	—	—	—	1,635
Payments	<u>(21,989)</u>	<u>(159)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(22,148)</u>
As at 30 September 2020	<u>23,542</u>	<u>2,019</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,561</u>

The statement of comprehensive income includes the following amounts relating to leases:

	2021	2020
Depreciation charge on right-of-use assets	(26,727)	(21,078)
Interest expense (Note 19)	(1,724)	(1,635)
Expense relating to short-term leases	(96)	(148)

The Company had total cash outflows for leases of \$28.5 million in 2021 (2020: \$22.1 million).

(a) Accounting policy

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease terms are negotiated on an individual basis and contain different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the commencement date of the lease. The Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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6. Leases (continued)

(a) Accounting policy (continued)

Right-of-use assets are measured at cost at the commencement date comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The right-of-use assets are also subject to impairment.

Payments made under short-term leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(b) Significant judgements

Determining the lease term

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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7. Inventories	2021	2020
	\$	\$
Refined products	537,534	377,402
Inventory – spares	44	44
Provision for refined products	<u>(7,899)</u>	<u>(8,491)</u>
	<u>529,679</u>	<u>368,955</u>

Inventory expensed during the year ended 30 September 2021 was \$6,916,173 (2020: \$6,360,450).

(a) Accounting policy

Refined products are valued at the lower of the cost of purchasing the refined products and net realisable value based on current market prices.

(i) Refined products

The total product cost is comprised of the cost of purchased crude and any associated costs.

Net realisable values of refined products are based on prices as quoted in the ‘Platts Oilgram’ at the close of the reporting period.

When inventories of refined products are sold, the carrying amount of those inventories is recognised as an expense in cost of sales in the period in which the related sale is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories is recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the cost of inventories and recognised as an expense in the period in which the reversal occurs.

(b) Assets pledged as security

In accordance with Security Agreement 2.1(a) Grant of Security dated June 28, 2019 in respect of TPHL’s loans, certain assets; including the carrying amount of inventories of \$529.6 million (2020: 369 million), are held as security. Refer to Note 21 for additional information.

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8. Trade and other receivables	2021	2020
	\$	\$
Trade receivables	458,557	250,679
Less: provision for impairment	<u>—</u>	<u>—</u>
Trade receivables – net	458,557	250,679
Prepayments	<u>8,694</u>	<u>5,967</u>
	<u>467,251</u>	<u>256,646</u>

The ageing analysis of trade receivables is as follows:

	Current	Days past due 31 to 60 days	61 to 90 days	> 90 days	Total
	\$	\$	\$	\$	\$
As at 30 September 2021	374,421	18,736	12,772	52,628	458,557
As at 30 September 2020	176,734	2,771	1,962	69,212	250,679

(a) Accounting policy

Trade receivables are amounts due from customers for sale of products or ancillary services performed in the ordinary course of business.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit losses (ECL). Expected credit losses 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, with the exception of amounts indirectly due from GORTT) are considered indicators that the trade receivable is impaired.

Any ECL is recognised in the statement of comprehensive income within administrative expenses. 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 expenses in the statement of comprehensive income.

(b) 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.

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9. 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, Paria 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 include:

- The Guaracara Refining Company Limited – Purchase of inventory - product, purchase of inventory – spares, rental of tanks and rental of lab and provision of security services to GRC,
- Heritage Petroleum Company Limited – Processing fee from pipeline, provision of storage facilities for inventory – product, bunker sales, terminalling fees (marine) and provision of payroll services to Paria,
- Petroleum Company of Trinidad and Tobago Limited – Transfer of novated assets on December 1 2018, restructuring costs, cash advances, utilities, rental of building and rental of bungalows,
- Trinidad Petroleum Holdings Limited – Insurance paid on behalf of Paria and management fees,
- Trinidad & Tobago National Petroleum Marketing Company Limited (NPMC) – product sales
- Trinidad and Tobago National Petroleum Marketing Company Limited, Dominica (NPMC-DM) – product sales
- Ministry of Energy & Energy Industry (MEEI) – Work commissioned by MEEI to perform corrective works on Paria’s LPG systems to supply liquified petroleum gas (LPG) to Trinidad, during Phoenix Park Gas Processors Limited’s facility turnaround (shutdown).
- Joint and several guarantee with fellow TPHL subsidiaries on borrowings for the TPHL Group (Note 21).

(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:

	2021	2020
	\$	\$
Short-term employee benefits	4,598	4,425
Short-term director fees	289	268
Long-term employee benefits	<u>96</u>	<u>263</u>
	<u>4,983</u>	<u>4,956</u>

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(Continued)

9. Transactions with related parties (continued)

	2021	2020
(b) Trade and financing activities with related parties	\$	\$
<i>Sales to NPMC</i>	2,624,209	2,385,765
<i>Services provided to Heritage</i>		
Pipeline fees	63,586	61,072
Bunkers	–	16,068
Marine	–	278
Lab & service fees	1,239	–
<i>Sales to NPMC - Dominica</i>	29,400	22,825
<i>Services provided to Guaracara</i>		
Recharges for security	1,950	2,173
<i>Financing provided to Ministry of Energy & Energy Industries LPG Project</i>	–	3,354
	<u>2,720,384</u>	<u>2,491,535</u>
<i>Services received from Petrotrin</i>		
Utilities incurred on behalf of Paria	7,301	8,037
Lease payments - Building & bungalow (Note 6)	3,189	–
<i>Services received from Heritage</i>		
Invoice paid on behalf of Paria	33	842
Processing payroll	139	–
<i>Services received from TPHL</i>		
Invoices paid on behalf of Paria	12,848	15,310
<i>Services received from GRC</i>		
Purchase of fuel	6,376	11,989
Purchase of material	1,201	4,887
Lease payments - Tank rental & Lab rental (Note 6)	<u>2,235</u>	<u>–</u>
	<u>33,322</u>	<u>41,065</u>

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(Continued)

9. 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:

	2021	2020
	\$	\$
<i>(i) Due from related parties</i>		
Heritage	15,767	15,596
Guaracara	389	1,282
NPMC – Product	377,075	165,876
NPMC – Subsidy receivable	338,989	123,778
NPMC – Dominica	3,156	–
Ministry of Energy & Energy Industries	1,456	1,697
The Government of the Republic of Trinidad and Tobago (GORTT) - Taxes other than income taxes	<u>155</u>	<u>155</u>
	<u>736,987</u>	<u>308,384</u>
<i>(ii) Due to related parties</i>		
Heritage	529	704
Petrotrin*	1,148,925	1,258,882
Guaracara	3,916	4,902
TPHL	8,811	15,310
NPMC	56	–
The Government of the Republic of Trinidad and Tobago (GORTT) - Taxes other than income taxes	<u>39,587</u>	<u>228,203</u>
	<u>1,201,824</u>	<u>1,508,001</u>

* The amounts due to Petrotrin arose on the vesting of assets as described in note 1.

All outstanding balances at the year-end are unsecured and interest free with no set repayment terms. Due to the short-term nature of the related party payables, their carrying amount is assumed to be the same as their fair value.

	2021	2020
	\$	\$
10. Cash and cash equivalents		
Cash at bank and on hand	<u>593,885</u>	<u>1,032,452</u>

(a) Accounting policy

Cash and cash equivalents include cash on hand, 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.

The effective interest rates on cash and short-term deposits was around 0.1% per annum (2020: 0.01% per annum).

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11. Property, plant and equipment

Cost	Buildings	Furniture & fittings	Berths	Marine communication	Marine vessels (Tugs)	Plant & machinery	Capital work in progress	Decommissioning asset	Total
Balance as at 1 October 2020	–	–	–	–	–	–	–	–	–
Reclassification from assets held for sale – Note 12	7,315	527	118,369	113	739	380,276	44,833	589,107	1,141,279
Additions/(adjustment)	–	–	–	–	–	116	37,474	–	37,590
Revision of estimates (Note 14)	–	–	–	–	–	(16,587)	–	(204,613)	(221,200)
Exchange difference	(5)	–	(87)	–	(1)	1,614	1,065	(5,564)	(2,978)
Transfers	–	–	–	–	–	<u>55,292</u>	<u>(55,292)</u>	–	–
Balance as at 30 September 2021	<u>7,310</u>	<u>527</u>	<u>118,282</u>	<u>113</u>	<u>738</u>	<u>420,711</u>	<u>28,080</u>	<u>378,930</u>	<u>954,691</u>
Accumulated depreciation and amortisation									
Balance as at 1 October 2020	–	–	–	–	–	–	–	–	–
Reclassification from assets held for sale – Note 12	(244)	(35)	(4,342)	(37)	(97)	(18,179)	–	(22,651)	(45,575)
Depreciation	<u>(1,638)</u>	<u>(211)</u>	<u>(31,452)</u>	<u>(76)</u>	<u>(255)</u>	<u>(131,719)</u>	–	<u>(97,511)</u>	<u>(262,862)</u>
Balance as at 30 September 2021	<u>(1,882)</u>	<u>(246)</u>	<u>(35,794)</u>	<u>(113)</u>	<u>(352)</u>	<u>(149,898)</u>	–	<u>(120,162)</u>	<u>(308,437)</u>
Net book amount	<u>5,428</u>	<u>281</u>	<u>82,488</u>	–	<u>386</u>	<u>270,813</u>	<u>28,080</u>	<u>258,768</u>	<u>646,254</u>

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(Continued)

11. Property, plant and equipment (continued)

	Buildings	Furniture & fittings	Berths	Marine communication	Marine vessels (Tugs)	Plant & machinery	Capital work in progress	Decommissioning asset	Total
Costs									
Balance as at 1 October 2019	–	–	–	–	–	–	–	–	–
Additions/(adjustment)	–	–	–	–	(716)	–	44,258	52,747	96,289
Reclassification to assets held for sale – Note 12	–	–	–	–	716	–	(44,258)	(52,747)	(96,289)
Balance as at 30 September 2020	–	–	–	–	–	–	–	–	–
Accumulated depreciation, depletion, amortisation and impairment losses									
Balance as at 1 October 2019	–	–	–	–	–	–	–	–	–
Depreciation, depletion & amortisation	–	–	–	–	–	–	–	–	–
Reclassification to assets held for sale – Note 12	–	–	–	–	–	–	–	–	–
Balance as at 30 September 2020	–	–	–	–	–	–	–	–	–
Net book amount	–	–	–	–	–	–	–	–	–

On 1 December 2018, property, plant and equipment of \$511,695 was transferred from Petrotrin to Paria as per the 2018 Miscellaneous Provision Vesting Bill as described in Note 1. As at 1 April 2019 all property, plant and equipment relating to terminalling was classified as held-for-sale and continued to be classified as held for sale as at 30 September 2020.

As at 30 September 2021, the assets ceased to be classified as held for sale as the criteria was no longer met (Note 12). The assets were therefore reclassified from assets held for sale to property plant and equipment.

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11. Property, plant and equipment – (continued)

(a) Accounting policy

Buildings comprise mainly properties used in connection with the terminalling facilities and offices.

At the time the assets were vested these buildings and all other property, plant and equipment were stated at historical cost less depreciation including expenditure that was directly attributable to the acquisition of the items and any subsequent costs when it was probable that future economic benefits associated with the item would flow to the Company and the cost of the item could have been measured reliably.

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

Depreciation was calculated as follows:

Buildings	-	10%	reducing balance basis
Marine vessels and equipment	-	10%	straight-line basis
Berths	-	10%	straight-line basis
Tugs/barges	-	20%	reducing balance basis
Plant and machinery	-	10%	straight-line basis
Computer equipment/software (non-specialised)	-	33.3%	straight-line basis
Furniture and fittings	-	20%	reducing balance basis
Decommissioning Asset	-	10%	straight line basis

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.

(b) Assets pledged as security

In accordance with Security Agreement 2.1(a) Grant of Security dated June 28, 2019, certain assets; equipment and fixtures have been held as security. Refer to Note 21 for additional information.

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11. Property, plant and equipment – (continued)

(c) Depreciation, depletion and amortization

The assets were classified as held for sale under IFRS 5 effective 1 April 2019, therefore no depreciation had been charged from that date. Given that these assets no longer meet the held for sale criteria as at 30 September 2021 (Note 12), a depreciation adjustment was made in the current year for any depreciation that would have been recognised had the asset not been so classified. The current year depreciation charge of \$263 million includes an amount of \$161 million in respect of the catch up depreciation charge related to 2019 and 2020.

(d) Capital work in progress

Capital work in progress is stated at cost. An amount of \$37,474 (2020: \$44,258) was incurred in relation to ongoing capital projects. These assets are not subject to depreciation. On completion of the projects, amounts are transferred to the relevant category of property plant and equipment.

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12. Assets held for sale and liabilities directly associated with assets held for sale

	2021 \$	2020 \$
Assets held for sale		
Property, plant and equipment	—	<u>1,095,704</u>
Total assets held for sale	—	<u>1,095,704</u>
The movement in property, plant and equipment held for sale is as follows:		
Balance at 1 October	1,095,704	998,588
Additions (Note 11)	—	44,258
Less: Previously novated asset transferred to related party	—	(716)
Less: Transfers to property plant and equipment	(1,095,704)	—
Decommissioning asset adjustment (Note 14)	—	52,747
Exchange difference as at year end	—	<u>827</u>
Balance at 30 September	—	<u>1,095,704</u>
Liabilities directly associated with the assets held for sale		
Decommissioning provision (Note 14)	—	<u>734,045</u>
Total liabilities directly associated with assets as held for sale	—	<u>734,045</u>
Balance at 1 October	734,045	681,298
Add: Revision in provision estimates	—	52,747
Less: Transfers to Non-Current Liability – Decommission Liability	<u>(734,045)</u>	—
Balance at 30 September	—	<u>734,045</u>

As at 30 September 2021, the assets ceased to be classified as “held for sale” and have been transferred to property plant and equipment they no longer meet the criteria outlined in IFRS 5. The sale did not meet the ‘highly probable’ definition as outlined in IFRS 5 because an active plan to locate a buyer was not in place.

As at 30 September 2020, included in property plant and equipment held for sale was an amount of \$566 million representing the unamortised portion of the dismantlement asset in relation to the decommission provision of \$734 million.

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12. Assets held for sale and liabilities directly associated with the assets held for sale (continued)

(a) Accounting policy

A non-current asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable. They are measured at lower of their carrying amount and fair value less costs to sell except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

When the sale is expected to occur beyond one year, the Company measures the costs to sell at its present value. Any increase in the present value of the costs to sell that arises from the passage of time is presented in the statement of comprehensive income as a financing cost.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell off an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continues to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Non-current assets that ceased to be classified as held for sale is measured at the lower of its carrying amount before the asset was classified as held for sale or for distribution, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been so classified, and its recoverable amount.

Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

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12. Assets held for sale and liabilities directly associated with the assets held for sale (continued)

(b) Valuation process

The Company measures its non-current assets held for sale at historical cost as this amount is lower than the asset's fair value less cost to sell. The fair value less cost to sell estimate involves significant judgment and assumptions. As at 30 September 2020, management performed a valuation using both the discounted cash flow (DCF) and market approach to determine the fair value less cost to sell.

As at 30 September 2021, the non-current assets ceased to be classified as held for sale and were measured at the lower of carrying amount before the assets were classified as held for sale adjusted for depreciation that would have been recognised had these assets not been so classified; and its recoverable amount

Management assessed the recoverable amount by performing a value in use (VIU) calculation. The fair value less cost to sell and recoverable amount using value in use calculations were determined to be higher than the carrying amount as at 30 September 2020 and 30 September 2021 respectively.

Fair value measurement

At the date of classification as held for sale, the Company estimated the fair value less costs to sell of these assets and recognised a write down of these assets to the fair value less costs to sell (Note 19). Also, fair values of financial instruments measured at amortised cost are disclosed in the relevant notes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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13. Capital and reserves

	2021	2020
<i>(a) Stated capital</i>	\$	\$
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 share issued for TT\$1.00	<u>—</u>	<u>—</u>
<i>(b) Currency translation differences</i>		
Currency translation differences	<u>3,884</u>	<u>11,002</u>

This represents cumulative foreign currency translation differences between the Company's functional currency which is United States dollars and its presentation currency which is Trinidad and Tobago dollars.

(c) Accounting policy

Stated 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 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.

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.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's directors.

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14. Decommissioning provision	Note	2021 \$	2020 \$
Balance at 1 October		734,045	681,298
Revision of estimates	11,12	(221,200)	52,747
Unwinding of discount	19	47,145	–
Foreign exchange difference		<u>(1,742)</u>	<u>–</u>
Balance at 30 September		<u>558,248</u>	<u>734,045</u>

On 1 December 2018, the terminalling dismantlement provision of \$796,481 was transferred from Petrotrin to Paria. As at 1 April 2019, all provisions relating to the terminalling assets were classified as held for sale and continued to be classified as held for sale as at 30 September 2020. As such the balance as at 30 September 2020 of \$734 million was presented in the 2020 financial statements as liabilities directly associated with the assets held for sale (Note 12).

As at 30 September 2021, the Company's assets are no longer classified as held for sale as explained in Note 1. This has resulted in the balance as at 30 September 2021 of \$558 million presented in the financial statements as a non-current decommissioning provision.

The current year finance charge of \$47 million includes an amount of \$23 million in respect of the catch up adjustment for prior periods because the assets cease to be classified as held for sale in 2021 (see note 12). The amount for revision of estimates of \$221 million resulted in an opposite impact to the dismantlement asset disclosed in Note 11 above, and arose also because of the change in classification.

For the year ended 30 September 2021 and 2020, the dismantlement costs were based on management estimates including information provided by an independent third-party service provider. As at 30 September 2021, the provision has been estimated using existing technology, at current prices using an escalation rate of 2.63%, and discounted at rates between 4.26% and 7.00% based on the estimated timeframe to decommissioning .

As at 30 September 2021, a 1% change in key assumptions would result in change to the liability as noted below:

1% increase escalation rate	-	TTD 52.8 million increase in liability
1% decrease escalation rate	-	TTD 45.9 million decrease in liability
1% increase in discount rate	-	TTD 44.6 million decrease in liability
1% decrease in discount rate	-	TTD 51.9 million increase in liability

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14. Decommissioning provision (continued)

(a) Accounting policy

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.

Decommissioning liabilities

Obligations related to the removal of tangible equipment and the restoration of land once operations are terminated. It requires the recognition of a significant provision for decommissioning. To determine the costs to dismantle all terminalling assets; tanks, plants, berth & jetties, building and offsites (piperack), quotations were obtained for the cost estimates for the labour, material and equipment. Estimating the future cost of asset removal is difficult and requires Management to make estimates and judgements because most of the removal obligations are many years in the future, and related contracts and regulations often contain vague descriptions of what constitutes removal. Asset removal technologies and costs are constantly changing.

The amount recognised is the net present value of the estimated cost of decommissioning at the end of the economic useful lives of the assets. Such cost includes the removal of equipment and restoration of the land. The unwinding of the discount on the provision is included in the statement of comprehensive income within finance costs.

A corresponding dismantlement asset is also created at an amount equal to the provision. This is subsequently depreciated based on the useful lives of the terminalling assets. Any change in the present value of the estimated expenditure or discount rates are reflected as an adjustment to the provision and the dismantlement asset.

Provisions are measured at the present value of the expenditure expected to be incurred to settle the obligation using a risk-free rate in the same currency as the obligation and with similar maturity. These discount rates are obtained from the Central Bank of Trinidad and Tobago Yield Curve and the escalation rate is obtained from Oxford Economics report.

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14. Decommissioning provision (continued)

(a) *Accounting policy* (continued)

Environmental liabilities

Together with other companies in the industries in which it operates, Paria is subject to local environmental laws and regulations concerning its terminalling and other activities. 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.

No provision for environmental liability was recorded as at 30 September 2021 (2020: Nil).

	2021	2020
	\$	\$
15. Trade and other payables		
Trade payables	376,860	215,981
Accruals	<u>264,779</u>	<u>223,322</u>
	<u>641,639</u>	<u>439,303</u>

(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.

(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.

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16. Revenue from contracts with customers	2021	2020
	\$	\$
<i>Local</i>		
Refined products	3,536,421	3,160,877
Bunkering	200,429	171,675
Other revenues from customers (refer to note 18)	138,859	126,412
<i>Regional</i>		
Refined products	3,420,032	2,918,432
Bunkering	<u>512,395</u>	<u>499,178</u>
	<u>7,808,136</u>	<u>6,876,574</u>

Accounting policy

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

Revenue is recognised when control of a good or service transfers to a customer. A five-step process is 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.

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.

(i) Refined products

Revenue of refined product via shipment is recognized when the refined product passes through the vessel's inlet manifold flange at the loading port. For sales of refined product via road tank wagons, revenue is recognized when refined product passes at the inlet point of the road tank wagon. It is at that date; the risks of loss are transferred to the acquirer.

For local refined products, payment is due by the 26th day of the subsequent month for unsubsidized amounts. For regional refined products, payment is due by the 11th day after invoicing.

(ii) Bunkering

Revenues from bunkering are recognized upon shipment when, at that date, the risks of loss are transferred to the acquirer.

For local bunkering payment is due 16 days after the bill of lading date. For regional bunkering, payment is due 21 days after the bill of lading date.

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17. Expenses by nature

	Note	Year ended 30 September 2021		
		Cost of sales \$	Administrative expense \$	Operating expense \$
Purchases (product)		7,076,897	–	–
Movement in inventories		(160,724)	–	–
Employee benefit expense	20	6,187	23,543	11,105
Depreciation and amortisation		261,013	5,851	22,725
Green fund levy		–	23,427	–
Insurance		7,282	652	–
Net movement in foreign exchange		–	–	(23)
Utilities		–	–	6,516
Legal and professional fees		–	3,487	–
Contract services		7,380	96	141,427
Key management personnel remuneration		–	4,694	–
Director's fees		–	289	–
Demurrage		–	541	–
Management fees		–	3,084	–
Operating supplies – Materials & supply		–	–	9,774
Withholding tax – Barge rental		–	–	3,901
Other		–	3,904	7,840
Total		<u>7,198,035</u>	<u>69,568</u>	<u>203,265</u>

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17. Expenses by nature (continued)

	Note	Year ended 30 September 2020		
		Cost of sales \$	Administrative expense \$	Operating expense \$
Purchases (product)		5,987,805	–	–
Movement in inventories		372,645	–	–
Employee benefit expense	20	5,656	10,368	13,212
Depreciation and amortisation		–	152	20,926
Green fund levy		–	20,651	–
Recovery of bad debts		–	(664)	–
Insurance		4,756	636	–
Net movement in foreign exchange		–	–	5,606
Utilities		–	–	6,246
Legal and professional fees		–	577	–
Contract services		6,741	–	118,427
Key management personnel remuneration		–	4,688	–
Director's fees		–	268	–
Demurrage		–	(854)	–
Operating supplies – Materials & supply		–	–	9,241
Withholding tax – Barge rental		–	–	3,945
Management fees		–	3,084	–
Other		–	6,259	4,823
Total		<u>6,377,603</u>	<u>45,165</u>	<u>182,426</u>

18. Other revenues from customers (refer to note 16)	2021 \$	2020 \$
Wharf dues	29,405	13,542
Tug hire	5,650	5,031
Barging fees	16,183	17,057
Launch hire	11,819	10,882
Pipeline fees	63,889	64,960
Filling, handling and rack filling fees	6,818	7,036
Other (service fees, commission, laboratory & utilities)	<u>5,095</u>	<u>7,904</u>
	<u>138,859</u>	<u>126,412</u>

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	2021	2020
	\$	\$
19. Net finance cost		
Bank charges	122	62
Finance charge on decommissioning provision (Note 14)	47,145	–
Finance income	(692)	(252)
Interest on lease liabilities (Note 6)	<u>1,724</u>	<u>1,635</u>
Net finance costs	<u>48,299</u>	<u>1,445</u>

Accounting policy

Finance income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

	2021	2020
	\$	\$
20. Employee benefits expense		
Salaries and wages	23,384	20,367
Housing	1,844	1,763
Vehicle	3,251	3,150
Telephone, overtime and other allowances	7,207	1,136
Pensions	1,517	933
Medical insurance	2,276	607
National insurance	<u>1,356</u>	<u>1,280</u>
	<u>40,835</u>	<u>29,236</u>
Broken down as follows:		
Cost of sales	6,187	5,656
Administrative expenses	26,526	10,368
Operating expenses	<u>12,819</u>	<u>13,212</u>
	<u>45,532</u>	<u>29,236</u>

Retirement arrangements for the Company's current permanent employees are administered through individual policy contracts under defined contribution arrangements.

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21. Contingent liabilities

(a) Guarantees

The Company (as well as Heritage and Guaracara) is a Guarantor of the parent company's, (TPHL's) senior secured and unsecured debt obligations comprising (Note 2 (a)):

- (i) US\$603,000 Senior Secured Term Loan facility made up of a Tranche A and Tranche B with varying interest rates and principal repayment dates.
 - Tranche A comprises a US\$388,000 loan with a three (3) years tenor maturing 15 June 2022. Interest on this tranche is at US 3-month LIBOR plus step-up margins at different intervals and payable quarterly in arrears, commencing 15 September 2019. Principal will be amortised quarterly at five percent (5%) beginning 15 June 2021, with the remaining balance payable at maturity. As at 30 September 2021, the principal balance outstanding on Tranche A was US\$325,106 (TT\$2,198,695). The interest rate as at 30 September 2021 was 6.116%.
 - Tranche B comprises a US\$215 million loan with a seven (7) years tenor maturing on 15 June 2026. Interest on this tranche is at US 3-month LIBOR plus a margin and payable quarterly on the respective Tranche A interest payment dates. Equal principal amortisations are scheduled from 15 December 2020 and continue quarterly until maturity date. As at 30 September 2021, the principal balance outstanding on Tranche B was US\$166,988 (TT\$1,129,338). The interest rate as at 30 September 2021 was 6.616%.
- (ii) US\$570,265 9.75% Senior Secured Notes. Interest on these Notes is payable quarterly in arrears, commencing 15 September 2019 and the principal balance is due at maturity on 15 June 2026. As at 30 September 2021, the principal balance outstanding on these Notes was US\$570,265 (TT\$3,856,702).
- (iii) 6.00% amortising Senior Unsecured Notes which mature on 8 May 2022. Principal amortisation and interest on these Notes are payable semi-annually in arrears on 8 May and 8 November, respectively. As at 30 September 2021, the principal balance outstanding on these Notes was US\$20,738 (TT\$140,248).

As a guarantor on TPHL's Senior secured loan Paria is also required to comply with the following other obligations:

- (i) Senior lenders have a first priority security interest under New York law and/or Trinidad and Tobago law as applicable over certain of the Group's assets including equipment and fixtures, inventory and receivables
- (ii) Days Sales outstanding (DSO) defined as receivables outstanding at quarter end divided by gross sales or revenue for the quarter multiplied by number of days in the quarter shall not exceed sixty (60) days.
- (iii) 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.

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22. Commitments

(a) Sales commitments

The Company has entered into sales contracts with a number of its customers. At the reporting date, these amounted to approximately \$1.1 billion. 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 and can vary from the above estimate.

(b) Purchases commitments

Purchases commitments as at 30 September 2021 amounted to approximately \$5.4billion.

Product	Barrels (‘000)	\$'000
GasOil	3,278	1,493,563
GasOil (ULSD)	1,000	509,557
Mogas 95 RON	2,729	1,454,354
Mogas 92 RON	2,535	1,287,814
JET	1,129	566,952
Fuel Oil	<u>150</u>	<u>73,085</u>
Total	<u>10,821</u>	<u>5,385,325</u>

23. Events after the reporting period

On 25 February 2022, there was an incident at #36 Sealine Berth #6 at Paria involving five contractor employees from LMCS Limited. LMCS was contracted to perform maintenance work on #36 Sealine and while undertaking that work an event occurred that resulted in the five employees ending up in the 30" pipeline. Four of those employees lost their lives. The incident is under investigation by several different agencies, including the Occupational Safety and Health Authority and Agency and the Trinidad and Tobago Police Service. The Government has also announced that a Commission of Enquiry would be formed to investigate the circumstances that led to the death of the four workers, and any related implications will only be understood on the completion of these investigations.